

The Notion of Capitalist Credit Money and Searle's Account of Institutional Facts: How does 'Intentionality' Matter? a Critical Appraisal

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Introduction

1. The fiat nature of money vs commodity one
2. Capitalist credit money
3. Searle's account of institutional facts
4. Discussion
5. Conclusion

Erasmus

1- The foundations of the fiat nature of money vs commodity nature

- Money is born out of social relations
 - fine, wergild, ...
- Money things have no importance, they must only bear the *insignia* of the state
- Money is always created along with a debt relation
- The primacy of the unit-of-account function over being medium-of-exchange



state theory of money

Erasmus

2- Main features of capitalist-credit money

- The central rule that characterizes Capitalist Credit Money (CCM; so-called the fractional reserve banking) is the **systemic conversion of private debt into public money**.
- Persists to these days from the establishment of the Bank of England
- A political alliance to give **the privileged right** of money creation to special class.
- **Loans before savings**

The canonical rule of accounting can be circumvented:



- 'Banks can always grant further loans, since the larger amounts going out are then matched by larger amounts coming in' (Schumpeter 1917: 207).

Ezra

2- CCM, the monetary nature of the economy

- The role of CCM in the **development** of capitalism
- **Real wage economy vs Entrepreneur economy**, rejection of marginal theory of distribution
- Entrepreneur, 'he can only become an **entrepreneur** by previously becoming a **debtor**' (1934: 102)
- What allows the entrepreneur to **disrupt the circular flow** : money as a '**claim ticket**' not as a '**recipe voucher**' (Bellofiore 1985: 26).
- **Capital**: 'means of diverting the factors of production to a new use, or dictating a new direction to production' (p.116) → as an **organizational lever**

Ezra

The linkage to Searle's account of Institutional facts

- CCM's vigorous effects can be investigated in myriad aspects from prompting the process of development, creative destruction in terms of Schumpeter, to the rise of money manager capitalism (Wray 2009) or to aggravate inequality in grounding financial crisis (Pixley and Harcourt 2013, Hudson 2012) and magnitude consumerism or what Simmel (Simmel 2011 [1907]) points as wicked objective culture of money.
- **How do we represent collectively private debt as money ?**



Collective intentionality/representation

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3- Searle' account of institutional fact

- How institutional facts generate new capacities **independent of physical attributes**.
- 'There are things that exist only **because we believe them to exist**' (Searle 1995: 1); 'If everybody **stops believing** it is money, it **ceases to function as money**, and eventually ceases to be money'

X counts as **Y** in context C



Status function

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3- Searle' account of institutional fact

- **'Status function'** is quintessential because it functions not by virtue of physical attribute of objects but collective intentionality.
- **Intentionality:** 'the capacity of the organism to represent objects and states of affairs in the world to itself' (p.7).
- **Collective intentionality:** we intend, we believe, we count; it 'is a biologically primitive phenomenon that cannot be reduced to or eliminated in favor of something else' (p.24).

Erasmus

3- Searle' account of institutional fact, the questions of 'type' of money vs its 'token'

- The old question from **Plato and Aristotle** that identifies the 'idea' behind its physical form (Ingham 2007: 265).
 - **Searle** : **general** practices and **particular** instances/ example: **counterfeit dollar**/ the deviation from the general direction of belief
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- **Mitchell Innes**: 'the **eye has never seen**, nor the hand touched a dollar' (2004[1914]: 56).
 - 'All that we can see and **touch is something that *represents* a dollar'** (Ingham: 266)

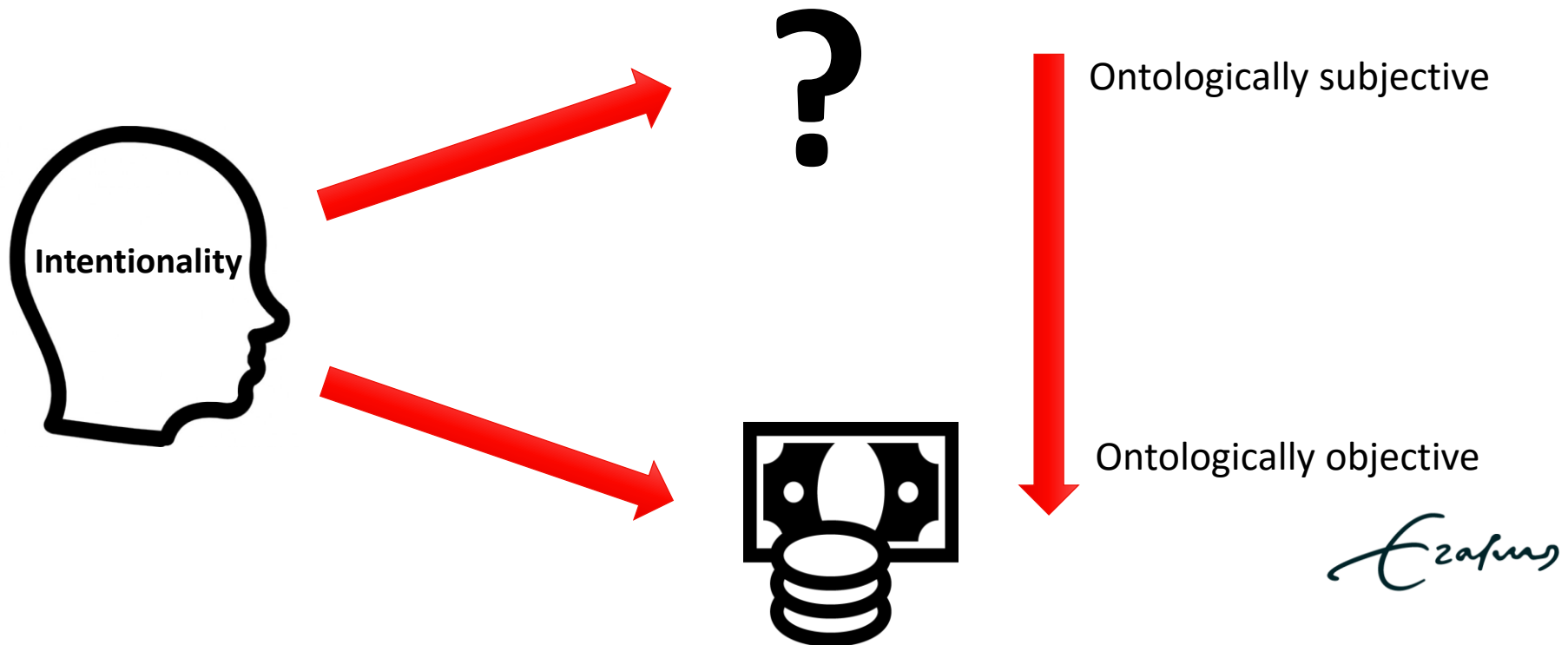
Erasmus

4- Discussion: 'type' vs 'token'

'The eye has never seen, nor the hand touched a dollar' (2004: 56), but what represents a dollar?

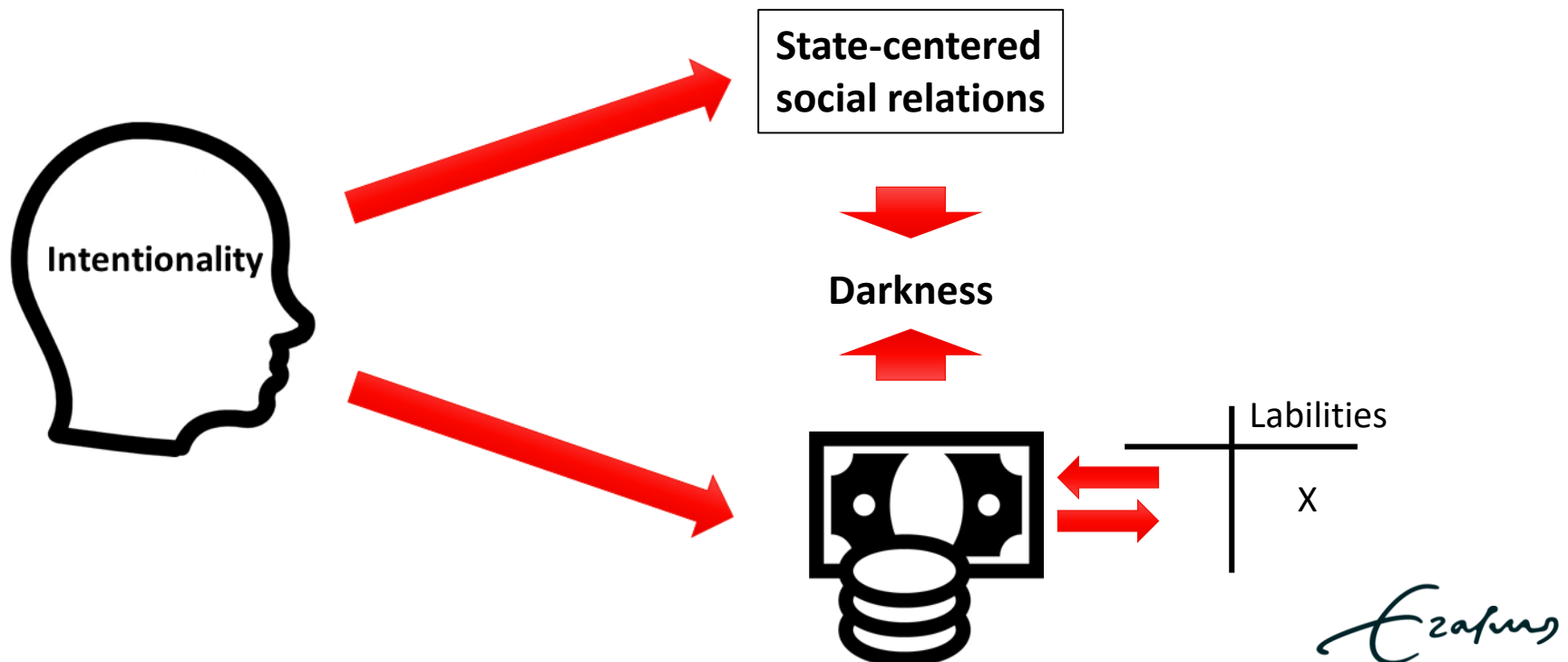
'All that we can see and touch is something that represents a dollar' (Ingham: 266)

Two layered representation



4- Discussion: how do banks create money?

When new money are created we cannot touch the change due to the darkness between 'type' and 'token'; as a result, our collective intentionality remains unchanged unless in case of side effects like inflation



4- Discussion: how do banks create money?

- The **problem of creating money by making loan** and its relation to the electronic money
- **'free standing Y'**, constitutive declaration → money creation is a systemic fallout
 - *'We the Bank of America hereby lend Jones, and we do that by opening an account under his name with the balance of \$1000' (p.120).*

Erasmus

4- Discussion: shortcomings in Searle's account

- There is no **difference** between **paper money** and **electronic money** in terms of brute facts, *insignia*.

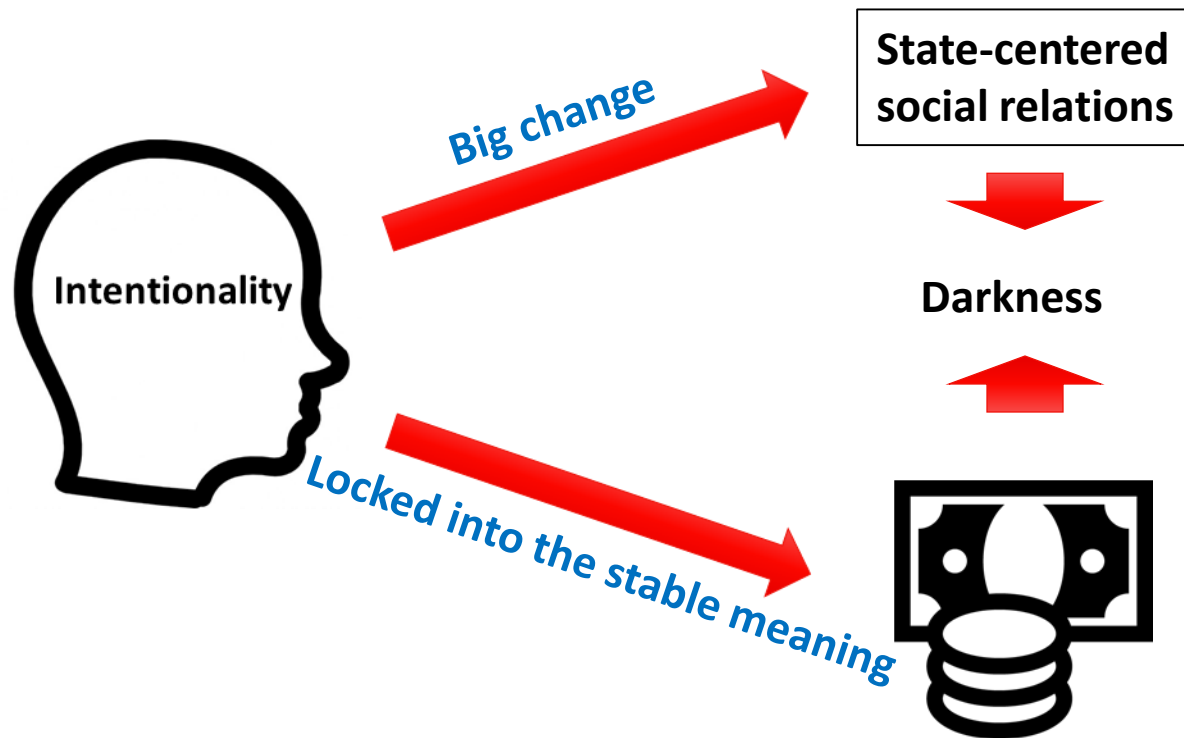
- **The same representation** and declarations happen when banks are supposed to act as **a mere intermediary**, so-call full reserve banking.

- The **peculiarity of** the type of **CCM** lies not in the **evolution of representing brute facts** as money; say, the evolution from the more commodity forms to less commodity ones like paper or electronic byte, **but in something else** that needs to be addressed more deeply in accounts of social reality.

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5- Conclusion

- ‘The social relations for the ‘manufacture’ of capitalist credit-money were first successfully developed in England from the late seventeenth century onwards, and were ***copied***, with various degrees of success, throughout the developing Western world’ (Ingham 2004: 131, emphasis added).



Erasmus

5- Conclusion

- The fact of controlling, and utilising, and mediating 'collective intentionality' → political agreement
- The change of collective intentionality cannot be reduced to 'collective intentionality' itself:

Two different points: (1) a dollar is what public represents generally as a dollar; (2) the creation of dollar depends fundamentally on collective acceptance/representation.

- A dynamic between agency and collective intentionality is required.
- It would be subject to ethical investigation.

A handwritten signature in black ink, appearing to read 'Erasmus', located in the bottom right corner of the slide.

Thank you very much for your attendance

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