The Speech Foundations of Money and Property: A Look at Searle and Ostrom

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1. Introduction

This paper is about the speech-based constitutive and performative aspects of economic institutions, particularly money. I focus on John Searle's theory of speech acts and Elinor Ostrom's theory of institutional construction and governance, particularly concerning assets and resources owned in common. I use the term 'speech-based' rather than language-based to emphasize the dynamic, in time, discursive-dialogical and process dimension of language use. Language is, first and foremost, an activity of communication among humans where static monological descriptions, spoken or written, are only one category of language use among several. Distinguishing the many categorical uses of language communication is one of the most important philosophical developments of the 20th century, and re-casts the entire Western tradition of metaphysics, removing the false dichotomy 'mind/idealism' versus 'body/materialism'. The 20th century's discovery of language, the so-called linguistic or interpretive turn, allows for a more sophisticated theory of money-based and market economies than was possible before.

Searle focuses on the general landscape of institutional reality.[1] Ostrom takes the analysis to a greater level of procedural detail regarding how human groups use language to create mental-intentional structures to mutually govern their activities.[2]

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[1] Searle, J. (1995), *The Construction of Social Reality*, New York: The Free Press; (2010), *Making the Social World: The Structure of Human Civilization*, Oxford: Oxford University Press.

You could say that Searle is broader but shallower, whereas Ostrom is deeper but narrower. Ostrom focuses on one subset of institutional reality, non-market situations and community property (what she calls *common pool resources*). Searle looks at all institutional forms, property, corporations, collective-action structures, money, marriage, government, and describes the basic linguistic-intentional components. Ostrom goes into more detail than Searle in spelling out the precise syntactical forms of institutional statements and rules. She distinguishes three kinds of rules, regulations, norms, and strategies. In distinguishing types of rules, Ostrom carries forward the development in 20th century analytical philosophy which helped to unravel empiricism[3].

Because Searle is operating at a more general, 'higher' level of how language creates institutions than Ostrom, I will structure my overview of social ontology based on his theory, and add in Ostrom's contributions 'as if' they were extensions of Searle's theory. The two are not in full agreement, so I will point out differences as well.

Searle's theory of speech action is not the last word on social ontology and the creation of social order through speech. But he provides a cogent and summary view of the basic notions. Work by Charles Taylor and, more recently, Anne Rawls has also shown how language, and categories of practical language use, have taken the implications of communication through language to bring together philosophy, social theory, and anthropology as different scholarly paths to the common objective of

[2] Ostrom, E. (1990), *Governing the Commons: The Evolution of Institutions for Collective Action*, New York: Cambridge University Press; (2003), 'How types of goods and property rights jointly affect collective action', *Journal of Theoretical Politics* 15; (2005) *Understanding Institutional Diversity*, Princeton: Princeton University Press; (2010), 'Beyond markets and states: polycentric governance of complex economic systems', *American Economic Review* 100.

[3] Rawls, J. (1955), 'Two concepts of rules', *Philosophical Review;* Anscombe, G.E.M. (1958), 'Brute facts', *Analysis* 18; Searle, J. (1964), 'How to derive 'ought' from 'is'', *Philosophical Review*.

resolving the epistemological question of how humans make sense of their reality and existence by communicating in language.

2. The Basic Speech Action Conception of Money

To begin to understand the speech action of money, and other economic institutions, it is necessary to dismiss the naïve, but common, understanding of language as merely representing an existing reality. It is not so much that money is a language in the commonsense understanding of language as a *representation* or *symbol* of fixed objects. Rather, the object that money is believed to represent or symbolize is not a thing, but a process, a continuous possibility of certain kinds of activities (paying, earning, hiring, investing, saving, borrowing, *etc.*).

The historically first instances of money were based on physical objects, such as precious metals or coins made from precious metals. And it is still true that, today, a dollar bill or a credit card is in some sense a physical substance that represents money. Also, at any moment, there is a countable quantum of money (of specific currency units) in existence. *I.e.,* there is a finite 'money supply' at any given moment. All these are physical manifestations of money. But in its essence, ontologically, money is *not* a physical object. Rather, it is a standing possibility for specific activities to take place, such as buying, selling, hiring, being hired, accumulating assets, and so forth. Money is a token or symbol of credit given, located in some collectively imagined intersubjectivity, the shared mental beliefs of a group of individuals

The ontology of money (as with all social institutions, such as property, marriage, corporations, football games, government, *etc.*) is less to do with a fixed object than constituting and defining a situation between humans in order to perform activities in a constituted space of potential action. According to Geoffrey Ingham, 'money is a social relation'.[4] Dirk Bezemer writes that, 'money is not a thing but the symbol of a financial relation … one person's revenues are another person's outlays … one person's capital gains are financed by another person's … debt'.[5]

Money establishes relationships between people (more precisely between agents and agencies that have been linguistically constituted). The main relations constituted by money consist of two agents in an employer/employee relationship, two agents in a transfer of property-ownership of buyer and seller, two agents as lender and borrower in a loaned-money relationship, and two agents in the general relationship of a giver and a receiver (donations, inheritances, marriage and family transfers, *etc*.).

The point is that money, as all economic institutions, exists in language. But, its linguistical factuality has to do more with the *constitutive* and *performative* aspects of language, which are relatively obscure and not well understood. Not so much with the *designative* aspect of language, describing and symbolizing fixed, physical things.

The constitutive and performative aspects of language came to attention and understanding in the 20th century *via* philosophers and social theorists such as Peirce, Durkheim, Weber, Saussure, Wittgenstein, Heidegger, Austin, Kuhn, Gadamer, Merleau-Ponty, Searle and Taylor. The *designative* aspect of language is the commonsense, yet naïve and incomplete, understanding of language. That naïve and restricted view of language (that language's sole function is to designate/represent an independent reality)

[4] Ingham, G. (1996), 'Money is a social relation', *Review of Social Economy*.

[5] Bezemer, D. (2016), 'Towards an accounting view on money, banking, and macroeconomy: history, empirics, theory', *Cambridge Journal of Economics*.

buttresses the typical and mistaken positivistic understanding of money as a neutral measure of value and medium of exchange.

2. The Epistemology of Positivist Economics and Neutral Money

The naïve understanding of language represents a positivist view of science where knowledge is held to consist of statements mirroring a reality independent of individual consciousness, a reality of obvious and unambiguous 'clearly identifiable and given' objects. Such a conception of language, knowledge, and mental cognition has its metaphysical roots in the dualistic and individualistic Cartesian-Kantian theory of knowledge and in British empiricism (Bacon, Hobbes, Newton, Locke and Hume). In this metaphysics, the conceptualization of the world by a human observer exists in a radically separate realm and substance than the observed external objects of the world. In addition, the 'consciousness' of the individual subject, immediately and thoroughly knows the contents of its own mind.[6]

From this presupposed dichotomy of subject and object, an epistemological problem arises. How to be sure one's conceptualization truthfully corresponds to the real? Positivism and empiricism are thus a metaphysical and ideological stance that theories of real objects, 'knowledge', can be stated in nomothetic statements (as with Euclidean geometry). These statements are isomorphic to reality, a 'mirror' or 'photographic positive' of reality.

This same dualistic metaphysics is responsible for the mistaken beliefs that money is neutral and outside (exogenous to) socio-economic activity, and that prices denominated by money are somehow isomorphic to natural, empirical economic forces,

[6] Locke, J. (1690). *An Essay Concerning Human Understanding* (as reprinted by Oxford University Press, Oxford: 1975).

such as ‘supply and demand’. The mistaken *object* - and *commodity* - view of money is a holdover influence from that classical theory of science and metaphysical stance. The alternative to positivism is the non-dual, participatory (monist) metaphysics where there is only one realm, not two, and thinking and speaking are activities, not other worldly events in some different realm from the physical. There is still the possibility for intellectual reflection and distancing in order to ‘objectify’ and ‘theorize’ one’s reality. However, such thinking, that is higher order cognitive intellectualization, is derivative of a more primordial, habituated, and pre-conceptual engagement with life. Our cognitive frameworks for understanding either the natural or human worlds, are historical, cultural, and geographically-based. They are received by individual actors in the process of growing-up and adopting the anonymous meanings, cognitive frameworks, theories, *etc.,* that are implicit and routinely spoken in the community’s language.

Philosophical reconsiderations of metaphysics and language took place simultaneously with the ‘methodenstreit’ (strife over methodology) that occurred in economics prior to WWI. Only Innes’s, Knapp’s, and (later) Keynes’s theories of money were in alignment with the larger philosophical currents. In retrospect, when Keynes latched onto the idea of a ‘monetary theory of production’ in 1933, he fastened to what today we might call the ‘performativity of money’. Keynes called it the ‘marginal efficiency of [money] capital’. Keynes began to see that when a community (typically a nation state) stipulates and then creates quantities of a recognizable unit of valuation by which members of the community may settle and complete payments of taxes this *also* allows members to settle payments and coordinate interdependent activities amongst themselves, in private-sector trade, services, manufacture, extraction, transport, *etc.*

Money allows people to get things done, to be productive. With money, the transformation of the physical world seems now to have no limit.

When the classic metaphysics of Enlightenment-era science was dissolved in the 20th century, the natural sciences and many of the other 'human sciences' adapted their methodologies. But the discipline of economics, for the most part, remained resolutely in the camp of classic Cartesian-Kantian, dualistic science. I will follow up on this in the conclusion, but first let's see how language creates institutional reality.

3. Social Ontology and Departures from Positivist Economics

All of institutional reality, according to Searle, is created by speech acts that have the same logical form as declarations. Searle's claim comes out of the philosophical treatments of language that began during the 1950s in the wake of Wittgenstein's focus on 'use' conditions and Austin's performative aspects of language that are social, contribute to meaning, and constitute meaning.[7]

3.1: *Subjectively Constructing a Shared Objective Reality through Language*

According to Searle, institutions arise out of three rudimentary elements, (1) humans share a common purpose that requires collective, coordinated action, (2) they make specific rules to govern how they will interact to achieve the purpose, (3) these rules are made by a specific linguistic form, what he calls 'status-function declarations'.[8]

The alpha and omega of Searle's linguistic theory of institutions is the establishment and pervasive acknowledgement in society of these 'status-function

[7] Rawls, A, (2015), 'Getting information systems to interact: the social fact character of 'object' clarity as a factor in designing information systems', in *The Information Society*, Taylor & Francis.

[8] Searle, *Making the Social World.*

declarations', often embodied in rules that constitute social institutions. These are functional devices that allow people to 'do things'.

The status-functions that society places on things, organizations, positions in organizations, *etc.,* allow people to make such statements as 'this quantity X of currency units, given to you, settles my debt obligation to you for your giving me this commodity Y', 'this land is my property', 'this piece of paper is legal tender for all debts public and private', or 'to fill this job position at this salary requires degrees and certifications in these subject areas'. Rules that constitute (as opposed to merely regulate) are instances of status-function declarations. In order to function, status-function declarations must be widely recognized. Only with wide recognition does a status-function become an objective fact of reality.[9]

The anomaly, from the classic Cartesian-Kantian dualistic metaphysical position, is recognizing a declared status-function is a mental, subjective, act. It depends on the mind of the observer, and does not exist independently of observation. Thus, money, corporations, governments, *etc*., only exist because we believe them to exist. They don't exist in the same way that rocks and trees exist. They are observer dependent. Rocks and trees exist whether or not they are observed by humans (or any other intelligent being). The physical world, *i.e.,* the 'objective' world, is observer-independent.

From the dualistic 'empirical' standpoint, institutional reality has the odd phenomenological characteristic of being an *objectivity* created by multiple shared

[9] Recognition does not mean that it is accepted as legitimate. For example, a convict may deny that their sentence is legitimate, but nonetheless recognizes their status as incarcerated. Nor does recognition need to be a conscious thought. Action that is in accordance to a rule can become habituated and therefore unconscious.

subjectivities. As Searle points out, institutions are epistemologically *objective* even though ontologically *subjective*. They are real, but only exist in our minds.

Social ontology is Searle's term for this class of declared, collectively acknowledged, mental things. In other words, the economic realities of property, governments, money, contracts, and so forth, are mental projections each of us makes, conforming to common semantical meanings, but not necessarily existing physically. They sometimes do have physical correlates, such as a headquarters building for a corporation or government agency, or a piece of paper or metal coin for money, or a plot of land or physical object as property. But the declared functions of the objects are not intrinsic to their physical structure, and indeed many institutions including credit money, property, corporations, securities, *etc*. have no physical analogue at all.

The vernacular term for social ontology is 'consensus reality'[10] However, the concept of a shared, and common, semantic world of mental objects has been one of the major developments of the 20th century philosophy and social theory, and has taken on several alternative, more or less synonymous, descriptive labels, including intersubjectivity, the background, referential totality, and so on.[11] In mainstream economics, the phenomenon is alluded to, but not made explicit, in such concepts as bounded rationality, rational expectations, and '*macro*foundations'.[12]

[10] The notion and term 'consensus reality' did not enter the Anglo-Saxon cultural mainstream, and its origin in Husserl's notion of 'intersubjectivity' until the 1960s when various authors began to describe objective reality as consensus reality.

[11] Also 'habitus' (Bourdieu), normative totality (Gramsci), mutual intelligibility (Habermas), anonymous meanings (Gadamer), paradigm (Kuhn), discursive formations (Foucault), conventional wisdom (Galbraith), average mutual information (Ulanowicz), bias in the network (Beinhocker), the mental model (Matutinovic).

[12] Simon, H. (1957), *Models of Man*, New York: John Wiley.; Lucas, R. (1987) *Models of Business Cycles,* Oxford: Basil Blackwell.; King, J.E. (2013), *A Brief Introduction to Post Keynesian Macroeconomics.*

Intersubjectivity came to be recognized after a centuries-long philosophical dispute regarding the inadequacies of the Cartesian-Kantian and empiricist theories of knowledge to scientifically address human and social phenomena The principal inadequacy with the Cartesian-empiricist tradition was its absolute metaphysical separation between subject and object.

A consensus institutional reality, where things are objectively real only because enough personal subjective viewpoints believe them to be real, is *ipso facto* the point at which economics and all ‘human sciences’ cease to be ‘positive’ and empirical (at least, in the classic 18th century sense of these terms). That *belief* determines experience and that determination of what is real is dependent on *belief* is diametrically opposite one of the foundational maxims of empirical science, which is, that only through sufficient factual instances and experiences can beliefs be validly inferred as *truth*.

Mainstream economics to date has generally resisted the idea of a socially constructed institutional reality. Its epistemological presupposition is adamantly individualistic wherein confirmation of reliable truth and belief is purely the affair of an individual subject. In this individual epistemological view, there is a complete omission of how that individual’s consciousness is shaped by his or her community, especially the norms of rational thinking and understanding of reality.

The discernment of intersubjectivity in the early 20th century by such social theorists and philosophers as Durkheim, Simmel, Weber, Husserl, Heidegger, and Wittgenstein, revealed the distinctive role of language use, and how language is always tied to specific historical, geographical and cultural moments and situations, and the resulting effect on knowledge and theory of knowledge. Today, the implications of the *philosophy of language*, which is different to *linguistics*, are reshaping not only the human sciences but also the physical-natural sciences and theories of information.

Wittgenstein inaugurated the idea that word meanings (semantics) depend on the circumstances in which people use words in ordinary speaking situations. To put it crudely, pragmatics or ‘getting things done’ determine semantics. John Austin expanded this to show that certain uses of language actually perform action. They make something the case by explicitly saying that it *is* the case: for example, ‘I promise’ or ‘I apologize’.[13]

These developments helped to upend the conventional, positivistic understanding of language. When people speak, they are not just *representing* things in the world. In fact, they are *doing* things and the doing gives meaning and definition to the descriptions of the doing. Not only is speaking a kind of human activity, but also human activities are coordinated by language and are themselves linguistic expressions of an individual’s intention. Speaking coordinates action when multiple individuals are participating in an interdependent activity (*e.g.,* conducting an exchange of ownership of assets for money, at the grocery store as well as the stock exchange, hiring somebody to perform services, *etc.*). Language is implicit in an individual’s action because the intention and the performance can be expressed in public, common language words (common meaning).[14]

Action in speech is not just the *locutionary* motion of making sounds with one’s larynx. It is the *illocutionary* force of changing the situation that other listeners or readers

[13] Austin, J. (1962), *How to Do Things with Words,* Cambridge, MA: Harvard University Press.

[14] For this last point, I am saying that, for example, the phrase ‘I am paying for groceries’ does not need to be explicitly stated in the act of paying for groceries to perform payment and transfer of title. And yet, the phrase can serve as an objective, positivistic description of unverbalized, intentional action.

(who understand the speaker's words) now must confront. Austin's student, Searle further clarified Wittgenstein's notion of language games by classifying speech actions into five categories, Assertives, Expressives, Declarations, Directives and Commissives.

Searle's taxonomy of speech-actions shows that the category of speech use for representing and designating reality (the naïve, positivist, understanding of language) is only one categorical use of language. There are four other categories. Searle demonstrates that, contrary to positivistic metaphysical standpoints, there is no clear demarcation between 'objectivity' and 'subjectivity' that language straightforwardly mediates.

The speech action of *declaring* is the ontological foundation of economic institutions, including money. It is through the action of *declaration* that humans make the social-public world of economic institutions of money, property, governments, and corporations. The declarative speech act is different from other speech-actions in that it has the capacity *to create a new reality by representing that reality as existing*. This is the *constitutive* aspect of language. Some examples are, 'War is declared', 'I now thee wed', 'the meeting is adjourned'. Unlike other speech actions, *declarations* don't merely describe reality, they *make reality*. They don't merely report facts, they *make facts*.

Contrary to the positivist framework of a strict separation between observing subject and observed object, language introduces the fact that economic and social reality exists as much in the observation than in the observed. The psychological/cognitive issue of ontology is a key issue in economics. All economic institutions, including money, are created by the declarative speech act. They are 'status function declarations'.

Declarations make something 'count as' something in a certain context. This piece of paper counts as a means of settlement when a counterparty with whom I just made an exchange expects monetary compensation. As a US citizen, I count as being able to vote in elections, and so on. A declaration is a kind of *rule-of-use* that causes a social-public object to exist (to come into being *ex nihilo*) simply by human fiat and acceptance by the community of speakers.

Rules that embody declarations that bring an institution into existence are considered to be constitutive rules, and are also called generative rules.[15] Such rules are different from other kinds such as regulatory rules or rules of strategy.

Constitutive rules make reality. For example, the rules defining the moves of a knight (and all the other pieces) in chess, are not merely arbitrary rules. They make the knight and each particular piece what it is. The rules of the allowed movements constitute the character of the chess piece. The rules of playing chess or baseball, constitute these games. The games wouldn't exist without these rules. Regulatory rules augment already constituted institutional reality. For example, if it starts to rain, a baseball game is postponed. Strategic rules describe 'rules-of-thumb' (or norms) of how to successfully take action given an institutional situation. In baseball, 'stealing bases' is a good way to increase the likelihood of scoring runs, but the player must be a fast runner. In financialized markets, 'buy low, sell high' is a rule of strategy to make profit.

Thus, not all rules create institutional realities. Regulatory and strategic rules operate inside pre-established institutions. Only constitutive rules, as the name implies, constitute the institution in the first place. Rules, while expressible in nomothetic statements, are more appropriately thought of as descriptions of practices and actions.

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[15] Searle, *Making the Social World*; Ostrom, *Institutional Diversity*; Searle, 'How to derive …'; Rawls, 'Two concepts …'.

Status-function declarations are interlinked, laterally and hierarchically. to create the social-institutional world Examples of ‘lateral’ linking of declarative statements include ‘my employer agrees that I have performed work and puts money in my bank account’, ‘I write a check to pay my credit card provider’, and so on. ‘Hierarchical’ (vertical or nested) examples include uttering the sentence ‘I do’ which counts as a promise in the context of a marriage ceremony, making a promise in a marriage ceremony counts as making a contract, being *in* the state of marriage counts for getting tax discounts on one’s annual income tax filing.

Institutional reality comes out of the repeated application of the constitutive rules of X counts as Y in context C. The result is a fabric or space of interconnected declarative statements made and enacted, for the most part, often non-verbally and unconsciously. As such, institutional reality consists of conditioned habits of behavior. Both Searle and Ostrom distinguish constitutional and hierarchical declarative structures.

In his broad-brush approach to the linguistic basis for economic institutions, Searle makes the categorical distinction between rules that constitute institutions from those that merely act as regulating an already existing institution. Ostrom also makes the distinction between constituting and regulating rules, but she goes into more detail about the relationship between these two categories of rule. She claims that this distinction depends on the level of viewpoint of analysis of an ‘action situation’. What is a regulatory rule at one level may be a constitutive rule at a broader level higher up.

According to Ostrom the issue of level of analysis has to do with how rules are made by groups. Her analysis maps a group’s movement up and down rule hierarchies to make explicit the authorities and processes for establishing rules. She distinguishes an 'operational level' for rules where people simply act according to this or that rule from the 'constitutive level' of rules, which describe the rules of group legislative processes where declarative statements create the operational rules.[16]

Ostrom recognizes the distinction between constitutive and regulatory rules, but goes into greater detail than Searle on the issue of hierarchical/nested constitutive rules. Searle is the analytical philosopher spelling out the general logic of institutions, whereas Ostrom is the empirical political scientist collecting and tabulating hundreds of case studies around world. Searle paints a broad-brush linguistic construction of the social world, whereas Ostrom writes a primer of the 'syntax and grammar of institutions'.

At the core of Ostrom's analytical framework is what she calls 'the action situation or arena'.[17] This is an important conceptualization that makes explicit key existential variables of social relations and the possibility of cooperative behavior among individual persons. The behavior of individuals is strongly influenced by the social situation. Individual differences, say in temperament, make a difference, but the context of interaction also affects behavior. Contrary to Cartesian-Kantian empiricism, the individual person is very plastic and shows different 'selves' given different normative circumstances. Trust is central to coping with dilemmas and comes out of the norms, rules, and the existential conditions of the situation, not just the presence or absence of something in an individual. The conception of an action arena outlines the specific existential parameters how individuals and the situation mutually influence each other. Her action arena consists of two basic components: the situation and the participants in

[16] Ostrom, *Institutional Diversity.*

[17] Ostrom, 'Beyond markets…'.

the situation. Action arenas exist in the home, the neighborhood, in local to international councils, in firms, in markets and interactions among these.

Ostrom holds that with these social situations or arenas, there are seven general clusters of variables that participants come to identify, and commit to, in working out collective and interdependent action. These include the roles, participants and positions of who may interact, outcomes, linkages, costs and benefits, other information, and so forth. It is by this framework, according to Ostrom, that social reality is created in language by humans.

One of the advantages of Ostrom's approach is her power to distinguish between rules as norms and rules as actual regulatory laws of allowed behavior. This is important because Ostrom's framework provides a way to view the relationship between cultural norms and ideologies on the one hand and actual rules and social ontology on the other, including the difference between the two and how one may evolve into another.

In Searle's broad-brush analysis it is difficult to know where social ontology of institutions stops and sociology of knowledge and ideology begins. This is a defect in his analysis because it affects major issues in economic theory, especially those theories of money-based economies (*e.g.*, Keynes's monetary theory of production).

Some of the critical issues that a robust speech-action approach to monetary economy would contribute in big ways are price formation, inflation, production functions, profit margins, capital gains and allocative efficiency, efficiencies of flows of money units versus efficiencies of material-energetic transformations, rights of ownership and management, and public versus private property among others. The pseudo-dualism of empiricism obscures the ideological (value) component from the social realist component of these major issues.

3.2: *Ontology and Action - The Performative Aspect of Language*

The constitutive aspect of declarative speech-action, to make exist economic institutions and be real, is closely tied to a second aspect of language, *performativity*. Once something has been declared to exist factually through declaration, for example money or property, now there are actions that speakers can take relative to the existential fact of the declaration. The existence of the thing gives us reasons for acting. For example, because I share the publicly recognized idea that the plot of ground upon which my neighbor's house is built is her private property, I walk around it, not over it. When the waiter brings me a piece of paper stipulating an amount of money that I owe for dinner, I pay it. I may not want to do these things. My desire is to walk straight across my neighbor's lawn to save effort in getting to my destination. I'd rather keep my money, not give it away. But the linguistic institutions of private property, money, and commercial exchange give me reasons for acting that are contrary to these desires. This is language's performativity.

Thus, according to Searle, the power of language is twofold. Firstly it can be used to construct reasons for acting. This is language's *semantic* power, the power to make meaning. Semantic power, in turn leads to, secondly, action that is based on feelings of obligation to respect a declaration. This second kind of power is *deontic*, which is the ethical-moral power of rights, duties, obligations, permissions and authorizations. It stems from a Greek word whose meaning is either 'mouth' or 'duty'.

Deontic power is the magic of language. It is the basis for all institutional reality. Language can be used to create facts and, once such facts are created, can cause people to do things that they otherwise would not do (walk around the boundaries of someone's property, pay the bill). *The power of language goes beyond language*.[18]

Money, like all economic institutions, is created in language and used for a myriad of other institutionalized behaviors As linguistically constructed, it carries with it the semantic and formal powers of language that cause humans to act in ways that are congruent to semantics and meaning, but not necessarily or intrinsically arising in the realm of the physical. To understand the force and causal power of language is to understand the performativity and constituting powers of words. This principle carries over into a monetary economy because money (credit) is linguistic/semiotic in nature.

Social ontology, including economic institutions such as money, property, government and corporations, is the social conditioning of what we think to be 'objective' external reality. It pervades our perception. We see things 'in' physical reality that are not intrinsic to that reality. Because animals lack the richness of human language, they cannot do this perceptual trick. My dog and I both see a man carrying a ball over a line drawn upon the grass field, but only I can see a man scoring a touchdown. This is another departure from conventional economic thinking, especially neo-classical, neo-liberal, and libertarian theory. We are not really as individual as we think we are.

3.3: *Social Ontology and the Individual*

Conventional economic theory posits an individual mind that is completely autonomous from social influences and separate from external reality. It dogmatically disavows that, (i) there could be a collective view of things inside an individual mind, (ii) such a

[18] Searle*, Making the Social World.*

collectivized view acts to make objective facts about an external world, and (iii) something besides seeking pleasure - *viz* a promise to fulfill an obligation - could be the source and cause of action.

The notion of social ontology overturns these dichotomies. It suggests a liminal third realm, an intersubjectivity, in between subject and object, individual and collective. The facts of language and social ontology defy the conventional, positivist view. From the conventional economic point of view economic institutions appear arbitrary and exogenous, 'outside' economic activity. In fact, *they constitute what economic activity is*. Not only do humans create institutions, but institutions create humans. As Michael Sandel puts it, 'We've drifted from *having* a market economy to *being* a market society.[19]. And, according to Fontana and Gerrard, 'the allocative process is a means of achieving monetary ends rather than the monetary process being the means of achieving allocative ends'.[20] This is another critical ontological departure from positivist thinking. Social ontology exists in each of us. The individual's understanding of situation and purpose, as well as the day-to-day unconscious performance of myriad social institutional practices, is conditioned by society. The conditions, and immediate social relations and processes, inform individual behaviour. Each individual stands in relation to others in such roles as buyer, seller, employee, employer, speculator. The medium is the semiotic material, language and other signs. There is not some supra-organism or collective mind governing individual organisms. Rather, each individual self is a series of such socially

[19] Sandel, M (2012), *What Money Can't Buy: The Moral Limits of Markets*. New York: Farrar, Straus and Giroux.

[20] Fontana, G. and B. Gerrard. (2002), 'The significance of the monetary context of economic behaviour', *Review of Social Economy*.

situated relations.[21] The individual organism is a society unto itself, just as groups and collectivities can at times cohere intentionally as a single entity. Self and society interpenetrate each other through the medium of sign and language.

The inability to grasp this point, or get traction on it, has derailed economic theory since the time of Kant and Smith. While the early Classical economic theorists maintained an incipient framework of social groups (worker, capitalist, landlord), this was dropped when economists opted for a fully positivist and individualist subject-object science. The failure to adequately account for money eventually upended this account of the solitary, self-contained, unchanging omniscient individual. Positivist economics must hold a number of pre-analytic assumptions about monetary economies in order to make an ethical-moral justification for such a social order. The chief assumptions are (i) facts and values are separate, (ii) money is neutral, and (iii) any price that a buyer pays must be fair, by definition. The money units paid is equal to the utility units received. Positive economics does not acknowledge the zero-sum nature of monetary transactions.

4. Some Remarks about the Ontology of Property

Like money, property is a social relation. According to Ostrom, 'Property rights define actions that individuals can take in relation to other individuals regarding some thing. If one individual has a right, someone else has a commensurate duty to observe that right'.[22]

Earlier, I sketched a conception of the ontology of money not as a material thing, but as a standing possibility to coordinate action. Now I want to illustrate the same

[21] Hoopes, J.(1998), *Community Denied: The Wrong Turn of Pragmatic Liberalism*. Ithaca: Cornell University Press.

[22] Ostrom, 'Types of goods …'.

speech ontological principles by examining the ontology of property, assets, and economic goods. Property is another class of constituted objects created in language and arbitrarily assigned to physical objects. The classical economist's notions of the three primary factors of production, land, labour and capital, referred simply to different ways that humans generated money income. Ronald Coase suggested that the three factors of production and natural resources should *not* be considered *things per se* but permissions to act in one way or another.[23]

In the middle of the 20th century, Samuelson posited only two kinds of property, public and private. Other economists - and the tradition of common law - held to at least a third category, commonly held or communal property. This third category included such things as property held in marriage, partnerships, condominiums, and closely held corporations It also included resources that were accessed by several private parties but owned by none, such as fisheries, forests, irrigation systems, grazing pastures.

This latter group, the commons, was recognized by Garret Hardin and James Buchanan as a unique category in the 1960s.[24] Hardin made famous the so-called 'tragedy of the commons' whereby too many users degrade a resource, possibly to exhaustion. Mancur Olson, searching for a general theory of collective action, posited a finer distinction of common property by introducing two physical characteristics of the underlying resource, rivalry, the finiteness of a thing, and exclusivity, the ability to restrict access to a thing.[25] There are thus three types of property, private, public and

[23] Coase, R.H. (1988) *The Firm, the Market and the Law*, Chicago: University of Chicago Press. .

[24] Hardin, G. (1967), 'The tragedy of the commons', *Science*; Buchanan, J. (1965), 'An economic theory of clubs'. *Economica*.

[25] Ostrom, 'Types of goods …'.

communal, with a division of the communal type into two kinds, (1) common pool resources (CPR) - where one person's subtraction of the physical resource impacts the other owners but exclusion people is hard, and (2) toll goods - where controlling access is relatively easy, and there is no subtractability.

In the years since the popularization of the 'tragedy' of the commons, it has been reasoned that whether a communal form of ownership is tragic, or not, is a matter of communication and perception, the observer's inner narrative, and the institutional rules concerning permitted activities regarding the resource. 'Prisoner's dilemmas' only happen when the actors are not allowed to communicate with each other.

Outcomes can be 'comedic' as much as 'tragic' depending on how humans choose to act, including the rules they make to govern themselves. Indeed, we can rename Hardin's dilemma 'the *drama* of the commons' to highlight the critical role of social/group choice and pro-active institutional design. *Drama* is that general term for narrative accounts of human affairs that entail both happy endings (comedies) as well as sad endings (tragedies). Further compounding the no-communication scenario is the notion that all interactions in drama are unique, 'one-shot' events. There is no ongoing interaction or relationship between actors.

Both libertarians (advocates of private property) and communitarians (advocates of communal forms of property) use the 'tragedy of the commons' as foils to their preferred normative solutions. Privatization seems inevitable for utilitarians with a liberal bent. They believe that locking people together violates a fundamental concern for individual autonomy. By contrast, illiberal communitarian solutions seem relatively attractive to those who are ready to sacrifice individual autonomy for collective goals.

The solution (according to Dagan and Heller, for example) is to craft laws that directly address the normative values of the libertarian and communitarian.[26] This creates what they call a ‘participatory commons regime’ that allows members the freedom to come and go, but where rules for exit are modified to respect certain community concerns and not negate the benefits of cooperation. Examples of such rules are grace periods (cooling off periods), exit taxes, and rights of first refusal. There is no neutral, pre-political tragedy of the commons. The metaphor itself assumes either open access (anarchy), or law that is hostile to cooperation.

Ostrom concurs when she points out that most of the economics literature lazily considers private property to be defined by the single permissible action of alienation. She points out that alienation is only one of many kinds of permissible actions along a spectrum of actions that circumscribe human use. Moreover, the right to sell one’s rights to a resource is not, in fact, necessary for good management or efficient allocation of that resource.[27] Many existing regimes of CPR governance have managed resources sustainably for long periods of time without individuals possessing the right of alienation. Empirical studies show that groups of individuals who possess at least the rights of proprietorship are able to govern and manage their systems effectively. Thus, overconsumption of common property or underproduction of public goods are not forgone desiderata nor insoluble dilemmas. All that is needed is communication,

[26] Dagan, H. and Heller. M, (2001), ‘The liberal commons’, *Yale Law Journal*.

[27] Ostrom, ‘Types of goods …’.

agreements, and monitoring capabilities by the users themselves. Ostrom's work is extensively about the many forms of communication people use to set up viable, reproducible, and efficient collective action structures, without the assumed rule of privatization. One aspect of the right to alienation to property that has not received much attention in relation to reducing the cost of living and as mitigation for inflation. Such an inquiry would be consistent with recent calls in academic economics to return to an 'accounting view' of monetary production.[28]

5. Conclusion: Methodology and Socio-Economics

Searle and Ostrom help the science of socio-economics move away from positivism. They explain how, through conversation, humans create an objective social reality of meanings and commit to live by them. They outline the existential normative conditions and situations in which humans must interact with each other and, through speech, make intelligible their reality and coordinate action into the future.

The human sciences (including sociology, economics and psychology) have not taken seriously enough the epistemological issues that stand at their core. The key idea is that social practices are constitutive of meaning, and that 'objects' (including economic institutions such as money and property) are the result of social processes. In the 20th century, the jobs of philosophy and sociology converged. They both attempt to explain how people make sense of and know their (shared) reality.[29]

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[28] Bezemer, 'Towards an accounting view…'; Hicks, J. (1960) *The Social Framework: An Introduction to Economics* (Third Edition) Oxford: Clarendon Press.

[29] Rawls, A. (2011), 'Wittgenstein, Durkheim, Garfinkel and Winch: constitutive orders of sensemaking'. *Journal for the Theory of Social Behaviour*.

These are huge insights. But up until now, social theorists, including economists, have *not been empirical enough* as to how conversational practices that are cooperative, produce objects of fixed meanings and/or identities.

In the classic empirical sciences the subject (the scientist, the observer, the analyst,) is *independent* of the object (the thing observed). An event in the forest, a tree falling for example, happens whether somebody observes it or not. In contrast, in the case of money and other institutions such as property, corporations, and markets, these objects exist only because people believe them to exist. They are *observer-dependent.* If there is an independent reality for the economic theorist to observe, it consists of people in motion who have these beliefs about their lives and what these beliefs lead them to do. The theorist must understand the meanings, thus corrupting a strict separation of subject and object, disallowing an absolute objectivity of observation. Social objects are not explicable by making hypotheses and comparing them to independent facts. The 'facts' are the habits of thought, the beliefs and the social practices which are not independent but are constituted in self understandings of the people who enact them. Social theory and practice are one.

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