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Money: Kind of Natural

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Money: Kind of Natural

by

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A THESIS

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Abstract

In this thesis I determine what is required in an account of money. I compare John's Searle's idea of institutions, as ontologically subjective, to Francesco Guala's idea of an institution as a functional, rule-based equilibrium. I find both, as accounts of money, to be inadequate on their own. In response, I develop a new account of money which has functional components akin to Guala's but with the addition of intentionality. This adds mind-dependence back into the account of money but, if Khalidi's theory of social kinds is correct, my account of money is still open to scientific investigation, because it might be kind of natural.

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1923 - GERMANY PRESIDENT F. EBERT
REACTS TO THE NEWS: THE ALLIES NOW
WANT COAL INSTEAD OF DEUTSCHMARKS



1.0 Inside Out

What makes something money? To answer this question, we need to understand the necessary conditions of being money, or, what actually counts as money. Is money whatever acts like money? Or is it whatever we collectively agree is money?

If money is whatever we collectively agree or believe it to be, then all we need to do to determine if something *is* money, is to ask ourselves if we *think* it is money. The knowledge comes from inside the society. If we collectively believe that something is money then regardless of how it functions, it is.

If that which makes something money is how it functions, then what matters is whether or not it behaves like money. The knowledge comes from outside. If something is functioning like money, then regardless of what we believe about it, it is money.

Our view of money determines the role social sciences should play. If our knowledge comes from within, meaning that it involves our intentionality, external observation will be unable to tell us anything we don't already know: we created it, after all. If our knowledge comes from outside, meaning that it exists outside of our intentional states, there is a role outside observers can play: they can determine whether something is working as money or not.

In my thesis I explore two prominent, but conflicting, theories of money. Each view explains money as an institution, but they disagree on what an institution is and what the necessary conditions of an institution are. The first view I explore comes from John Searle. He thinks money is determined from inside the relevant social group. As an institution it is mind-dependent and ontologically subjective, because it requires collective acceptance and an

assignment of function on to some entity that can't function without such an assignment. By collectively accepting or intending the assignment, we are bestowing a sort of power onto the entity, and thus, it is able to perform the function in the right circumstances.

The second view comes from Francesco Guala. He thinks money is determined from outside. Money can be an institution, because institutions, according to Guala, do not require collective acceptance and intentionality in the way they do on Searle's view. Institutions result when people follow rules and this leads to an equilibrium that can be seen and understood from the outside. If certain rules are followed consistently they become institutions, due to how they function. For Guala, money is whatever functions as a medium of exchange, a unit of account, and a store of value.

In my thesis I look at both these accounts of institutions and how they explain money. Each theory fails to adequately explain money on its own, so I have developed my own account of money. Money requires intentionality *and* function. Money has properties that allow us to discover, predict, and generalize money.

Searle and Guala both hold the view that if money is mind-dependent it is unamenable to scientific investigation. For them, mind-dependence acts as the sorting mechanism between entities that are natural and open to investigation, and ones that are not. Muhammad Khalidi thinks we have an unjustified fear of mind-dependent kinds. He argues that our fear that mind-dependence makes things inherently unnatural prevents us from learning real things about ourselves and this world. Instead of using mind-dependence as a criterion with which to sort, we should sort by our epistemic aims. What can we know about something? If we can learn something then, even if mind-dependence is involved, we should be able to treat it as though it can tell us about ourselves and this world. If money has properties that allow it to act like kinds

in the natural sciences, why can't it be treated like an object of natural science, i.e. be open to investigation? Mind-dependence on its own is not a sufficient justification for treating something as non-natural, or beyond scientific investigation.

The following is the breakdown of the chapters. The first portion of the thesis will focus on the explanation of two dominant and opposing views of institutions, and on money as an institution. In chapter two I look at Searle's theory of institutions and how their mind-dependence separates them from mind-independent kinds like those found in natural sciences. In chapter three I will explore Guala's theory of institutions as rules we are incentivized to follow. When we follow these rules consistently they act as an equilibrium—an institution—which means that what makes something an institution is how it functions. In chapter four I defend Searle's view of institutions against Guala's misplaced attack. I then compare their theories of money.

The next portion of the thesis will focus on my own account of money. In chapter five I show the problems that arise from both Guala and Searle's views and how my account is a solution to both problems. Money must function, but for it to do that people must use it as a medium of exchange for its *exchange value* and not its use value. Requiring this intentionality means mind-dependence is still a component of my account. For Searle and Guala, being mind-dependent means the kinds are unnatural and as such not open to study by social scientists. In the last section of the thesis, chapter six, I will argue that money should be open to scientific study, despite its mind-dependence. I will explain Khalidi's view of social kinds and how they are candidates for natural kindhood. If we sort things based on our epistemic aims rather than on mind-dependence, some social kinds, like money, could be natural kinds. My account of money

is mind-dependent, but it also has features from which we can learn. This means that money might be kind of natural.

2.0 Money is Power

To understand modern philosophical accounts of what money is, we must understand John Searle's theory of institutional reality. Many contemporary theorists of money use Searle's theory to either support their own or they use it as a target to disprove in favor of another theory. Searle believes money is an institution. As humans we have mental capabilities (minds) and we are social beings. Together, we have created and continue to create a social reality that is comprised of facts that, without us, would not exist. A fact like "this piece of purple paper is a ten-dollar bill" is only a fact because it fits a set of conditions we have collectively imposed upon it. Searle thinks we must understand *why* money is an institution to understand how it comes into existence.

This chapter is divided into three sections. In 2.1 I explain Searle's view of the world: something that is divided into two ontologies. In 2.2 I focus on Searle's institutional facts and how they are derived. Section 2.3 is focused on the important role collective acceptance plays in the creation and maintenance of money.

2.1 Objective and Subjective Reality

Searle's inspiration for developing a theory of social and institutional reality is that "we need to explain how we create, out of subjective attitudes such as beliefs and intentions, a reality of corporations, money, and economic transactions, about which we make objectively true statements" (Searle, 2005, p. 4).

Searle explains this phenomenon by distinguishing ontology from epistemology, and their respective objective and subjective parts. Epistemology refers to knowledge; ontology

refers to the nature of being or existence. Ontologically speaking, the existence of an entity can be objective or subjective. Something is ontologically subjective if its existence depends on its being experienced by human or animal subjects (Searle, 2010, p. 18). If these subjects are taken out of the equation, whatever is left is ontologically objective. A pain or a tickle is ontologically subjective because its existence requires that it be felt by a subject, whereas a mountain is ontologically objective, because it exists independent of any perceiver or mental state (Searle, 1995, p. 8).

For Searle (2005) where ontology refers to existence, “epistemic objectivity and subjectivity are features of *claims*.” To say something is epistemically subjective entails making a judgment that is based on the feelings or attitudes of the makers of the statement. For example, I consider my left foot to be more attractive than my right one. An epistemically objective statement, on the other hand, “must be true or false independently of the feelings and attitudes of the makers and interpreters of the statement” (p. 4).

The statement will be true if there is an objectively true fact that corresponds to it (Searle, 1995, p. 8)¹. A fact is a condition that, when satisfied, results in truth or a true statement (Searle, 1995, p. 202). This understanding of fact is necessary for the creation of institutional facts – which I will discuss in the next section.

Searle considers the difference between epistemic subjectivity and objectivity to be one of degree. The epistemic deals with issues of claims. Someone can remark that a certain mountain is beautiful and the content of that claim will be epistemically subjective because it depends on their own personal opinion on the matter. I can hear them make this claim and then

¹ Searle (1995) relies on the correspondence theory of truth for his understanding of facts and truth.

say, “That person says this mountain is beautiful.” This would be an objectively true claim because it corresponds to a fact, the fact that they made such an utterance. Whether the mountain is beautiful or not is subjective, whereas the fact that they are saying something about the mountain – it is beautiful – is an epistemically *objective* fact about which an objective claim can be made. If we had both looked at the mountain and said “we think this mountain is beautiful” this would be a claim that displays the difference of degree because it is both epistemically subjective and objective. I am making a subjective claim or utterance about my feelings toward the mountains and an objective claim about my partner’s utterance. My partner is doing the same. In the case of my thinking my left foot is nicer than my right, it would be a subjective claim that I utter, but someone could make an objective claim *about* the utterance. Whether my left foot is nicer is epistemically subjective; the fact that I think it is nicer is epistemically objective.

2.2 The Making of an Institution

Intentionality: collective and individual. A “we” statement exemplifies collective intentionality. Collective intentionality is what helps create institutions. It creates something that is epistemically objective while also being ontologically subjective. The institutions are mind-dependent and intentionality-dependent; that is, they require beings with minds and attitudes toward them for existence. They are clearly ontologically subjective, yet, because the truth or falsity of the claims is not dependent on our attitudes and opinions, they are epistemically *objective* (Searle, 2010, p. 18).

Intentionality is the general directedness of mind a person has toward something or someone. It encompasses desires, beliefs, intentions, etc. which must be directed at something. Our intentions happen in our minds individually, yet there is collective intentionality through

which we create social facts. In collective intentionality, two or more agents believe something in tandem. It is not collective intentionality if both of them just happen to believe the same thing at the same time. Instead, they must be thinking in “we” terms. There is a fence between my house and my neighbor’s house. We sometimes talk to each other as we lean up against our respective sides of the fence. We both expect each other to stay on our own side of the fence. As I lean against it I don’t think to myself “I believe that my neighbour believes that this fence marks a boundary.” Rather, we both have a concept of this green wire object we call “fence” such that we collectively believe the fence is a boundary. If someone who has never seen a fence came and asked us what the green wire object was we would both say “It’s a fence” and explain that it marked a boundary. My neighbour would not reply “I believe Sarah thinks it’s a boundary, and she thinks I think the same,” because we both know the fence to be a boundary since we *collectively intend* it to be so.

All of our institutions require this type of collective intentionality in order to exist. If I were to point to a couple and say that they are married and, provided the person I was talking to came from the same society as me, that person would understand what I meant by marriage. We would both understand what was meant by that statement, because we both understand what marriage means. Collectively, we believe it is not just noises coming out of my mouth when I point at the couple; rather, it is a word that signifies a type of institution representing a function. The institution of marriage requires people’s collective intentions, so for the couple to be married we must have intentions toward the marriage. If the couple did not have the intention that they are married, even if they *behave* in a marriage-like way they are not married, because institutions depend on our intentions, not our behaviors.

Searle uses the distinction between objectivity and subjectivity in ontology and epistemology to solve his conundrum about how we get these true claims that are epistemically objective yet depend on people's ontologically subjective attitudes. From that he explains how we get institutional reality. Collective intentionality is one of three necessary components for the existence of institutional reality and on its own is not sufficient to guarantee institutional reality. Both humans and many species of animals have the capacity for collective intentionality (Searle, 2005, p. 6); it is the basis of social reality. A social fact is any fact involving the collective intentionality of two or more agents (Searle, 2005, p. 6). A wolf pack hunting a deer would be a social fact because the wolves are only hunting the deer when they collectively intend to be hunting the deer. It isn't the case that one of the wolves happens to be going for a pleasure run at the same time and in the same way as those wolves that are hunting. In the same way two people getting married is a social fact; both actions require collective intentionality. The two examples are importantly different, however. The wolf hunt is just a social fact, whereas the marriage is an institutional fact. Institutional facts are a special sub-class of social facts (Searle, 2005, p. 7). They require a component that goes beyond collective intentionality; that is, the assignment of a *status function*.

The assignment of function and status function. We have the capacity to impose functions on objects such that the function exists by virtue of the assignment.² A key feature of this category is intentionality-dependence: the object requires an assignment of function to be what it now is considered to be. For example, a toy blowfish is just a toy blowfish until someone

² The ability to assign a function not unique to humans. Things like birds' nests and beaver dams are examples of an assignment of function (Searle, 2005, p. 7). Searle does think only humans have a special type of *derived* intentionality which allows us to assign status functions to things. He considers language itself to be this intentionality (Searle, 2006, p. 102). It is very likely that Searle is wrong that this intentionality –the ability to represent and symbolize things- is unique to humans. This does not wreck his view, it just means that if some social animals do have language in the Searlean sense, Searle will need to allow them into his theory of institutions.

assigns it the function of being a ball and throws it. The objects that are assigned a function are intentionality-relative in that they do not function as the thing on their own. A blowfish is not a ball unless people intend it as such. In this case, though the ball requires the *assignment* of the function, it performs the function of being a ball by virtue of its physical structure. The physical possibility of using it as a ball is a necessary component of it being intended as a ball.

There is a different type of function assignment that distinguishes social facts from institutional ones: the assignment of a status function to some entity, a status function that the entity does not perform by virtue of its physical structure. In these cases, it is the collective intentionality or recognition of the entity as representing something that allows the entity to function in some way. If the blowfish is assigned a function that it can perform *only* by virtue of a collective agreement as to that function *and* not due to its physical structure alone, it is assigned a status function. For example, the blowfish could be assigned a status of designating a speaker in a classroom. Whoever holds the blowfish is permitted to speak, and any one without the blowfish must remain silent until they receive the blowfish. The physical structure of the blowfish has nothing to do with the assigned permission to speak. The status function is assigned and maintained by collective intentionality, because there is nothing about the blowfish physically that would allow it to act as an indicator of the right to talk.

Objects can transition between a mere physical function and an assigned status function over time. Imagine a set of stones is constructed around a village to create a wall. If the stones are high enough, they accomplish the physical function of preventing people from crossing. Now imagine the wall has become low enough that it is no longer a physical deterrent though it is still considered a boundary. The time lapse in assigning a status function is fine. “The transition from physical function to status function can be gradual, and there may be no exact point at which we

can say the status function begins and the physical function ends.” (Searle 2005, p. 8) Once it no longer has the capability to prevent crossing due to its physical structure, we can say it has a status function that is not dependent on its physical structure. As long as people continue to treat the low wall of rocks as a boundary, it remains such despite its physical inadequacy as a barrier (Searle, 2005, p. 8). Because the physical features of the rocks are insufficient to guarantee that the wall will act as a boundary by virtue of its physical structure alone, there must be continued acceptance or recognition of the validity of the assigned function (Searle, 1995, p. 45). Collective intentionality, directed at the stones, is what makes it a boundary; this is the assignment of function. From this we create objective facts. Status functions carry with them new possibilities of action that don’t exist without the collective acceptance of the function, and this possibility of action allows us to construct our societies from the institutions within it.

Humans and some animals can assign functions to objects by virtue of their physical structure, without collective intentionality, because the object can simply *act* as the function. I can intend a log to be a bench and sit on the bench even if my neighbour refuses to see it as such. If the fence between my neighbor’s house and mine is physically a large structure that prevents me from crossing, the fence has an assigned function that it performs by virtue of its physical structure and is just a brute fact.³ The objects that are assigned functions by virtue of their physical structure are only limited by sheer physical possibility (Searle, 1995, p. 94). If the fence between our houses is only a row of rocks that we can easily step over, they will not constitute a boundary unless both my neighbour and I intend them to. The row of rocks which cannot act as a physical barrier can only have the function of boundary if we collectively intend it to have such a status. Without the collective intending, the rocks are just decorations or a tripping hazard, or if

³ A brute fact is any fact that is independent of an institution (Searle, 1995, p. 27).

my neighbour intends the rocks to be a boundary while I don't, the rocks will not be a boundary and my neighbour and I will both be confused when I use his lawn to play bocce and he runs out to ask me what I am doing on his lawn. The rocks will not have the function of a boundary unless we collectively intend them to have that status, because their physical features are insufficient to guarantee they will fulfill the assigned function; if there is no collective intention, the rocks would not qualify as a boundary (Searle, 1995, p. 45).⁴

Institutions and institutional facts. The final step in accounting for the move from social fact to institutional fact allows for this general form of description: *X counts as Y in context C* (Searle, 2005, p. 7). The X term identifies a certain feature (or an object, person, state of affairs etc.); the Y term is the assignment of a special status to the X; the C term specifies the context in which the assignment takes place. X counts as Y is the form of a status function where we collectively intend X to have the function Y. An example of this would be when the toy blowfish (X) counts as the talking-indicator (Y) when thrown in a certain class (C). Referring back to the example of a boundary as an institutional fact, a set of stones (X) counts as a boundary (Y) when placed as a wall around a village (C).

It is this set of rules that gives us our institutions and our institutional facts. With only collective intentionality we have social reality, but when we can add a status function through collective intentionality, it becomes an institutional fact about which we can now make objective claims. This is our institutional reality. Institutional reality is significant because it *creates* power. Searle (2010) considers power to be capacity: it can exist without being used or exercised

⁴ Searle (2010) does think an individual can construct a "private" institution, but since only the individual will see the institution as a reason to act a certain way and no one else is involved the institution isn't really relevant to the social world (p. 60). After all, if no other people recognize the deontic relationship in your institution, "your power isn't worth a damn" (Searle, 2005, p. 11).

(p. 145). For physical functions, the entity can only do as much as it can physically do. The blowfish can only perform a limited amount of physical function's like being a ball or maybe a floating device in a pool. Status functions are not limited in the same way. We can create many sorts of powers through collective agreement. We can assign the role of talking-indicator to the blowfish or we could use it as the newest form of Canadian currency after the Toonie called the Puffie. The possibilities are endless, because we create them through collectively imposing a status function onto something. We have the capacity to *represent* the blowfish as being an object that permits or denies talking (Searle, 2006, p. 19). It is from this *representation* of X (the blowfish) as a talking tool (Y), not the brute physical *fact* of X, that we get our institutions. Institutions are enabling for societies because they create a special kind of power including rights, duties, obligations, authorizations, permissions, empowerments, requirements and certifications (Searle, 2005, p. 10). These are deontic powers, powers of duty and responsibility. All status functions carry these powers and it is the status functions that are the glue holding society together. They are created by collective intentionality and they function by carrying deontic powers (Searle, 2010, p. 9).

Deontic powers are unique because they provide us with a reason for acting which is independent of our inclinations and desires. As we each recognize constitutive rules, we recognize our duties, rights etc. in relation to those rules (Searle, 2010, p. 9). If I decide to steal a book from a professor, I recognize I am violating their rights when I abscond with the book. I recognize the institution of property and ownership when I appropriate the book and try to make it my own. If I lacked the intentional state of believing in the institution of private property, the idea of stealing would hold no meaning for me, and if enough people stopped believing in the institution of private property that, too, would cease to exist. But if it is simply the case that I

dislike private property and I displayed this by stealing the book, it still follows that I recognize the existence of private property. By stealing the book I am confirming the institution and the deontic power that comes from the status function of the institution. An individual's personal feelings toward an institution are irrelevant to the existence of the institution; all that matters is that the person recognizes the institution in question.

An institutional fact has the logical structure X counts as Y in C, where the Y term assigns a status function and that status function carries a deontology. To return to the blowfish example, the blowfish (X) counts as a symbol (Y) in the classroom (C). Y carries with it deontological rules that give reasons for acting or not acting. For example, if someone besides me is holding the blowfish, I have a reason to remain silent while the person with the blowfish should be talking. Even if I want to speak I won't, because I recognize the power of the blowfish. I have a desire-independent reason for acting. If suddenly the entire class stops believing the blowfish carries this deontology, the institutional fact we created ceases to exist. It could be a gradual cessation, or instant. All that is required for it to lose its capacity is for enough people in the class to stop believing it can function the way the status indicates it can, and suddenly the institutional fact of the blowfish ceases to exist (Searle, 1995, p. 117).

Institutional facts can come from institutions, they can help create institutions, or, in some cases, they can be separate from an institution, being a single occurrence of X counting as Y in C. For example, if a boundary remains a boundary despite the physical structure, changing it takes on a status function. However, it is just an institutional fact and not part of an institution unless recognizing the structure becomes regularized, such that any structure of that kind in such a circumstance counts as a boundary. Also, following a certain set of rules when using a board, pegs, and cards counts as playing a game of cribbage. If an institution happens when the

occurrence of counting X as Y becomes regularized⁵ it becomes a constitutive rule of the form X counts as Y in C. Such a system automatically creates the possibility of institutional facts because an institutional fact is simply an occurrence of X counting as Y in C (Searle 2010, p. 10).⁶ These are objectively true facts but are only made possible through the constitutive rules which say something like the following: if a person (X) is elected by the people to rule the country (C) they will be the Prime Minister (Y). These rules are constitutive since they “constitute the very behavior they regulate, because acting in accordance with a sufficient number of the rules is constitutive of the behavior in question.” (Searle 2005, p. 9). For example, following the rules of electing someone to be Prime Minister would lead to their being a Prime Minister.⁷

From collective intentionality and the assignment of a status function, we get our institutional reality. Here Searle makes a very strong claim: it is the status functions that are the glue holding our society together, “the institutional ontology of human civilization...is a matter of status functions imposed according to constitutive rules and procedures” (Searle 2005, p. 9). We now have a principle for determining what an institutional fact is. It is something that requires the constitutive rule X as Y in C; it exists only by virtue of collective acceptance of something’s having a certain status, and this status function assignment can only come about through collective acceptance of the status. So an institutional *fact* has the logical structure X

⁵ There is a gradual transition between informal but accepted assignments of status functions to full-blown established institutions with codified constitutive rules (Searle, 2005, p. 10).

⁶ For example I am a licensed driver is an institutional fact as part of the institution of the government of Canada and its driving laws

⁷ People who collectively accept Justin Trudeau as Prime Minister could be wrong about why he is the Prime Minister, they could think he is divinely authorized. For institutions to be maintained they don’t require that people have the *correct* beliefs about constitutive rules, rather they must continue to recognize the X as having Y status function (Searle, 1995, p. 47).

counts as Y in C, whereas an *institution* is any system of constitutive rules of the form X counts as Y in C (Searle 2005, p. 10).

Institutional reality. Institutional reality differs from general social reality due to the status functions imposed according to constitutive rules and procedures. Social reality is any reality stemming from collective intentionality, and institutional reality is a subset of social reality. From institutions and institutional facts we have status functions, which give us access to power just from collectively intending some X to be Y. From that we get “the glue that holds human societies together” (Searle, 2005, p. 9). This is how we are able to create facts that depend on our subjective attitudes and thus have a subjective ontology that is also an epistemically objective institutional reality (Searle, 2005, p. 4).

Now that we have seen Searle’s theory of institutional reality, we are in a position to understand how he thinks money is part of an institution, and how it hinges on collective acceptance rather than merely how it functions. For money to exist there must be collective acceptance of the role of money which is to play a part in a network of practices – buying, selling, earning, etc. – as long as someone believes money is a medium of exchange, a repository of value, a payment for debts, etc. (Searle, 1995, p. 53).

2.3 Collective Acceptance = Money

Recall that a social fact is any fact arising from collective intentionality. When it comes to the creation of institutions by people collectively intending that some X counts as some Y, they give the Y the deontology it requires to function. So if people collectively intend some piece of paper (X) to count as money (Y) they are giving the piece of paper the status it needs to function as a unit of exchange, repository of value etc. The word money itself is unnecessary;

rather, what matters is the idea that some X counts as a unit of exchange (Searle, 1995, p. 63). Once people collectively intend something to count as a unit of exchange, they have created money. Money does not require someone proclaiming that “this purple piece of paper with the perfect likeness of our great-but-at times-misguided Prime Minister, John A. Macdonald, now bestows upon the possessor an exchange power of \$10.00 Canadian dollars.” What is required is people collectively intending/viewing/recognizing/accepting⁸ the piece of paper as a means of exchange.

For some X to count as money, it must be viewed as something that can be exchanged, rather than something that has intrinsic worth by virtue of which it is exchanged. That does not mean something with physical worth cannot be exchanged as money. Searle (2005) points out that often institutional facts evolve out of natural ones (p. 11). Money could evolve out of something that was once seen as having value by virtue of its physical structure rather than by virtue of its assigned status. When people start to view the thing as being something that can be used to exchange in the future, we have money. Here is a conversation between two people that will illustrate the role of money.

Bawlf Alberta. *In the village of Bawlf in central Alberta two villagers linger after a particularly exciting church service. The reason for the excitement? Several odd-looking tokens in the offering basket. A visitor to the village of Bawlf had placed them there at the beginning of the collection time and now the whole congregation is in a tizzy over the incident. Two members, Bob and Martha, are discussing whether or not the tokens could count as money.*

⁸ Searle uses these terms interchangeably throughout his work.

Martha: “I don’t know what he was trying to prove with those tokens; he *must* know they aren’t worth anything.”

Bob: “But maybe they *are* worth something where he comes from. Maybe they have value in his city.”

Martha: “So? It doesn’t matter what people in other places think is money, it’s what those around you think counts as money.”

Bob: “But isn’t it still money? I mean, he would call that “money” regardless of what Bawlfians think.”

Martha: “Well, you don’t need the literal word “money” but you need to know what you are doing. You need to see the thing as having *exchange* value. Otherwise you wouldn’t be using it to exchange.”

Bob: “What if it just happens to work as an exchange? Like maybe I go into the general store and while I’m reaching for a chocolate bar some tokens fall out of my pocket. Stan, who is working that afternoon, sees these tokens, decides he likes the look of them and says “have a nice day” which indicates to me that my tokens acted as a unit of exchange for him.”

Martha: “I dunno Bob. That sounds a lot like lucky bartering to me.”

Bob: “Bartering?! Those tokens were just like coins. People barter with beads and stuff.”

Martha: “Not necessarily. What matters is that Stan wants the tokens because he thinks they look cool, or some other reason that the tokens fulfill because of what they are like physically - which is just straightforward bartering, like if you and I decided to swap our tractors. My tractor

wouldn't count as money nor would yours. We want each other's tractors because of what they can physically do for us.

Bob: "Your tractor is a piece of junk, I wouldn't trade you."

Martha (*rolling her eyes*): "That isn't the point Bob. I was just trying to demonstrate the difference between a bartered good and money."

Bob (*Snidely*): "'Good' implies that something actually has value."

Martha: (*makes a mental note not to invite Bob to the next branding*)

Bob: "What if Stan thought it was money?"

Martha: "Well, I suppose if Stan saw the tokens as being something he could use to exchange with someone else then it could be money, but he would need to be seeing them as something he could use to exchange in the future."

Bob (*sarcastically*): "So you're saying Stan could be part of some secret money crew that uses the tokens I accidentally dropped while reaching for a chocolate bar?"

Martha: "Why not? As long as there is at least one other person who sees the tokens as something with exchange value, the tokens count as money between them. This kind of thing is not unusual; it happens all the times in prisons or in areas where there is political instability. I read an article recently saying that people are now exchanging Ramen as money. It's used in the same way we would use paper bills."

Bob: “But that is different: those packages of Ramen are actually useful. That stuff is delicious and filling!”

Martha: “So what? The usefulness of something does not exclude it from counting as money. What matters is that the people using the Ramen see the packages as mediums of exchange. If they don’t see them as something they could use to exchange in the future, then those things don’t count as money. Think back to Adam Smith. Remember his theory of how we got money?”

Bob: “Ah yes, I recall perfectly what he says in book 1, chapter 4 of the Wealth of Nations. People used to exchange goods instead of money, sometimes using such things as dried cod or even nails instead of money. Thankfully, at some point or other, people realized that exchanging precious metals was much easier and less perishable, and desirable to a larger audience than say, a cow, so they switched. But of course the metals would have been subject to the ‘grossest’ frauds - and what a pain to have to measure all the time! So eventually countries affixed a public stamp to certain quantities of particular metals at the mints, and thus was born coined money.”

Martha: “I’m really impressed that you managed to recall all of that information.”

Bob: “Yes, I am a fan of Smith, which is why I know Ramen, and cigarettes don’t count as money! Clearly, the form of the object matters. Smith knew that carrying nails to pubs and restaurants as a form of payment wasn’t money.”

Omniscient Narrator: at this point it is important to explain that Bob had misunderstood what Smith meant when he said “and thus was born coined money.” While we can’t know Smith’s exact intentions, it is conceivable that “coined money” was meant to distinguish it from other forms of money, rather than indicate the first form of money.

Martha: “Smith did put a lot of stock in the form of money. Maybe he thought using tangible goods as a form of exchange was not money. It could be that he was caught up in the word ‘money’ rather than the function of it being a unit of exchange.”

Bob: “So you are disagreeing with the father of free economics?”

Martha: “No, I am just differentiating between the term ‘money’ and the idea behind it. Smith would agree that money is intended for exchanging. If you swap your broken and rusty washing machine for an expensive bottle of scotch and that person views it as something they can use for future exchanges, it could be the start of a new, and cumbersome form of money. If they go to the grocery store and exchange the washing machine for some goods and the owner accepts it as something with exchange value, well, again, it looks like it’s starting to take root as a form of money.”

Bob: “That sounds wonderful. Let’s say I decide to try to create a new form of money using my washing machine. When will I have succeeded?”

Martha: “Well I suppose when at least one other person views it as something with exchange value, then it would become money. That is the beginning of collective acceptance. When people collectively view your rusty, broken washing machine as something with exchange value, you will have created the most obnoxious form of money this village has ever seen. But don’t get any ideas. People around here already have an idea of what counts as money; you’ll have to do some work convincing people the machine could be a unit of exchange.”

Bob (rubbing his hands with glee): “I think I’m going to pay the new member of our congregation a visit.”

As we can see from the dialogue between Martha and Bob, for Searle money is something that must be seen as having exchange value. It can come from something considered valuable, the way our dollar was derived from the gold standard and the way cigarettes often became currency in unstable economies. It can also be something that is relatively useless. In early 1920s Germany, the deutschmark hyper-inflated because goods were no longer being produced but money was. In July 1922, after moderate inflation, one American dollar was the equivalent of 493 deutschmarks. By December 1923 it had jumped to 4.2 trillion marks (Widdig, 2001, p. 39). The deutschmark dropped so drastically in value, its physical use as fuel for the fire exceeded its exchange value. This example demonstrates two things: 1) it demonstrates how insanely low the value of the German currency became, and 2) that it was not the physical value of the deutschmark that made it a unit of exchange; it was people's collective intentionality. It is easy to impose the function of money onto objects that were already seen as being valuable by virtue of their physicality (Searle, 1995, p. 42). But they are no more money than a piece of paper with the face of our great-but-at-times-misguided Prime Minister; what matters is that they are seen as being something that can be exchanged and therefore granted the status of being an exchange object. This is because the role of money hinges, not on its function, but on the collective acceptance of the role of money, which is to play a part in a network of practices – buying, selling, earning, etc. – as long as someone believes money is a medium of exchange, a repository of value, a payment for debts, etc. (Searle, 1995, p. 52).

The specifics of money. Despite the fact that all institutions need collective acceptance in order to exist, some require collective acceptance of the general type of institutions and others require collective acceptance for each token of the event (Searle, 1995, p. 53). For an institution to be token-dependent, each *instance* of the event requires collective intentionality. For example,

each cocktail party must be seen by the attenders (or at least a sufficient number of them) as a cocktail party. Money, on the other hand, is type-dependent, meaning that each instance of money does not require collective intentionality toward it. A bill could fall in between the cracks of a sofa, never to be found, and it would still count as money. Searle explains this distinction through codification. Institutions that are more “official” in their form, such as the laws concerning money, have certain features that each token must have to be part of the type.⁹ Token-dependent institutions are less specified as to their necessary features (Searle, 1995, p. 53). For the cocktail party, even if things got out of control and the casualty rate was greater than the Battle of Austerlitz, it would not be a war; it would be a cocktail party because it is thought to be a cocktail party (Searle, 1995, p. 34). The fact that Searle insists on classifying this as a party, despite the appearance of a battle, reveals how deep collective acceptance goes.

For something to be money it must be *seen as* being a unit of exchange, so people can't be wrong that whatever type of thing is seen as a unit of exchange is in fact money. If cigarettes become the new currency it means they have been collectively accepted as such and assigned the function of medium of exchange, so they are money.¹⁰

Just as the word “money” is not required for the institution, money also does not require a particular physical structure. Money doesn't need to be a physical object; rather, the physical object is a marker for the power of exchange the bearer has (Searle, 2005, p. 16). If money

⁹ Searle is vague regarding the importance of the distinction between type and token. It would allow him to escape the problem of counterfeiting (the X would be slightly different than the collectively intended X, so while the money might be treated as money, it isn't the actual physical object). In chapter 5 I will discuss the “arbitrariness problem” which is something Searle's view suffers from. On the surface this type/token distinction looks like it could help Searle in this problem, however it doesn't since the arbitrariness will end up coming from the “type” money, and the “token” cocktail party.

¹⁰ Searle (1995) refers to this assignment as an “agentive” function. This happens when a status function is assigned to something that already has a function. The function of the cigarette is to be smoked, and it is assigned the additional function of being a medium of exchange (p. 43)

satisfies the set of conditions in the constitutive form, it thereby holds power to exchange. A twenty-dollar bill, for example, is a “standing possibility of paying for something” because an object is just the “continuous possibility of the activity” (Searle, 1995, p. 36). Collective acceptance is a continual requirement within institutions. We can’t just say something is money; instead “we must continue to accept it as money or it will become worthless” (Searle, 1995, p, 45).

This is Searle’s theory of money as an institution. Money is something that fits the constitutive rule set and has the power to exchange. It is type-dependent, meaning there is a general set of money such that each token does not need to be collectively accepted; the whole set of money is accepted and each instance of it is money. The importance of money is not in the word “money” but rather in what money can *do*, not in terms of its physical structure, but in terms of the deontology tied to it, and this requires collective acceptance. Having money means having a certain amount of power by virtue of money’s institutional status (Searle, 2005, p. 17). In short, money, like all other institutions, is power.

3.0 Institutions as Equilibria

I have divided this chapter into three sections. Section 3.1 concerns Guala's theory of institutions. Developing this theory requires an understanding of two distinct explanations which Guala combines into a unified view. He calls the new view the *rules-in-equilibrium* approach.

Section 3.2 will be devoted to Guala's interpretation of Searle's own theory of institutions. In this section I will explain how Guala thinks his view can accommodate Searle's view, particularly Searle's ideas of constitutive rules, deontology, and collective acceptance. Recall that Searle considers institutions to be systems of constitutive rules that possess a deontology, meaning that people recognize a desire-independent obligation they have to follow the rules. The deontology comes from the society's members' collectively accepting that some X *counts as* some Y. When people continually accept X as Y, in a given context, they have created a constitutive rule and from that we get institutions. Institutions have the capacity to create institutional facts. An institutional fact on its own is merely a single occurrence of X counting as Y in C. For Searle, constitutive rules, deontology and collective acceptance are extremely important for the creation of institutions. Guala (2015) uses his own unified theory to explain each of these components and thus concludes that institutional reality can exist without Searle's ontological division. Ontology does *not* exist prior to science (p. 11).

Section 3.3 will be comprised of Guala's own account of money and it will explain why Guala thinks his own view of institutions is superior to Searle's.

3.1 Guala's Gaming

Why he cares. Institutions are important and pervasive, and this has led to the development of several dominant theories attempting to explain what an institution is. Guala

wants to unify two competing theories because he considers both to be compatible explanations. While on their own they are incomplete, together they provide a strong account of institutions. The reason the two have been at odds is based on the perspective taken and how they are classified: as *rules* or as *equilibria*.

The rule approach explains the how: how is behaviour regulated within an institution? According to this theory, there are rules that guide the actions of individuals engaging in social interactions, such that certain actions are appropriate or even mandatory, depending on the circumstance (Guala, 2016, p. xxiv). These rules come in the form of “do X” or “do Y.”

The equilibria approach explains the why: why are people motivated to follow the rules? It explains behavioral patterns and regularities and is based on the idea that “effective institutions are backed up by *a system of incentives and expectations* that motivate people to follow the rule” (Guala, 2016, p. xxiv). Each action takes the form “do X” or “do Y” based on the best responses to the actions of the other “players.”

The rule-based approach lacks an *explanation* for *why* people are incentivized to follow the rules, while the equilibria approach cannot account for the rules that dictate how people should respond in a particular situation. From the perspective of the players, institutions are perceived as rules; but from an objective “third-party” perspective, institutions are perceived as equilibria (Guala and Hindriks, 2014, p. 178-79).

Guala unifies these two incomplete theories into one which he calls the *rules-in-equilibrium* approach. This approach combines the *incentives and expectations* from the equilibria approach with the “do X” or “do Y” from the *rules* approach. This results in the explanation that institutions are “rules that people are motivated to follow” (Guala, 2016, p. xxv).

By combining the two theories Guala is attempting to account for that which causes an institution to function. The purpose of an institution is to facilitate coordination and cooperation among individuals, to enable them to do things that are “better done together” (Guala, 2016, p. xxiii). The *rules-in-equilibrium* approach accounts for both the rules that dictate how people act and the incentives and expectations that motivate them to act.

How his theory works. Guala (2016) thinks that the point of theorizing is to generalize beyond specific cases to get at the more general models. Scientists generally group according to purpose. For example, the biologist asks what is the purpose of an eye: to perceive and represent the environment through the detection of light (rather than describing its appearance), i.e. its function. It is this *functioning* that also determines how scientists group institutions. Following this convention, Guala develops his theory by asking about the function of institutions (p. xxii).

What is the *purpose* of institutions? If it is to facilitate coordination and cooperation in social settings, then the theory will need to explain the pragmatic functions of the institution while accounting for whatever it is that gives people an incentive to operate within them.

To understand this theory we must understand how the equilibria view works, as well as its weakness in explaining what to do with a *cooperation* problem; how the rule-based approach works and its inability to explain normativity; and, finally, what components make up the unified, coordinated, equilibria view.

Equilibria. The equilibria approach to institutions is based on game theory, “game” being a situation of interactive decision-making. Game theory is an analytic tool used to evaluate different scenarios and the strategies used in each game. Each strategy depends on the potential decisions of the other players involved. *Nash equilibrium* is reached when the strategy profile of

each player is the *best response* to the action of the other players, such that no player can do better by changing his or her strategy unilaterally. Game theory assumes perfect rationality amongst all players—they play the game to maximize their payoffs while perfectly anticipating the decisions of their opponents. For example, in Canada we drive on the right side of the road. While driving on the right side may not be inherently better than driving on the left, for anyone driving on a standard Canadian road it is the best option. I might be driving along and have a sudden uncontrollable urge to switch driving sides. If I do switch, I will probably cause a collision, or at least much confusion. The outcome of this choice is far worse than if I had stayed driving on the right side. Nash equilibrium is reached when all people in Canada are driving on the right side; a unilaterally change can only result in worse outcomes. According to Guala, this driving convention is an institution. The equilibria approach does well at explaining the incentive structure behind institutions: even though I really want to drive on the left side, I have an incentive to stay on the right, since deviation will (probably) be disastrous.

The equilibria approach—and Nash equilibrium—motivates the discussion as to why institutions deal with coordination problems, but what happens in cases where the best outcome cannot be achieved through people acting unilaterally? In the driving situation it is in my best interest to stay on the right side, but some games have better outcomes when both players make a decision that is not obviously in their own best interest. These are *cooperation* problems. While the equilibrium account of institutions explains how to solve coordination problems, we need the *rules*-based account to solve these new problems. The classic case of this problem is displayed in the prisoner's dilemma. The story is roughly as follows: two suspects of a crime are being questioned separately by the police. Each suspect is given two options: rat on their partner or remain quiet (clam). If prisoner 1 rats and prisoner 2 clams, prisoner 1 walks while prisoner 2

gets 10 years in jail and vice versa. If they both rat they each receive 5 years. If they both remain quiet they receive 1 year for some petty crime. If prisoner 1 thinks prisoner 2 will remain silent, prisoner 1 should confess. If prisoner 2 thinks prisoner 1 will remain silent prisoner 2 should confess. If both prisoners think the other will rat, they should both rat. In both cases, when considering the odds as a rational and self-interested agent, each prisoner should always confess. However, the result of this is much worse than had both remained silent. But what would make them each remain silent? Rules.

There are many rules that we follow in society that deal with situations like the prisoners' dilemma in which there is *conditional* cooperation: cooperate if the other player cooperates, otherwise defect (Guala, 2016, p. 29). The equilibria approach helps to explain the incentives behind institutions, but it must be combined with the account of rules to achieve socially-optimal solutions necessary for cooperation problems.

Rules. This approach is driven by the idea that institutions have rules and obligations attached to them (Guala, 2016, p. 4). They often take the form “do X” or “do Y”, Guala equates these with Searle's constitutive rules (X is Y in C). By following these rules, people are able to cooperate with each other to achieve some goal or outcome that couldn't be achieved as easily if everyone was acting individually. Guala (2016) thinks that rule-following is one explanation for why humans have excelled in many socially-interactive areas, because they help overcome obstacles that limit production, trade, and anything that hinders the welfare of society (Guala, 2016, p. 6).

Rules do not engender the same cooperation problem as game theory, because the rules dictate what people should do in a given circumstance even if it is not in their best (unilateral) interest. Therein lies the problem with the rule account. It cannot explain why people follow the

rules, just that they do follow them. Some rules are effective and have the power to change behavior while some do not. There are numerous laws that no one abides by, such as the Calgary municipal law forbidding sledding on any public hill other than 18 designated ones. There is a fine of \$100 for rogue sledding, yet the same hills are continually used by sledders in spite of the fine, because no tickets are issued (City of Calgary, 2017). If the city began handing out tickets there would be an uprising among Calgarians. So we keep sledding and the city takes responsibility for the quality of only the 18 designated hills. There is a sort of equilibrium reached.

There are many rules we follow, many we don't follow. How can this be explained? Not by merely asserting that institutions are rules, but rather that institutions are special kinds of rules, ones that people have an *incentive* to follow.

Unified view. In the unified view, rules act as each player's strategy when there is a cooperation problem. They regulate behavior, and to an outside observer this regulation results in the kind of equilibrium we see in coordinated games (we are all driving on the right hand side of the road). People follow some rule rather than defaulting to the most apparently rational option, and the result is an equilibrium. This means that *regulative* rules, which dictate what to do in a given circumstance, constitute the equilibria of coordinated games (Guala, 2016, p. xxv). These rules make up institutions: they are rules that we are motivated to follow (Guala, 2016, p. xxv).

In most cases rules within an institution are *conditional* statements: "If X then do Y". These statements dictate behavior: cooperate if the other person cooperates, otherwise defect (Guala, 2016, p. 29). Institutional rules are tested this way: we can obey a rule and check to see if other people do the same. The equilibrium approach helps formulate a *functional* explanation of behavior such that "X occurs because it causes Y" (Guala, 2016, p. 30). It also helps explain *why*

people continue to follow a set of rules that lead to a certain equilibrium. For example, there may be some set of rules that, if followed, help achieve a result that could not have been achieved by independent action. The equilibrium model can't explain *how* the rules are discovered, but it can explain why people have an incentive to keep following the rules and why the rules exist; the rules exist because they help people solve a coordination problem (Guala, 2016, p. 30). The rules could have been discovered or developed then enforced, or people all found the results were positive enough not to require enforcement, etc. It is more important that we recognize that "the rules persist because they are equilibria of strategic games" (Guala, 2016, p. 31). These kinds of models explain how certain behavior patterns persist and this illuminates many features of institutions (Guala, 2016, p. 31). This is the basis of the unified view: rules are needed to explain how equilibrium can be reached.

3.2 Searle's Theory, According to... Someone Else

Because Guala is proposing a view that can unify rule approaches with equilibrium approaches to institutions, he needs to show how Searle's constitutive rules can be reduced to regulative rules of the form "if X then do Y." Guala does this by modifying Searle's form and then showing how it can be derived using only regulative rules. This section will be divided into the following subsections: how constitutive rules can be derived from regulative rules, the role of collective intentionality, and where deontology comes from in the absence collective intentionality. But first there will be a brief recapitulation of Searle's view.

A brief-ish recap. Searle's key theory of institutions is that they are systems of constitutive rules in the form *X counts as Y in C*. The rules of this form are "statements that define what a certain entity or class of entities is, what social function it has in a given context" (Guala, 2016, p. 57). We collectively assign, or at least collectively recognize the assignment of,

a certain status to some entity. Our collective intentionality toward the assignment allows the entity to function in a way it could not without the assignment. The status function carries with it a set of deontic powers: duties and responsibilities we have toward the entity now that it has this status function. These deontic powers provide people within the society with reasons for acting, or abstaining from acting, that are independent of their desires or inclinations. Simply by recognizing that some entity has a certain status causes us to recognize the duties or obligations we have toward the entity, regardless of how we feel about the object.

I will illustrate this point using my favorite blowfish example. Members of the class understand what it means to use the blowfish as a tool to indicate who is allowed to speak. If I am holding the blowfish I know I am allowed to speak and everyone else in the room ought to refrain from speaking. The grad student sitting on my left might be dying to say something, but he will recognize he has an obligation to remain silent. He may choose to blurt something out while not holding the blowfish, but due to the deontic power from our collective recognition of the status function, he will know this is forbidden and will expect some reaction from the class and scolding from the professor.

Let's imagine a visitor from outside the society of the class entered. If someone threw the blowfish to them they would not recognize the deontology attached to it and would likely assume we were playing a game of catch, not operating within an institution. The visitor might try to use the blowfish for functions it can do purely by virtue of its physical form, for instance as a head scratcher or comb.

The visitor is clearly outside of the society and does not understand the deontology that is allowing us to organize our class around the blowfish. The members of the class recognize the deontology merely by recognizing the status of the blowfish. They can choose to disobey the

rules, but their personal preferences have nothing to do with their recognizing the obligation they have toward the blowfish, which is why deontic powers are *desire-independent* reasons for acting, according to Searle.

Our collective recognition of the role the blowfish plays matters, because the status function is meaningless without it. If we are all like the visitor, who has no idea what power can be placed upon the blowfish, we may need to rely on hand-raising or another archaic status function for organizing how and when we can comment, or maybe we will have no status functions at all and total chaos will ensue. Maybe some of us decide that we like the idea of total chaos, such that all at once or gradually the blowfish will cease carrying the deontology and status function, because it is no longer counted as a talking indicator.

The role of the blowfish is an institutional fact because it takes the constitutive rule form X (blowfish) counts as Y (talking indicator) in C (the classroom). This type of rule creates possibilities of action whereas regulative rules merely regulate already existing behavior. For example the rule “drive on the right side” is a regulative rule because driving could exist without it. “Don’t talk unless you’re holding the blowfish” is not a regulative rule because it creates the institutional fact of the blowfish being a talking indicator. Obviously talking, like driving, would exist without the blowfish rule, however we have created new facts in the world around the blowfish by assigning a status function to it. We do the same with the police officers who enforce the regulative rules; we assign them a certain status function with a corresponding deontology. The police and the blowfish are examples of constitutive rules, but “driving on the right side” is merely regulative. For Searle, the difference between these two kinds of rules is extremely important, so if Guala is to reduce one to the other, he must be able to explain all the components that create the constitutive rules and thereby the institutional facts.

Constitutive rules reduced. In Searle's view, X is some pre-institutional term that is assigned a status function by the people in the society such that "X counts as Y." Guala (2016) changes the formula to say "X is Y" because that is the identity X takes on in that community (p. 60). Because people see X as Y, Guala thinks we can simply say that it *is* Y. For example the blowfish doesn't just *count as* the talking indicator, the blowfish *is* the talking indicator.

The X entity must satisfy certain conditions in order to be Y, meaning that there must be some indication within the constitutive rule of what sorts of things count as Y (Guala, 2016, p. 60). In baseball not just any hitting of the ball will count as a home run. Guala (2016) thinks these criteria are hidden within Searle's formula and need to be made explicit, so he adapts the formula to be more explicit (p. 60). The new constitutive rule is: X is Y in C. The C term is used to refer to the properties or conditions that must be satisfied. While it may not be completely faithful to Searle's original notation, it is simpler than other formulations and "preserves the musical rhythm of the formula" (Guala, 2016, p. 60). He refers to C as the *conditions of satisfaction* for Y. For example, going back to the game of baseball, C would now be something like "if he is touched by a pitched ball outside of the strike zone, and he attempted to avoid it (or had no opportunity to avoid it), and he did not swing at the pitch, then a batter (X) counts as a base runner (Y)."

Guala thinks "X is Y if C" can be derived using regulative rules of the form "if X, then do Y." This is a significant claim because the distinction between constitutive rules and regulative rules matters for Searle, since constitutive rules *create* institutions whereas regulative rules just *regulate* pre-existing activity. Constitutive rules make new activities possible by creating opportunities that would not exist without the institution and institutional facts, because institutional facts can only exist within a system of constitutive rules (Guala, 2016, p. 61). It

especially matters for Searle because constitutive rules presuppose the existence of language, which is something Searle wants to base institutional reality upon.

“If institutions make new activities and new facts possible, and institutions are systems of constitutive rules, then the capacity to formulate such rules is a prerequisite of institutional reality, the latter comes into existence by virtue of rules: institutions presuppose language (Guala, 2016, p. 61).”

Guala thinks constitutive rules can be derived via regulative rules, which do not presuppose language.¹¹ His success in reducing constitutive rules to regulative ones would have dire consequences for Searle’s theory, which we will explore in the following chapter. The act of reducing the rules is illustrated in this story of the development of property.¹²

Two clans, the MacDonalds and the Mackenzies, graze their cattle in the same valley of grass but on opposite sides. They use a conditional strategy to dictate the rule for grazing. The rules for the Macdonald clan are: graze if the land is north, and do not graze if the land is south. The rules for the Mackenzie clan are: graze if the land is south, and do not graze if it is north. They pass these regulative rules on to the subsequent generations, and they are incentivized to continue them since violating the convention will result in conflict, something that no one wants. The social arrangement between the two clans looks very much like an institution, and a visiting anthropologist is likely to conclude that there exists an informal border dividing the territories. Borders and territories are institutional entities, according to Searle, yet in this story, since there are no constitutive rules, just regulative ones, Guala (2016) concludes “either the anthropologist

¹¹ I will explain this in detail in chapter 4.

¹² This story has been modified for respect to the Nuer and Dinka tribes. The irony of a peaceful resolution between the Nuer and Dinka tribes seemed either ignorant or callous given how many Sudanese people have been impacted by the current conflict, including many who have immigrated to Calgary to escape the war.

is wrong, or constitutive rules are redundant” (p. 63). Since apparently the anthropologist can't be wrong, constitutive rules must be redundant! According to Guala, institutions can be developed by using only regulative rules. Here is how it can happen in the case of property:

Guala begins by introducing the Y term “property” to refer to the patches of land the clans graze on. A partial characterization of this property is given by the following *status rule*:

[S] if a piece of land is the Macdonald's property, then the Macdonald's graze it.

The status rule idea introduces a simplistic version of property that is based on other terms already understood, such as grazing, land, etc. It won't add any new content; it will just add a term to an already identified entity. To determine whose property it is they need a base rule:

[B] If a piece of land lies north of the river, then it is Macdonald's property.

The conjunction of these two rules forms the constitutive rule in Searle's sense (B+S =CR).

[CR] if a piece of land lies north of the river, then it is Macdonald's property, and if a piece of land is Macdonald's property, then the Macdonalds graze it. Or, if C then X is Y, and if Y then Z. Z stands for grazing or not grazing (called the XYZ version).

Guala wants to show that this constitutive rule is not saying anything more than a simplified if-then rule.

[CR'] if a piece of land lies north of the river, then the Macdonalds graze it (if C then Z).

Given the definition in [S] which was an if-then rule, adding the Y term “property” didn't change anything; it just introduced a new term described by the regulative rule. This shows that regulative rules can create constitutive rules merely by inventing new Y terms, since the Y terms refer to regulative rules (Guala, 2016, p. 65). Searle's version of the constitutive rule is elliptical, because unless we say what Y stands for, it does not mean very much (Guala, 2016, p. 66). The formula must be made explicit by specifying the content of Y and in so doing, it takes on the

XYZ form, which can then be reduced to an if-then rule. Adding the term “property” did not do anything other than give a term for an already existing regulative rule. A constitutive rule does not create in the way Searle thinks it does; instead it is comprised of phenomena and entities that exist *independently* of the theory itself.

According to Guala (2016) while having the term “property” can be useful in improving communication, it is not necessary because the theory can be formulated using entirely regulative language (p. 66). An institutional term usually refers to a “bundle of rules that govern behavior in various relative strategic interactions” (Guala, 2016, p. 97). The terms are helpful at explaining more complex institutions, but even then the institutions with these terms are always changing and vary from society to society (Guala, 2016, p. 67). There are many institutions that are so simple that they don’t even need terms such as the rule “drive on the left hand side if you are in England.” Institutional terms are not needed prior to the creation of an institution, but they can be introduced to promote economy of language (Guala, 2016, p. 67). It is a cornerstone of Searle’s theory that constitutive rules assign new status functions to objects, because this is how we create epistemologically objective reality. We create a new reality from the collective recognition of these status functions. Without these rules Searle’s institutional reality does not exist. Since it seems there is no important distinction between regulative and constitutive rules, the key difference on which Searle’s theory rests does not hold (Guala, 2016, p. 62).

Guala donates deontology. For Searle, deontology (obligation, necessity, etc.) is created from new Y terms. By imposing a status in X a new kind of power is conferred, a power that X cannot perform by virtue of its physical structure alone. The power comes from the new status function and creates all sorts of possibilities for action.¹³

¹³ Who could have imagined a blowfish would have such power as to keep many philosophers silent?!

Because deontology is tied with the Y term in Searle's account and Guala thinks the Y term is unnecessary, he needs a way of explaining how deontology is derived within his unified view. Guala considers deontology equivalent to normativity and sets out to explain how normativity can be derived from the unified view. Guala considers norms to exist when "a convention is augmented with deontic force imposing extra constraints on players' behavior" (Guala, 2016, p. 76). A norm that springs up from the previous story around property could come from the rule: "if the land is to the north the Macdonalds can use it." This gives permission to the Macdonalds but also restricts the Mackenzies from using it. They have an obligation to not use it. But where does the deontic power come from? Searle claims it is a unique trait that gives desire-independent reasons for acting. This is a very controversial claim. David Hume theorized that all human actions--including those that comply with norms--are driven by desires (Guala, 2016, p. 76). Because of such controversy regarding the role desires play, Guala opts to use a neutral definition of normative power: norms provide reason for acting that are independent of *some* desires (Guala, 2016, p. 77). Guala (2016) recognizes that most moral and social norms prescribe behaviors that are independent of, or even in conflict with, the satisfaction of our personal needs and wants, but someone will still have a reason to abide by the rules in the absence of such a desire (p. 77). Normativity is a thorny issue and if it is important for institutions it will take several different forms. Guala (2016) doesn't ask what it *is*; instead he asks what it does, or what function it has (p. 78).

The function of norms seems to be the introduction of costs, for instance a norm against littering imposes the cost of looking for a garbage bin. These costs require some form of compensation in order to incentivize compliance. Costs could come in the form of legal enforcement or from fellow citizens who witness the transgression. Norms can be used in

“games” in which the game itself must be changed to improve the results (e.g. the prisoners’ dilemma would result in a worse sentence if they did what was in their individual best interest). Norms change the payoff of games with undesirable outcomes for players acting unilaterally, by introducing costs for defecting, and thus resulting in coordinated equilibria or even a new equilibria (Guala, 2016, p. 82). Norms also help regulate behavior so that it is more stable and predictable because a player can’t always make the best decision, particularly in cases where there is incomplete information. Norms help dictate the correct behavior in these cases, which leads to coordinated equilibria (Guala, 2016, p. 82)¹⁴.

According to Guala (2016) these behavior-changing rules are all *regulative* rules: they describe and prescribe actions in particular circumstances. This means that the translation of constitutive rules into regulative rules does not cause any theoretical loss; “there is room for function and deontic powers in the unified theory” (p. 83). According to Searle’s view the purpose of deontology is to *regulate* relations between people, so to do that the Y term must indicate people’s obligations in relation to it in the classic form “do X” or “if X do Y.” This means there must be some regulative rules hidden in the Y term, and the rules-in-equilibrium approach makes them explicit. This leads Guala (2016) to proclaim “Searle’s insight that institutions make new types of behavior possible is vindicated in this account” (p. 84).

Why Guala thinks collective acceptance is neither necessary nor sufficient. Recall that collective acceptance plays a very important role for Searle. It is through collective acceptance that social facts are created and, from those, institutional facts. Collective acceptance

¹⁴ Norms can dictate the correct behavior through a punishment mechanism. People are incentivized to adhere to the norms. If they are not incentivized by an immediate threat (driving on the left side in Canada=crashing) than they are incentivized by some imposer of a norm. Following that norm will result in an equilibrium. The distinction between these norms and deontology will be discussed more fully in the next chapter.

is a special kind of intentionality that allows social creatures to operate together, with mutual belief rather than of the form “I believe that she believes” and “she believes that I believe” etc.

Guala develops his own formulation of Searle’s view in order to show that collective acceptance is neither necessary nor sufficient for the creation of institutions. Recall that Guala has changed Searle’s representation of some X as counting as Y to the formula X is Y. In the formula below we see this same relationship. We also have (CA) representing a collective attitude such as acceptance or belief. According to Searle’s view X must satisfy certain requirements in order to be a genuine instance of Y (in a game of baseball whatever counts as a home run must be specified by an additional component to the theory *if C*). The resulting theory below is Guala’s expansion of Searle’s constitutive rule such that X as Y in C now becomes [(X is Y if C) &C]. To attack collective acceptance Guala sets up the formula below:

$$X \text{ is } Y \leftrightarrow [CA(X \text{ is } Y \text{ if } C) \ \&C]$$

This reads roughly that some X is some Y if and only if we collectively agree that X is Y if C conditions are fulfilled and it takes place in context C.

The Necessity Claim

$$X \text{ is } Y \rightarrow [CA(X \text{ is } Y \text{ if } C) \ \&C]$$

This first half of the relationship states that collective acceptance (CA) is necessary to be a social kind (X is Y). Guala argues against this claim in two steps:

1. We can all be wrong about the nature of any institutional kind, so our collective attitudes are irrelevant for institutional kinds

2. Conditions C that are usually taken to be necessary for kind hood are redundant and can be dispensed with

In the first step, Guala shows that *if* people can be wrong about the institutional reality, *and* the institution still exists, *then* collective acceptance is not necessary. Searle claims that people cannot be wrong about certain things. He asks us to imagine a cocktail party that gets out of hand, resulting in more deaths than the Battle of Austerlitz. It is still a cocktail party despite the deaths, because it is thought to be a cocktail party (Searle 1995, p. 34). Guala, on the other hand, considers this event to be little short of a war *despite* what attendees believe. That is, people *can* be wrong about what something is; regardless of the involvement of collective acceptance.

Let us consider the less dramatic case of money. According to Guala (2015) it must meet the *function* requirements of money (p.10). Imagine this scenario: condition C is a stamp from the Central bank affirming that X is in fact Y. People collectively accept C. If the stability of the money were to decrease, people might begin exchanging cigarettes instead of money. Even though all the conditions of (Guala's version of) Searle's formula are met, the bills fail to *function* as money. Therefore, the role of collective acceptance is irrelevant.

In the second step Guala shows that conditions (C) that are usually taken to be necessary for kindhood are redundant and can be dispensed with. He argues that "accepting a set of conditions C facilitates the formation of mutually consistent beliefs about the behaviour of a large number of individuals seeking coordination...the conditions we impose for the membership of institutional kinds are essentially coordination devices" (Guala 2014, p. 5). C merely has a facilitating role. If C is the stamp of the Central Bank, the stamp acts as a safe-guard for people to believe that the money holds a store of value and will be useful in an exchange later. It can act

as an incentive¹⁵ for people to hold onto a bill, if they believe that in the future it can be used in an exchange, for example, but it is not a necessary condition of money, since people can *act* as if something (for example a cigarette) is money without collectively accepting that it is.

The Sufficiency Claim

$$[CA(X \text{ is } Y \text{ if } C) \ \& \ C] \rightarrow X \text{ is } Y$$

He attacks the sufficiency component by arguing that if we can collectively agree on an institutional fact *and* the C condition is fulfilled, yet X is Y does not follow, then collective acceptance is not sufficient for institutional reality. Using the previous example, although money has the stamp of the central bank, it is failing to function as money and cigarettes have replaced it. Being recognized as money does not make something money; being used as money does.

3.3 Guala's Gravy

Guala on money. Guala (2016) relies on a functionalist account of money to explain what it is: money is what money does. Money is whatever fulfills the various functions of money, irrespective of the particular mediums. It can be anything from shells to electronic bytes (p. 35). "The existence of money does not depend on the representation of some things as money, but on the existence of causal mechanisms that ensure that some entities perform money-like functions (Guala 2015, p. 9)." So money must be able to perform the money-like functions of serving as a:

- medium of exchange

¹⁵ See Smit et al. on their incentivized action view of institutional reality (2011, 2014). In their view they explain institutional facts without postulating a new ontological realm.

- store of value
- unit of accounting

What is Guala's actual conception of money? He thinks money has a causal relation rather than a constitutive one, which puts it outside the category of Searle's view. The term money is not dependent on the representation of some things as money, but rather is dependent on the actions associated with it, actions like "accept as payment" (Guala 2015, p. 10). Money depends on "causal mechanisms that ensure some entities perform money-like functions" (Guala 2015, p.10). "The 'store of value' condition is not *logically* or *conceptually* connected with money-hood. Whether or not money holds value is a *causal* connection, and not a matter of arbitrary stipulation like the relation between being money and being issued by the Bank of England" (Guala, 2010, p. 260) *If* the stamp of the Central bank makes us confident that the bill will be accepted in the future, then it is an effective store of value, but this relation is a causal one, not a constitutive one because money is simply a set of actions and the related set of expectations (Guala 2015, p. 10). If money does not have a constitutive rule, and instead is causal, then its ontology is not prior to science.

The functionalist account of fiat money. Fiat money - currency backed by government decree alone - has no value in itself so people need a reason to use it as money and they need to believe it is going to work as money. To do that they, and other people, must see it as something that can be used to pay for something in the future. For people to accept fiat money there must be a system of consistent and mutually sustaining beliefs in place (Guala, 2016, p. 38). Here is a likely story for the emergence of fiat money: the state pays civil servants with vouchers, then

forces all the citizens to pay taxes with the vouchers. So, everyone has an incentive to hold onto the physically worthless vouchers. If the state remains stable and is perceived as a credible enforcer, people are incentivized to use the vouchers, they will become fiat currency. In this story the state plays a *coordinating* role by stating rules that help “game players” decide on their best strategy which is to use this currency as a medium of exchange (Guala, 2016, p. 40). The case of money requires mutually consistent beliefs-that others will also view the money as something that can be exchanged and through this, both will have an incentive to use the currency (Guala, 2016, p. 41).

Is Guala’s functional stance a better explanation of institutions than Searle’s? In the next chapter I will explain how Searle could conceivably respond to Guala’s new theory.

4.0 The Reckoning

Guala has a goal that goes beyond merely proving that his unified theory can accommodate other theories. He wants to open social reality to investigation by social scientists. He holds to a “naturalist” view point and thinks social reality works like the other sciences, in that it can be discovered and predicted. Guala’s view of institutions doesn’t require the aspects of subjective ontology that Searle’s does. By avoiding collective acceptance and intentionality, he makes his form of institutions open to investigation from outside observers. His view is opposed to the view of anti-naturalists, the philosophers who think social reality is different than science because it is created by people, and as such isn’t discoverable in the way science is. We can discover what a rock is made of but discovering that people in Canada think Justin Trudeau is the PM is much less interesting. He lumps Searle into this category because Searle thinks institutional facts require our collective acceptance to exist; we cannot be wrong about them and they are not discoverable because they are created *by us*.

I explained Guala’s theory in the last chapter and this chapter is primarily concerned with using Searle’s theory as a response to Guala. Guala primarily attacks two aspects of Searle’s view: constitutive rules and collective acceptance. This chapter is divided into 4 sections. In 4.1 I explain the impact Guala’s attack could have on Searle’s view. In 4.2 I explain the role language plays in Searle’s view. 4.3 focusses Searle’s form of collective acceptance. In 4.4 I will explain what is really happening in the debate between Guala and Searle: they are speaking past each other.

Searle’s theory establishes two separate ontologies: objective and subjective. Subjective ontology refers to things whose existence depends on being experienced by a human or animal

subject. Objective ontology refers to anything whose existence does not depend on human or animal subjects. There is a reality that exists independent of our representations of it, for instance the objective ontological fact that the earth is a certain distance from the sun. We can represent these brute features of the world using language. While the distance between the sun and earth is not dependent on us, the *statement* “the earth is ninety-three million miles away from the sun” is dependent on us (Searle, 1995, p. 27). All institutional facts fall into this mind-dependent category. They presuppose constitutive rules, rules that are clearly dependent on humans and their representations, where X counts as Y. For example, some distance (X) counts as a meter (Y) and a thousand Xs count as a different Y (a kilometer). We create and sustain constitutive rules through collective acceptance. X cannot perform its function of being Y without our collective acceptance of it; hence, any given Y couldn’t function if every person was wrong about it because it is the *acceptance* of it that makes it work. People can be wrong about *why* some X counts as Y or they might be ignorant of the exact constitutive relationship, but whatever rationale they have, they must recognize that X counts as Y in order for the fact to be created and maintained (Searle, 1995, p. 47).

This is where Guala becomes so uncomfortable with Searle’s theory of social facts. For Searle (1995) our beliefs in what something is are partly responsible for making it so. Part of being a cocktail party or a war is being thought to be a cocktail party or a war (p. 34). Guala (2008) does not like this “infallibilism” idea, because there are social kinds that we can be unaware of, and ones that we can be wrong about. For example, things like alienation and exploitation can exist without any awareness, yet they would fall into the category of social kinds (p. 247). There are also things, like money, that Guala (2015) thinks we can all be wrong about, yet it can continue to exist (p. 10).

Guala (2015) takes Searle's view to be unamenable to scientific investigation, because Searle insists that ontology is prior to methodology and theory, meaning social scientists won't be able to develop the right methodology and theoretical apparatus without properly understanding the nature of what they are investigating (p. 3). Instead, Guala (2015) thinks social phenomena are dependent on representation in a *causal* manner rather than a constitutive one.¹⁶ If Guala is correct, this allows for the prediction and discovery of social kinds, which is the sort of thing social scientists are trying to do anyway (p. 4). Searle insists that social scientists must understand the ontology *before* they can even establish methodology, let alone predict and explain phenomena, because the reality described by social sciences is "totally unlike the reality described by physics or chemistry" (Searle, 2005, p. 1). Searle's stance on this leads Guala (2015) to fight for his belief that "ontology is not and can never be prior to science" (p. 11). To prove this point, Guala creates a theory that unifies two types of view and can explain social institutions without presupposing constitutive rules. If it turns out social institutions can exist without constitutive rules, then at the very least, Searle is not right to exclude social scientific investigation.

4.1 Unconstitutional Rules

Because constitutive rules are the foundation of Searle's entire theory of institutions, Searle won't really have a theory if they turn out to be unnecessary or redundant. For Searle, constitutive rules create a new epistemologically objective reality. They explain how we can go about creating a reality of facts that are based on our collective recognition of those facts.

¹⁶ I will not discuss causal representation in this chapter. Instead, it will be addressed in chapter 6 which outlines Khalidi's view.

Constitutive rules carry with them a deontology that creates power relations. When we recognize the status functions developed in the constitutive rules, we recognize our obligations to them.

From those obligations come new ways of doing things. Take the example of a game. My brothers and I regularly create new games with official rules that can be explained to others. For example our new pool game called *First Contact* involves partners trying to knock their set of pool balls (stripes or solids) against each other while avoiding the other team's and avoiding the pockets. We assign different points to different actions and different status functions to different balls, such as the status of "neutral" to the eight ball. This game has turned out to be much more fun than normal pool when played with partners, and it's an example of subjective ontology because it requires our intentionality to exist. What's more, because we collectively recognize the rules of the game, we can make epistemically objective statements about them. Like "John, by knocking the stripe into the pocket we lost 5 points. Darn!"

The game couldn't be played without us (or others we have shared the rules with), not just because the balls need to be hit with cues but more because the balls don't just happen to have points assigned to them by virtue of how they are physically. The game couldn't exist without our having assigned different functions to different entities. It is also an institution because it follows a regularized constitutive rule and produces institutional facts (hitting the eight ball results in no gain or loss of points). By each person recognizing the rules of the game and what their obligations are in relation to it (e.g. you have the right to use your cue to hit a ball when it's your turn, but must refrain when it is not your turn) we are able to participate in a very fun past time that did not exist before we created it. We created new possibilities for action when we assigned statuses to different entities and collectively recognized them.

If Guala's attack on Searle's theory is correct, then the link between social ontology and institutions is broken. The success of Guala's attack will depend on what he means when he says we can derive institutions without language. Is he using language in the *narrow* sense or the *broad* sense? I will illustrate the difference in the next two sections and show that one interpretation works while the other doesn't.

4.2 Language

To understand what the confusion is, we must understand two different uses of the term "language." There is language in the narrow sense and language in the broad sense. Language in the narrow sense refers to systematized forms of communication such as English or Italian. Language in the broad sense refers to anything that is public, represents something beyond itself, and is conventional¹⁷.

Language: narrowly speaking. Are the words "property" and "boundary" necessary for an institution of property or boundaries to exist? Guala says no. But so does Searle, although Searle will insist on having at least a concept of the term 'property' if not the word itself. If Guala insists that it is possible to get property without language, in the broad sense, then he might be right in a way that satisfies his functional approach, but he will be disagreeing with Searle on a more basic level about what matters for something to count as an institution. Do the people engaged in the institution need to recognize what they are doing and does recognizing a thing like "boundary" do more than just aid in explanation?

¹⁷ This is the general definition of language on which Searle relies (1995, p. 60-61).

I will refer back to the story of the two warring Scottish clans to help illustrate this point. If Guala is referring to language in the *narrow* sense, here are the following scenes, with and without the terms “property” and “boundary”:

Hamish is crossing over the dried up river bed to the side on which the MacKenzie clan grazes their cattle .

Scenario 1: No “property”

Alastair: “Stop! Ye canna be crossing that dried up river bed!”

Hamish: “Why?”

Alastair: “Because we will kill you if you do”

Hamish jumps back across the river bed

Hamish: “But ye won’t if I stay on the other side?”

Alastair: “Aye”

Hamish’s expression of fear turns to one of sly determination as he inches toward the dried up river bed again

Hamish: “What if I stand exactly in the middle of the dried up river bed?”

Alastair: “Well, I could ask, but if I do my guess is ye won’t live to hear the answer”

Hamish: “Don’t be a wee clipe! I was just leavin”

Hamish returns and tells his clan not to cross the riverbed, lest they be killed.

Scenario 2: “Property”

Alastair: “Stop! Don’t cross that dried up river bed!”

Hamish: “Why?”

Alastair: “Because it’s my clan’s property.”

Hamish jumps back onto his own side

Hamish: “Och! I didna ken the boundary was the river bed! My brother swore it wasn’t for at least another two feet.”

Alastair: “Well unless ye want to get killed, ye better get on!”

Hamish’s expression of fear turns to one of sly determination as he inches toward the dried up river bed again.

Hamish: “What if I stand exactly in the middle of the dried up river bed?”

Alastair: “Well, I could ask, but if I do my guess is you won’t live to hear the answer”

Hamish: “Don’t be a wee clipe! I was just leavin”

Hamish returns and tells his clan not to cross because it’s Alastair’s clan’s property

As we can see in the two scenarios the concept of “property” doesn’t change how the two clans interact. In both cases, Hamish returns to his own side because he doesn’t want to get killed. In the second “property” scenario, Hamish conceptually recognizes what the term means: something he should not cross. In the first scenario he learns that he should not cross the river bed because it means certain death. The only difference in the scenes is that having terms like “property” and “boundary” makes communication easier.

Searle would likely be on board with this interpretation. The main argument would come down to what made something an institution. Searle could say to the first scenario, “You’re right, they don’t need the word ‘property’ but, like money, the word doesn’t matter; what matters is that they have the concept of ownership, the idea of rights to the land or something like that.” If the clans have that in the first scenario, then they do have the concept of property and they just don’t have the word “property.” So Searle would say they *do* have property. But, what if the MacKenzie clan and the MacDonald clan do not have a sense of ownership? When Hamish jumps back the first time, and recognizes the river bed as something he shouldn’t cross but neither he nor Alistair has the concept of owning their side, or having a right to their side, then, according to Searle, they do not have property.

For Searle, property will act like money in that the word doesn’t make the institution; the word is just a helpful indicator. What makes the institution of money is people recognizing some entity as counting as something that can be used to exchange. Property will count as something that one party possesses and has certain rights over. Others who recognize the property must recognize that they have an obligation to the owner. They can choose to ignore the obligation, but to ignore it requires them to recognize it exists. In scenario one, if there is no recognition of such obligation than there is no property. Guala, as a functionalist, can point to that and say: “But look, it doesn’t matter because they will still act the same!” to which Searle will respond: “So? It’s not property.” to which Guala will say: “But it acts the same as property! Even the anthropologists agree!” to which Searle will respond: “Show me the property!” and Guala will point to the “property” and say: “the property is the location that is functioning as the property, which we can tell by how the clan members are treating it.” Both will sit smugly, feeling secure in their explanation. The two cannot reconcile their differences.

At this point I hope the reader understands what is happening. If Guala is arguing against Searle, using language in the narrow sense, we arrive at a differing opinion of what constitutes an institution. Is an institution what people think it is? Or what it does? If they are disagreeing on this point, they are speaking past each other. Searle is not using language in the narrow sense when he argues language is the first institution on which others are built, so Guala's attack, because he is missing the main point, is ineffective. What about language in the broad sense?

Remember, Guala wants to show that Searle's constitutive rules are unnecessary for the creation of institutional facts. Guala (2016) understands constitutive rules to be, in part, "statements that define what a certain entity or class of entities is" and "necessary to define or create new social entities, roles, and facts" (p. 57-58). He thinks rules of the form "if X then do Y" can play the same role. He also wants to show that language does not need to be prior to institutional reality. Searle supports this claim by distinguishing regulative and constitutive rules. Institutions presuppose constitutive rules and those presuppose language. Regulative rules do not. Guala plans to show that if regulative rules can do what constitutive rules do, but without the language component, then Searle's distinction doesn't hold and his whole theory is seriously affected because he would lose epistemically objective reality. So, what would it look like to create the institution of property without language? We have already seen that something can function like property without the term property, but can it function like property without language in the broad sense?

Language: the truth is a straight arrow. In order to understand this we must understand what language means to Searle, and to understand that we need to understand Searle's idea of intentionality. When Searle (1995) uses the term "language" he isn't referring to language in the narrow sense, as in the statement "I am learning the Italian language." By

‘language’ Searle means something far more basic. It need meet only the following criteria: it symbolizes something beyond itself, it does so by convention, and it is public (p.66). Searle (2006a) thinks humans have a special kind of intentionality that other social animals lack, a sort of derived intentionality, which allows us to represent something as having a certain meaning. Language is this derived intentionality. Animals can have collective intentionality like us, but do not have this derived intentionality. While they can create social facts, they cannot create institutional ones because they do not have the capacity to represent some brute fact X as counting as some Y.¹⁸

For Searle (1995), in constitutive rules the move from X to Y is necessarily linguistic in this broad sense, because there is nothing in the Y element without us intending something onto it. The X element is just a brute fact, meaning whatever the X element is can exist without representation. The Y element on the other hand cannot exist without some type of representation “because the Y element has no natural prelinguistic features in addition to the X element that would provide the means of representation” (p. 70) If the X is the certain action of a person running over a white line carrying a ball, we can’t recognize it as a touchdown without language, since the idea of a touchdown is not a naturalistic phenomenon; instead, it is an agreed-upon idea that requires some public representation. Searle thinks this symbolic element is necessary for every institution, and it is through this intentionality that we develop epistemically objective facts that are part of our subjective ontology. I will now go back to the story of the two clans to show what a functionalist account of property might look like without language in the broad sense.

¹⁸ This is *definitely* a contentious point that Searle is very likely wrong about, but allowing animals to have derived intentionality will not harm his view, in fact it might bolster his claim that philosophers need to recognize derived intentionality is biological (Searle, 2006a, p. 102).

Scene: the river bed has just dried up. The MacDonald clan is considering making a grab for the land, but they don't want to risk starting a war. While they are considered by outsiders to be of the same stock, the rival clans know very little of each other. The MacDonald clan have no idea how the MacKenzies will react to an advance. So they send out scouts to test the ground. Hamish and his brother Duncan lie low in the field discussing their plan of action.

Duncan: "Och, I dinna want to get killed today."

Hamish bashes him on the head with his hand.

Hamish: "You're naught but a wee scunner, ye ken? Keep your heid! All we have to do is walk toward the camp. We keep walking till somethin' happens; when it does, we act."

Duncan: "Och, I ken, but what if nothin' happens? Do we just keep walkin'?"

Hamish: "I dinna ken, guess we'll see."

Duncan and Hamish stand up and approach the dried-up river bed. They inch their way across very slowly, ears pricked for the whizzing sound of an arrow. As soon as they reach the other side a storm of arrows whizzes toward them. Both lads jump back quickly. The arrows lie in a neat line immediately past the river bed. Hamish and Duncan run panting back to camp. They are ushered into the tent with the Laird and the other clan leaders.

Laird: "Well, what happened?"

Hamish: "They shot a volley of arrows but they missed. We ran back straight away."

Laird: "How far did ye get before they shot at ye?"

Duncan: "Just passed the dried-up river bed"

The Laird and clansmen quickly confer between each other. The Laird stands up and addresses the room

Laird: “Well, we dinna want to go to war, so, let’s set up archers in the bluffs who will shoot if anyone from the MacKenzie clan comes near us. If they are going to try to kill us if we pass the river bed, then we’ll do just the same”

In order to recognize the line of arrows as a warning they would have to be using their derived intentionality. The arrows (X) count as a line marker we shouldn’t cross if we want to stay alive (Y). The arrows fit the necessary requirements for a linguistic symbol: they are public, they represent something, and they are conventional (the clan could have built a cairn instead).

Now let’s see what happens when there is *no* language in the broad sense.

Duncan and Hamish stand up and approach the dried-up river bed. They inch their way across very slowly, ears pricked for the whizzing sound of an arrow. As soon as they reach the other side a storm of arrows whizzes toward them. Both lads jump back quickly. They look at each other, their hearts thumping wildly until finally Duncan breaks the silence

Duncan: “That gave me a fright! What do you think that means?”

Hamish: (*Laughing*) “It means they have terrible aim! I’ve never seen so many archers miss at once!”

The two lads lift their tartans, step over the arrows and are promptly shot.

Without language in the broad sense, the arrows would have merely been badly aimed
Let’s imagine that the brothers genuinely did not understand what the arrows were supposed to

communicate, because they were not part of a society that used arrows as symbols. If that was the case, the arrows would fail to be linguistic symbols for the brothers.

As we can see from the contrast in these two endings, derived intentionality is pervasive in human interactions. The ability to speak with the sounds (X) having meaning (Y) or the arrows (X) representing a warning or a line to not cross (Y) are all linguistic in this sense. Guala might be able to explain the functioning of a property-like institution without the term “property” but he cannot explain institutional facts that do not have this language component in the broad sense. The arrows would become an institutional fact easily. Here is the constitutive rule it takes: The arrows (X) count as a line marker we shouldn’t cross (Y) when shot at other clans when they are trying to cross (C).

If all Guala wants to do is show that there is functionally property without the term “property,” than cheers for Guala; he has succeeded. If, instead, he wants to argue that it still is property despite lacking the term, he is speaking past Searle. If he wants to explain institutions without them presupposing language in the broad sense, I do not see how he can succeed. Even if he managed to explain institutions based on regulative “if X then Y” rules, there would still be a linguistic component. For example, “if a piece of land lies north than the MacDonalDs graze it” whatever communicates the threat not to cross will be the linguistic symbol.

If Guala kept the functional account he would still not be able to escape the presupposition of language and its intentionality-dependence. But maybe he can escape the idea of epistemic objectivity. According to Searle, collective intentionality gets us epistemic objectivity. When we collectively accept some X as counting as some Y we are creating an *ontologically* subjective but *epistemically* objective fact that we can make true or false claims about, such as: “crossing that line of arrows means the MacKenzies are in the danger-zone.”

Guala thinks collective intentionality is neither necessary nor sufficient for the existence of institutions. For Searle, the loss of collective intentionality in institutions means we cannot make true or false statements about them. Searle (2005) thinks that status functions are the glue that holds societies together, and these status functions cannot be performed without collective acceptance (p. 9). If it turns out collective acceptance isn't necessary, Searle's wow factor turns into more of a wah wah factor.

4.3 Collective Acceptance

Status functions are created by collective intentionality and sustained through continued acceptance of the status function. Whether it comes in the form of recognition, acceptance, or intention, the *collective* aspect is what matters for Searle. There needn't be a specific moment in which the status function is declared, but at some point there must be some speech act, set of speech acts and other representations that constitute representing the X as Y in a way that makes it recognizable as a Y, so that when the representations are collectively accepted the new status is acquired (Searle, 2010, p. 96).

Guala attacks Searle's need for collective acceptance by showing that *if* people can be wrong about something they collectively intend, then collective intentionality is neither necessary nor sufficient for institutions. It is unnecessary if money exists despite people believing that it doesn't, and insufficient if it fails to exist despite people collectively believing it does.

When it comes to collective intentionality Guala is mistaken about Searle's view in 3 aspects:

- the concept of collective intentionality

- the role collective intentionality is playing within Searle's constitutive rules
- that people can be mistaken in Searle's view

The concept of collective intentionality. For Searle (1995), collective intentionality is different from individual intentionality. Other social animals share this same intentionality, which is why activities like a wolf pack hunt can exist. It's a special kind of cooperative behavior in which there is a shared intentional state. Imagine two boxers fighting. They are not both thinking "I believe that I am fighting and it seems like my opponent believes the same." Instead they have the same intentional state in which they are doing something together. They can have individual intentionality in this interaction, for example "I intend to deliver a solid uppercut that he is not suspecting" but it is derived from the collective intentionality of fighting. If at some point I see my opponent on the street and decide to initiate a boxing fight without warning, this would not be a case of collective behavior; it would simply be me assaulting an unsuspecting boxer. Collective intentionality is a biologically primitive phenomenon and cannot be reduced to individual intentionality (p. 24-25).¹⁹

The role of collective intentionality. By people collectively imposing a status function onto something, they are also imposing a deontology. Because the X element cannot perform its function by virtue of its physical structure alone it needs the new status. That new status comes from the collective agreement that such an X will count as Y. If enough people stop believing that X counts as Y, then X *will* stop counting as Y, because it has lost the thing (collective intentionality) that gives it the status function and corresponding deontology.

¹⁹ Now the crazy thing, on which point Guala has capitalized, is that Searle (2010) modifies his view of collective intentionality. He now thinks some forms are reducible to I-intentionality plus mutual belief. As long as each person participating in the particular institution recognizes the status and there is mutual knowledge that others do as well, the institution works. This doesn't affect the current debate.

Guala wants to show that if people can be wrong about the institution yet it continues to exist, then collective acceptance is not necessary. He uses the example of cigarettes taking the place of bills in an exchange. He claims that for something to be money it must function as money. If cigarettes are functioning as money, and bills that seem to fit the constitutive rule are not functioning as money, then collective acceptance is not doing anything.

For Searle it is the collective acceptance that would cause the cigarettes to be counted as money. If the cigarettes are the new money, it's because people collectively regard them as the new unit of exchange. If the cigarettes are *not* accepted as the new medium of exchange it doesn't matter how they are functioning; they are not money.

In the sufficiency argument Guala points out that if there is collective acceptance and the setting is right according to the constitutive rule, but we don't get our Y element, then collective acceptance is not sufficient. People will continue to refer to the bill as "money" and the cigarette as just a "cigarette" but the cigarette will function as money. If money has the stamp of the central bank but fails to work and instead cigarettes become the new money then clearly collective acceptance hasn't worked. Although Searle never did argue that collective acceptance was sufficient, he can get out of this one easily. The word "money" doesn't matter. As in the case of "property", if people continued to call old currency "money" and the new currency "cigarettes" this would not mean the collective acceptance wasn't working. It would only mean that language, in the narrow sense, was slow to change. What matters is that something is collectively accepted as being a unit of exchange. The cigarettes would be money, because people collectively accept them as a unit of exchange. Institutions must be continually accepted or they will fail to work. If the bills as money are failing to work, it is because people are no longer viewing them as something that can be used in an exchange.

People can be mistaken. Searle thinks people can be mistaken about the *why* behind an institution, but not *that* an X counts as a Y. People could think that paper money was literally God-ordained, or that the fairies would get them in their sleep if they used other forms to exchange, but they could not be mistaken that whatever they were using to exchange was counting as something to be exchanged. Guala might argue that functionally they do not view the paper or cigarettes as being used in an exchange and they are just incentivized to use them because they want whatever is being offered. Maybe they want to buy a washing machine and the person selling only wants cigarettes. If the seller wants the cigarettes because he really likes cigarettes, then it's a barter. If the seller wants them because he knows he can use them to exchange for something else, they have exchange value. The word money doesn't matter; what matters is that the X (cigarettes) is seen as exchangeable as something beyond its use value.

For Guala, what matters is *that* they are exchanging, not what status they have been given. This status is essential for Searle's theory because people cannot be wrong about the type of money. If the type money is some piece of paper (X) that counts as a unit of exchange (Y) when it is stamped by the central bank (C), then that's exactly what will happen. If people think washing machines count as units of exchange then washing machines *are* the unit of exchange. It will not be the case that people think only washing machines count, only to discover they are mistaken and only cigarettes count. The power lies in the "X counts as Y", not in the fact that it is stamped by the central bank (or any other reason, for that matter). If people stop thinking X counts as Y, for whatever reason, then X will stop counting as Y. This is the power of collective acceptance: it means the people are not wrong.

4.4 Speaking Past Each Other

When it comes to language, if Guala is trying to escape the need for language in the narrow sense he succeeds, but this means his functional approach is in a different category from Searle and the two are speaking past each other. If he is hoping to escape language in the broad sense, I cannot see how this is possible.

When it comes to collective acceptance, if Guala hopes to escape the *acceptance* part, we are back at the same impasse. Searle and Guala are buying into two different theories that care about inherently different things.

We are at the end of the Guala chapter and can conclude that either he is mistaken about Searle, or their views are simply speaking past each other. That does not mean that Searle is correct, nor that Guala's account on its own is impossible, only that the attack was misplaced.

5.0 The solution to a problem

In this chapter I will explain why I think Guala and Searle both have insufficient accounts of money. Searle's account explains the necessary involvement of collective intentionality but fails on its own, due to the arbitrariness that his constitutive rules allow. Guala's account emphasises the functional components of money which means there are plausible constraints which save it from the problem of arbitrariness, but because there is no intentionality to explain how people are using the money, his view fails to differentiate money from barter. In this chapter I will explain my own account of money and show how it is a solution to the problems of the other two. In section 5.1 I will illustrate the two accounts using a historical example. In section 5.2 I will cover Searle's problem of arbitrariness. In section 5.3 I will cover Guala's problem of barter. In section 5.4 I explain my version of collective acceptance, and in 5.5 I give me own account of money.

5.1 The Shekel

According to Bernard Lietaer (2001), the shekel was initially a metal IOU for a visit with the temple priestess (in later years referred to as a temple prostitute). 'She' means *wheat* and 'kel' refers to a measurement, similar to a bushel. The shekel was a coin given to farmers in exchange for a bushel of wheat. The farmers would use these coins during religious festival times to visit the priestesses, thereby fulfilling their religious duties. Coins have been found, dating back to 3200BC, with a sheaf of wheat on one side and Inanna, the goddess of life, death, and fertility on the other (p. 36). Was this token money?

Recall from chapter 2 that Guala considers money to be causal, so the actions upon it, rather than the beliefs about it, determine if something is money or not. With the Sumerian

shekel, if it served as a medium of exchange, a store of value, and a unit of accounting, then it was money. Even if the pious farmers insist that the tokens are *not* money and are instead just religious objects, if they function as money then that is what they are.

For Searle, the belief of the pious farmers is essential because collective acceptance is a necessary condition for some X to be seen as a Y. So if the bronze coins (X) are seen as a unit of exchange (Y) then they are money. X can only perform its function through collective acceptance; it is through collective acceptance that X gets its “power.” If the farmers did not collectively accept the shekel as a unit of exchange, the shekel would not be money. *Even if* they are literally exchanging the shekel with the priestess at festival time, if they do not see the shekel as playing that role then it is not money. A necessary part of being money in Searle’s theory is being thought to be money. This can be seen in the role Searle thinks deontology plays in the creation of social reality. By people collectively intending the assignment of a function to some X, they are creating a fact that has rights and obligations attached to it. This is where power comes from. Because it is *viewed* as being able to do what it does, it is thus *able* to do what it does. Money cannot function without collective acceptance. If the farmers do not view the shekel as being a unit of exchange and view it instead as a religious token or some marker of their faith, the shekel is not money, because the power to be money has not been bestowed upon it.

5.2 The cocktail party problem

According to Searle, institutions can only function because the function itself has been imposed collectively by us. Because it functions by virtue of this collective acceptance, we cannot be wrong about what we are imposing, and while people keep *recognizing* the X as having the Y status, “the institutional fact is created and maintained” (Searle, 2005, p. 47). We see the problematic consequences of this in Searle’s cocktail party, which results in more deaths

then one of the most significant battles of the Napoleonic wars. Searle (1995) is willing to dig in his heels and say that the cocktail party is a cocktail party because people think it is, because the status of something is constituted by the belief that something has that status (p.88). If money is like the cocktail party, there are no boundaries on what it can be.²⁰ As long as the relevant members in the society view the entity as being money (or a medium of exchange), it is money. This means there is significant room for arbitrariness, as displayed in the following scenario:

We find ourselves in the Scottish Highlands once again. The Macdonalds and the Mackenzies are living in peace except for heated conversations between clan leaders regarding what to use as a common currency. Two lads are discussing the current situation.

Duncan: "In our clan, we use cowry shells."

Alastair: "We use vampire bat jaws."²¹

Duncan: "Och really? I've never seen a vampire bat jaw in my life."

Alastair: "Neither have I."

Duncan: "Are you very poor then?"

Alastair: "I dinna think so, my father is the clan leader."

Duncan: "...but you just said you've never seen a bat jaw..."

Alastair: "Yeah, because there aren't any vampire bats here, obviously."

Duncan: "What? Then how do you use them in exchange?"

²⁰ Searle (1995) recognizes money as being on an extreme end of arbitrariness: money can be anything (p. 86).

²¹ Both cowry shells and bat jaws have been used as currency. Cowry shells were one of the most common forms of currency throughout the world (Quiggin, 1970).

Alastair: “We don’t. Didn’t you just hear me? They don’t live here.”

Duncan: “But what would you do if you wanted to buy some bread?”

Alastair: “Usually we use cowry shells.”

Duncan: “Ahah! So that is your medium of exchange! That means cowry shells are your form of money too.”

Alastair (*rolling his eyes*): “That is ridiculous. The cowry shells just mean I owe the baker a bat jaw.”

Duncan (*clearly very confused*): “But if you don’t have any, and you don’t have a means of getting any...”

Alastair: “We had some once, brought up by some traveller but we got rid of them.”

Duncan: “Were you buying something expensive?”

Alastair: “Naw; apparently they looked really heinous, so we chucked them into the sea.”

The cocktail party functions like a war but is still a cocktail party, according to Searle; if the people intend it to be a cocktail party, then it is one. In the same way, because the Mackenzies collectively accept vampire bat jaws as the medium exchange, they *are* the medium of exchange. It doesn’t matter that functionally the cowry shells are the actual medium of exchange, or that the clan has no vampire bat jaws because they threw them into the sea. Even if the event functions like a war and not a cocktail party, it’s still a cocktail party, and even if bat jaws play absolutely no functional role in clan Mackenzie’s monetary practice, they are the medium of exchange. So, according to Searle’s view something can be money even if it is never used as money.

5.3 Bartered? The Case of the Cigarette Swap

Guala's account does not have the same problem as Searle's because function imposes limits on what counts as money, however by focussing solely on function his account suffers from its own problem. He wants a theory that does not require the role of intentionality and instead focuses purely on function: money is what money does (Guala, 2015, p. 9). The difficulty with this approach is that by explaining money without intentionality, there is no room to include the reasons people have for exchanging something. This causes problems when differentiating between barter and exchange.

Intentionality is required for distinguishing between money and barter goods because it matters *why* people are exchanging something. Imagine I am bartering with my neighbor. He offers me a cigarette in exchange for a cinnamon roll. I want to smoke this cigarette, but my friend Jimmy comes along complaining that I owe him money for the Slurpee he bought me last week. I don't have any money on hand, but Jimmy likes to smoke so I offer him the cigarette instead. He accepts it and leaves. He resists smoking the cigarette that night, and reluctantly uses it the next morning when Stan requires two cigarettes for the three eggs Jimmy needs to bake his soufflé.

This cigarette is functioning as money. From Guala's perspective this *is* money, even though everyone in the scenario barter for the cigarette's use-value rather than its exchange-value. From the inside, the cigarette is a barter object; from the outside, this cigarette is doing everything money does: it acts as a unit of exchange between each person, as a store of value (Jimmy holds onto it overnight), and as a unit of account (it takes two cigarettes to trade for Stan's eggs). But the people within the transaction are trading for the use-value of the cigarette, not for its exchange-value. Because Guala doesn't factor in intentionality, he doesn't have access

to people's internal states. A purely functional approach can only measure success from an outside perspective, which means it cannot differentiate barter from money.

There is an important difference between money and a cigarette that just happens to be bartered repeatedly before it can be smoked. I am not alone in thinking this. Throughout history important thinkers have sought to distinguish the two. According to Aristotle "money was introduced to facilitate exchange" and when society grew too large for barter money needed to be devised to aid in exchange (Reeve, 1998, p. 19). Hume (1907) considered money as "only the instrument which men have agreed upon to facilitate the exchange of one commodity or another...it is the oil which renders the motions of the wheels more smooth and easy" (p.309). Similarly, Smith said "money is the known and established instrument of commerce, for which everything is given in exchange" (Smith, 1976, p. 438). Marx (1867) had a theory of alienation which he applied to money claiming, "when they assume this money-shape, commodities strip off every trace of their natural use-value..." (p. 74). The distinction needs to be captured in an account of money. Money is doing something that is much more interesting than simple bartering. When bartering, person A wants some good from person B. The only belief that matters is their individual belief that they are bartering things for their use-value. Monetary exchanges don't have a specific focus on use- they have a general exchange value that could be traded for other objects. Money is not something that is accepted by virtue of its physical use-value: it is accepted because they believe they can use it to exchange in the future.

Money might originate in barter. Smith certainly thought so. He references cows, salt and nails as early forms of money (Smith, 1976, p. 38). Think back to the dialogue between Bob and Martha in the quaint hamlet of Bawlf. Bob was hoping to convince the newcomer to accept his washing machine as though it was money. Let's say the newcomer gave Bob cigarettes in

exchange. For Bob, the exchange was a barter. For the newcomer, he was selling Bob cigarettes. If the washing machine became something that people saw as having exchange-value, not just physical use-value, it would count as money. If the washing machine turned out to be a really strong and successful currency, they might stop using the Canadian dollar altogether because they would no longer view it as having exchange-value. There is likely a grey area in which the washing machine turns from a bartered object into money; however, if the relevant parties in the transaction are exchanging for the use-value of the object, then it is barter and not money. In order to be a monetary exchange instead of a barter exchange, the reason *why* the object is accepted matters. They must have a reason, conscious or not, to accept it for its exchange value.

5.4 Collective acceptance, sort of...

My account of money requires a degree of collective acceptance, since for something to function as money it needs to be used by the participants for its exchange-value. The reason they use it is for its exchange value, and that requires an attitude toward the money, but not necessarily one people are aware of.

In the case of the bat jaws, members of the Mackenzie clan all claim the bat jaws count as a medium of exchange, but their actions say otherwise. That does not mean we can immediately dismiss their claims based on how things appear on the outside, but they don't need to consciously recognize the cowry shells they are trading as valuable, an object of exchange etc. For money to function, people must be accepting because it is a medium of exchange. This is necessary to distinguish it from barter.

This weaker collective acceptance is different from Searle's version. The focus is not on how people view the X and Y, but instead their reasons for accepting X as Y. For Searle they

must continually treat/accept/view X as having the Y status. In my view people do not need to consciously accept some X as being a medium of exchange (Y) for it to function; they simply need to collectively act in a way that reveals their underlying reasons for accepting the cowry shells.

5.5 Money

Here is my new account of money: Money is whatever functions as money, which is to say it is collectively accepted as something to be used by virtue of its exchange-value.

This view allows for both the functional and intentional components from Guala and Searle respectively, and it solves both the barter and the cocktail problem. In the case of the Mackenzie clan, the bat jaws would need to function as a store of value, unit of account and medium of exchange in order to be money. As it stands, they are failing as a medium of exchange and a store of value because there aren't any in circulation. If the clan suddenly came upon vampire bat jaws and resisted the temptation to throw them into the sea, they could conceivably begin to function as money, and if the clan members exchanged them for their exchange-value and not use-value, then the vampire bat jaws would be money. However, if this does not happen and the bat jaws never actually function as money, regardless of what people think, they are not money.

In the case of the cigarette swap, because the people involved in the exchange are doing so for the use-value of the cigarette, they are bartering. The cigarettes *are* functioning, but as barter objects, not money. If they were trading the cigarettes for the exchange-value and not use-value, it would be money. It must be collectively accepted as something that has exchange-value if it is to function as money.

Here we see the importance of the “collective” aspect in my view. Maybe Stan accepted the cigarettes from Jimmy because he could use them in the future for their exchange-value. For Stan the cigarette is money, but for Jimmy the cigarette is an object of barter. For something to function as money, more than one person must use it as such. Members of the society or group need to use it as money rather than as an object to barter with. It could start with only a small number of people in a society, or it could start as an object of barter that gradually becomes money, but whatever the process, the intentions of the group using the money are what matter. That is the sense in which they are collective: a collection of individual intentions.²²

Money is whatever functions as money, meaning it is collectively accepted for its exchange-value. The Shekels and cowry shells are money, because they function as money and are recognized as having exchange value. The cigarettes are not money, because though they function as money on the outside, the people involved in the scenario are trading them for their use-value: they are objects of barter. The bat jaws are not money, since they are failing to function as money, even though the entire clan believes they are.

This account does what Searle’s cannot: it imposes functional limitations on what can be considered money. It also solves the problem of Guala’s account: by requiring intentionality we are able to distinguish between money and barter. While this account is more functional than constitutive, it does require intentionality. We need intentionality to recognize, consciously or not, that, like arrows representing a boundary, money represents something. And, people need to

²² The difference between something being money and an object of barter might be unclear, but at some point it will be clear that something is functioning as money and not as barter, even if there are a few people who are really trading the object for its use-value.

intend that the thing they are using as money is so because of its exchange-value, not because of its use-value. This means that my account of money is mind-dependent.

If money is mind-dependent, as I am claiming, is it constrained in the way Searle's other subjectively ontological kinds are? According to Searle's theory that would mean money is not natural and should not be an object of scientific investigation. However, what if we do not use mind-dependence as our criteria for sorting? If money possesses properties more like natural kinds than previously thought, could it not be treated more like a science? As we will see in the next chapter, approaching social kinds with epistemic goals leads to a different way of sorting.

6.0 Coining a Kind

In chapter 5 I proposed a new account of money which solves the problems in Guala's and Searle's accounts. My account has functional components but also intentionality, which requires mind-dependence. I raised a worry at the end of the chapter: does the involvement of intentionality mean money is unnatural and therefore unamenable to scientific investigation? As we will see in this chapter, not necessarily.

Khalidi objects to the way Searle uses mind-dependence as a sorting mechanism between natural and non-natural kinds, in other words, kinds that are open to scientific investigation and kinds that aren't. This chapter is focused on Khalidi's theory, as an explanation of how social kinds could be natural kinds. Section 6.1 will be focused on the importance of this debate between Guala and Searle, and why Searle thinks institutional kinds are unamenable to scientific investigation. Section 6.2 will focus on Khalidi's theory of different social kinds and how they can be categorized based on causal features rather than mind-dependence, and how they address the worries of mind-dependent theorists like Searle. Section 6.3 will focus on how Khalidi's theory allays my worries about inserting mind-dependence back into a functional account of money.

6.1 Science versus social

Are we justified in our study of subjects like economics, sociology etc.? Should they be open to scientific investigation in the way we study physics and chemistry? These fields look at aspects of the social world through a scientific lens, attempting to understand why we do what we do. For Searle, institutions are at the heart of these fields of thought. He rejects the treatment of these subjects, such as economics, as natural sciences. His theory explains economics as a

theory that is dependent on human beliefs and other attitudes in a way that is “totally unlike the reality described by physics or chemistry” (Searle, 2005, p. 1). Instead, he thinks that to understand how the facts derived by institutions can be objectively true we need to understand what institutions are and how they allow for epistemically objective facts to be stated about entities that are mind-dependent. Guala and Khalidi on the other hand, want to justify the treatment of some social sciences as natural sciences, because this means they can be predictable and generalizable and, according to Khalidi (2015), constrained by causal factors rather than solely by the attitudes of human beings (p. 105). In my exploration of money and what we can know about money, this is an essential debate. Money as a Searlean institution – meaning it is constrained solely by the attitudes of human beings – is not open to scientific investigation. If Khalidi is correct about some social kinds having causal properties beyond our mental impositions, which make them more stable and predictable, then money might be closer to natural kinds than previously thought.

It’s institutions all the way down. Searle thinks there are two ontological categories, subjective and objective. The subjective category contains all entities that are mind-dependent, meaning they must be experienced by a human or animal subject for their existence. Properties like pain fit into this category, as do things like government and the act of killer whales hunting for a seal. Within this category are all social facts, within which we find institutional facts.²³ Social facts are unique in that they are intentionality-relative.²⁴ There are “intrinsically mental” entities which will exist regardless of intentions toward them, and they are distinct from

²³ Refer back to chapter two for an in-depth explanation of the difference.

²⁴ Searle (1995, 2005) used to refer to them as observer-dependent but because this seemed to imply outside-observers mattered, rather than what actually matters -- people’s attitudes. In his 2010 book *Making the Social World* he changes the terminology to intentionality-relative (p. 17).

intentionality-relative entities which require people's attitudes in order to exist (Searle, 2010, p. 17). The three examples of ontologically subjective entities can be divided up into these categories:

- Pain is intrinsically mental. It is mind-dependent and ontologically subjective because its existence is only possible if it is experienced by a human or animal subject. It is *intrinsically* mental because it will exist regardless of a person's intentions toward it.
- Seal hunting by whales is a social fact and requires collective intentionality in order to exist. Therefore, the fact of the seal hunt is mind-dependent *and* intentionality-relative.
- The Government is an institutional fact. It is a social fact, like the seal hunt, so it is intentionality-relative, but it also has a status function: by people collectively intending the institution of Government, they are creating an epistemically objective fact.²⁵

These are the three kinds of entities within Searle's *subjective* ontology.

Within Searle's *objective* ontology are types of things that are *mind-independent*. Examples include mountains and molecules and anything else that can exist outside of being experienced by human or animal subjects. This ontological divide is essential to Searle's theory, and understanding it is crucial for the debate between Searle and Khalidi.

Recall Searle's theory of epistemic objectivity. If something is epistemically objective it means that claims made about it are true or false; it is not dependent on *my* attitudes or opinions. We create institutional facts by collectively assigning a status function. In so doing we are creating objective reality such that the claim "this piece of paper is a \$20.00 dollar bill" is not merely an opinion but a *fact*. Searle (2010) thinks this is an incredible thing we humans can do,

²⁵ Refer to chapter two for an in-depth explanation of institutions as epistemically objective.

that is, we create objective facts that exist only because of our subjective attitudes. The subjective attitudes are explained by ontology, not epistemology. If an entity's existence depends on being experienced by humans (i.e. it is mind-dependent), it is ontologically subjective. However, the true and false claims made about the entity are objective *epistemically*. This is Searle's theory of how one can make objective statements about things like economics and money. What I can know about money depends on our collective attitudes regarding it. If we collectively intend some piece of paper to be money, then that is what it is. I can make a true or false claim about the paper bill, but the claim is only objective epistemically; its ontological subjectivity keeps it separate from categories like physics and chemistry, the natural sciences.

Searle (2005) makes two final assertions that tell us the role social scientists play within his system:

- Because institutional ontology is subjective, it must always be examined from the point of view of the participants and for that reason no external functionalist could account for them. (p. 22)
- Society has a logical structure while other parts of nature (planetary systems, mitosis, etc.) do not, so an adequate theory of social phenomena must contain a logical analysis of their structure (p. 22).

6.2 Khalidi's Theory

As we can see from Searle's view, mind-dependence (everything in the subjective ontology category) is inherently different from the things studied by the natural sciences and cannot be treated in the same way. Guala fought against this conclusion by attacking Searle's method of deriving institutional facts. He used two main points of attack: Searle's commitment

to collective intentionality and constitutive rules. In order to validate the work of social scientists he needed to make institutions accessible from the outside; he needed to explain them without using the subjective ontology as a sorting mechanism. He did this by explaining institutions from a functional perspective: if it functions like one, it is one. The problem with this approach is that Searle is not a functionalist and has a theory that does not try to explain how something functions. The result is that they are speaking past each other, each with his own explanation of institutions based on his chosen method.²⁶ Khalidi, like Guala, wants to explain institutions and social facts in a way that leaves them open to the exploration and study of science. In order to do this he attacks mind-dependence as a sorting mechanism.

Natural vs. social kinds. Why is mind-dependence the factor that determines whether or not something is a natural kind, and whether or not it is open to scientific investigation? Searle thinks that dividing entities based on mind-dependence is necessary to explain how we can make objective claims about things that are derived completely from the intentions of humans. There is something intuitive about this method and many philosophers agree that mind-dependence puts things into a different category, a non-natural category, and should be excluded from natural kindhood. Searle (1995) is an external realist, meaning he bases his theory on the idea that there are two sorts of realities. One is the socially constructed reality that is intentionality-dependent, while the other, the “real world”, exists independent on our representations of it. Knowledge consists in getting true representation of this reality, such that “science” does not refer to specific subject matter, but rather is a systematized approach to studying aspects of the real world. The representations of humans are often influenced by biases from our experiences so that it is nearly impossible to obtain perfectly objective epistemic knowledge (p. 151). Because Searle views

²⁶ See chapter four for a complete explanation of this dialogue.

science as a systematic way of gaining knowledge of the natural or real world, it makes sense that he would dismiss social scientific exploration, since social scientists are attempting to explore the socially constructed world, which is something we create.

Khalidi proposes that instead of assuming mind-dependence makes things unamenable to scientific exploration, we should consider what we are hoping to gain by relegating social kinds to a different category. By relying on mind-dependence as a sorting mechanism we avoid the risk of treating fictional kinds as real/natural kinds, but we also lose all the other mind-dependent entities that have considerable epistemic value; we are throwing the proverbial baby out with the bathwater. Khalidi (2013) thinks mind-dependence is a red herring in determining whether something is a natural kind or not. Fictional kinds are different from other mind-dependent kinds in an important way: they are *world-independent* (p.222). Fictional kinds cannot influence or change the world in the way that mind-dependent social kinds can, because social kinds are instantiated by the universe (Khalidi, 2013, p. 227).

Instead, Khalidi thinks we should approach social kinds with epistemic aims. Science attempts to understand the world. Scientists discover causal patterns in nature which they can generalize into laws and make projections and predictions about. Khalidi thinks that if some social kinds share properties similar to the generally accepted natural kinds scientists study, then those kinds should be studied by social scientists and not excluded from epistemic exploration simply because they happen to be mind-dependent.

Causal properties. Khalidi concludes that mind-dependence just does not do what we want it to do. It is not a good way to determine what a natural kind is, nor is it a proper object of scientific study. Instead, he suggests a causal approach to determining natural kindhood. While the actual definition of natural kinds is contentious, most, if not all, theories consider that

possessing causal properties is a necessary requirement. Natural kinds generally correspond to a set or cluster of properties, rather than a single property, such that one instance of the kind gives rise to other properties or processes (Khalidi, 2015, p. 105). For example consider the natural kind 'frog.' If something is a frog it will possess certain properties that will be the same in other frogs. By recognizing something as a frog I can infer that it is a tailless amphibian. From the presence of some properties we can infer other properties on the basis of causal relations between them. For example, because it is a frog we can expect it will be able to leap. These sorts of qualities allow for laws and generalizations to be created for different natural kinds and for predictions and discoveries to be made about natural kinds. Searle would agree with this assessment because he would view it as our coming close to gaining epistemically objective knowledge about the real world. But what would he say about finding these same sorts of properties among mind-dependent, representation-dependent kinds?

If we look at social kinds, many of them share the qualities of predictability and discoverability. Take the example of racism. This is ontologically subjective because it must be experienced by humans in order to exist, and it requires intentionality, even if not toward itself. According to Searle this is not a natural kind. He considers this type of social kind to be a systematic consequence of ground level institutions (Searle, 2010, p.22). And yet racism, and similar social kinds, possess properties in the way that natural kinds like 'frog' would. Racism is discoverable, because it existed before people were even aware of it. Where there is racism there are resulting properties such as differing treatment based on perceived differences. Even money might have these sorts of causal properties; for example, where there is money there is some entity that can be used in exchange. With these examples Khalidi (2015) is not insisting that all social kinds should be considered natural kinds, but rather that *if* something acts the same way as

generally accepted natural kinds, it should be considered a candidate for natural kindhood (p.111).

Should all social kinds be considered candidates for natural kindhood? Khalidi says no. Some kinds, like racism or war, are importantly different from kinds such as a game of chess. A game of chess has properties associated with it based solely on convention. I win the game by putting my opponent's king into check. I don't "discover" that my king can only move one square at a time. Entities like a king in chess, the Prime Minister, and citizen fall into the same category. They are created by convention and their properties are arbitrary. Searle would group them together with properties like war because all are institutions which depend on our intentionality (synonymous with propositional attitudes): they are what we collectively intend them to be. Khalidi thinks this is incorrect and results in an epistemic loss. There are differences within the category of social kinds that we do not see when using mind-dependence as the sorting criterion. If we use the degree of propositional attitudes required for the creation and maintenance of the social kind, we can separate the kinds that are epistemically useful from those that are not.

Three kinds of social kinds. Khalidi divides social kinds into three groups based on the degree of propositional attitudes directed at the kind itself. He concludes that the conventional types, like a king in a game of chess, cannot be considered natural kinds, but the other two types, like war and racism, possess properties that are not so different from non-social kinds. As such they should be candidates for natural kindhood, and candidates for serious scientific study since they possess causal properties. The three groupings of social kinds are as follows:

- 1) Neither the kind as a whole nor individual instances of the kind require people to have a propositional attitude toward them. Examples are racism and recession.

- 2) There must be some propositional attitude toward the kind itself in order for it to exist, but individual instances of the kind do not require propositional attitudes toward them. Examples are war and money.
- 3) There must be a propositional attitude toward both the kind and each instance of the kind in order for it to exist. Examples include citizen or permanent resident and Prime Minister.

The first two kinds are, at least in part, dependent on causal properties, not solely human mental states. For example, a recession could happen without anyone intending it, and a recession is such that an instance of it gives rise to other properties. People might have no idea that the reason their economic growth is negative is because of a recession. It is conceivable that no one is aware a recession is happening until they begin feeling the effects of it. A recession is discoverable, it is generalizable, and it is predictable: for example, a long-standing and harsh recession might lead to a depression. This belongs in the first group of social kinds, because while it is certainly a social kind involving people and experienced by people, it is the sort of kind that does not require people to have any propositional attitudes toward it for it to exist.

In the second group we have things like money and war, which depend on propositional attitudes, but only toward the type of kind rather than individual tokens (instances) of it. It is less obviously a candidate for being a natural kind than something like recession, but these kinds still have causal properties. Something like war requires a level of organization and understanding that seems to require at least some propositional attitudes toward it (Khalidi, 2015, p. 105).²⁷

²⁷ Conceivable mob violence might fit into the first category. It would be distinct from war due to the lack of understanding and organization.

The third kind is distinct from the other two in that the properties of the kind are explicitly written into them and can be completely arbitrary. Maybe in some place the requirement for becoming a citizen is to be able to sing the oath of allegiance in one breath. This means that all citizens can sing and have highly effective diaphragms. This is a conventional property of the kind “citizen” because the property is written into the kind itself: “a social institution or community has decided to associate these properties with the kind” (Khalidi, 2015, p. 106). Those in the third kind are like all of Searle’s institutional kinds, in which the attitude toward the phenomenon is partly constitutive of the phenomenon itself. The kinds in this category possess constitutive properties rather than causal ones and should be excluded from being natural kinds (Khalidi, 2015, p.111).

The entities in the third kind are made up of arbitrary properties. The first two kinds have properties in the way ‘frog’ has properties: by knowing it’s a frog we can infer lots of things about it. By knowing something is money, or racism, or war we can infer things about it. By knowing something is a Prime Minister we can only infer the arbitrary components we imposed, because Prime Minister is a conventional, non-natural kind. This is why Khalidi (2013) thinks that when considering whether or not social kinds can be natural, the third group should be excluded but the first two could count as natural kinds, making them candidates for ontological objectivity (p. 151).

But how can things that are obviously dependent on our human experience be ontologically objective? Isn’t that a conceptual mistake? It is if Khalidi is using Searle’s definition of objective ontology, but he isn’t. Khalidi thinks mind-dependence is not a good method for sorting; objectivity can apply to more than just mind-independent entities. Instead, objectivity, when it pertains to natural kinds, is a “matter of being guided by epistemic purposes”

(Khalidi, 2013, p. 222). We can identify genuine causal properties that apply to both social and non-social kinds. Since mind-dependence does not work well as an explanation for subjective ontology, and many social kinds seem akin to natural kinds, why can they not be ontologically objective?

6.3 Money Could Be Natural

The first two types of social kinds have properties in the way “frog” does: by knowing it’s a frog we can infer other things about it. We see this with racism, war and money. But the third kind is different. Knowing someone is Prime Minister leaves us with nothing to infer other than the components that are conventionally a part of the category PM. Khalidi, like me, is wary of the arbitrariness that is tied to Searle’s method of categorizing. This arbitrariness is what makes Searle’s account of money insufficient.

Khalidi shares my worries regarding Searle’s arbitrariness. The third group is clearly distinct from the others in how it is created and what it can tell us about the world. Recall how Searle thinks we can make objective statements about institutions, but that they are ontologically subjective. Khalidi asks how it is possible for individuals or kinds to be truly ontologically subjective while facts about them are epistemically objective. Searle (2010) has a response to this: the way an entity can be subjective yet also objective is “profoundly ambiguous” (p.18).

As we can see, dividing the world between objective and subjective ontology creates an unhelpful dichotomy, leaving us with arbitrary accounts of social kinds which do things beyond our intentions. If we look at causal properties as a factor for determining natural kindhood we find that many social kinds have such properties. They should not be excluded from being natural kinds; instead, we should distinguish the types of social kinds based on the degree to

which they require propositional attitudes to exist. If they require propositional attitudes toward both the token and type, they have conventional, not causal, properties and should be excluded from natural kindhood. If the kind requires a propositional attitude toward the type but not the token, or toward neither, it possesses causal properties and should be considered a candidate for natural kindhood.

Money. What does this mean for my account of money? Khalidi thinks money cannot exist unless people have propositional attitudes toward the type. For example, they would need to understand what money is for, in order to use something as money. Because it is money it will have resulting causal properties.²⁸ For example, store of value is a resulting causal property; where there is money, there is a store of value.

Khalidi's view explains how my account of money could be mind-dependent but still have natural properties and thus be open to scientific investigation. Money is not limited as a king in a chess game would be. It is something we can study, generalize, and learn from in a way that would not make sense under Searle's view.

²⁸ Khalidi (2015) gives examples of the potential causal properties of money: it won't be made of ice or be a rock the size of the moon (p. 105). My account is not limited in such a way; a rock the size of the moon could count as money.

7.0 Where Are We Now?

The aim of this thesis was to determine an accurate account of money. The first portion of the thesis focused on evaluating two dominant and opposing views of money as an institution. I found these views inadequate in their explanation of money, so I derived my own. Although it involves mind-dependence, Khalidi's theory of certain social kinds as candidates for natural kinds, means money might have natural properties; it might be open to scientific investigation.

My theory of money explains money as functional but the function depends on our intentions. It is not arbitrary like the social kinds that cannot tell us about the world; instead it has properties that we can study and learn from.

In this thesis I only touch on these properties briefly and I think there is much more room to study them. There is the obvious causal property: where there is money, there is a store of value. There are also potential causal physical limitations. Khalidi uses physical limitations as a causal factor, but because of examples like the Yap island rocks,²⁹ I am not ready to make this claim. Unconnected groups of people have been found to have had similar forms of money throughout history. For instance, cowrie shells were used all over the world for centuries, and two disconnected waves brought them to Africa, one via traders from the east, the other from the west (Quiggin 1970, p. 27-33). Why did those shells work so well as a store of value? Also throughout history we see the influence of metals as a form of money in varying shapes. Swedish plate money consisted of giant copper slabs often weighing 48 pounds, whereas Lydia had tiny

²⁹ On the Yap islands one of the currencies is giant limestone rocks cut from an island 250-400 miles away. These rocks are too large to move easily, so while they are used ceremonially as payment, strings of mussels are the more practical alternate for every-day purchases (Lietaer, 2001, p. 39)

forms of gold currency (Leonard Jr., 2010). There may be causal properties connected to what is used as a medium of exchange.

There is room for significant study into exactly what causes something to be a store of value. Searle was content with collective intentionality, Guala with incentives, Smith with convenience, etc.³⁰ If we look at examples throughout history we see different things at play. In the case of the Yap island stones, the islanders' rich oral history both determines the value and keeps the stones holding value (Leonard Jr., 2010, p. 92). In unstable situations, such as during WW11 or in many prisons, cigarettes were the dominant medium of exchange (Leonard, Jr., 2010, p. 44). Where there is instability, we see forms of money that also have intrinsic use value become the dominant unit of exchange. This is exemplified in a scene from the movie *The Shawshank Redemption*. Several prisoners are gathered around, placing bets. As they are literally smoking cigarettes, Morgan Freeman's character says "cigarettes as coin, bettors' choice." There is such a diversity in the different historical forms of money that all have plausibly different explanations. Maybe a pluralist approach will be able to explain this better.

These questions, and many more, are incredibly interesting and beyond the scope of my thesis. However, to explore them we must start with a general and accurate account of money, which I believe I have provided in this thesis.

³⁰ See Smit et al. for an explanation of the incentivized view. This does not come into my thesis, however it is a theory that is often brought into Guala's work. Smith had a theory that it all started to facilitate barter, because a person might now want to buy some salt, but having only cattle would be forced to use the entire animal and in return would receive so much salt (p.39).

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