
Representation and Reality in Monetary Theory

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According to Susan Haack in “The Real, the Fictional, and the Fake,” “sortal terms”ⁱ have to be applied to the term “real” in order for it to become clearer. She makes this distinction specifically regarding a problem she has with fictional characters where although “there really are fictional characters, those fictional characters aren’t real.”ⁱⁱ However, in the article she makes multiple distinctions between things either being real or fictional. Although she dispels the syntactic paradox that exists in fictional things really existing but not being real, she applies the division of the real and fictional very liberally.

Haack approaches these distinctions from the basis of her “innocent realism.” This principle suggests that there is “one real world” which contains everything from thoughts and objects of the imagination, to physical objects and social institutions: generally everything both physical and imagined.ⁱⁱⁱ Although she includes institutions in her “innocent realism,” I will argue in this paper that even with “sortal terms,” she fails to take into account how social structures and attitudes determine whether something is real or not. I will make this argument on the basis of the monetary system. Haack comments on the monetary system when she distinguishes between real and counterfeit money to demonstrate that some entities can be either real or fictional. However, this account fails to appreciate that real money may not be treated as such outside of a specific culture, although it is still real money. This implies a possible normative relativism regarding reality,

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where a thing may be true or real in one culture, but differ immensely in another.^{IV} This argument will be based upon what the monetary system represents in differing cultures. In the first section of the paper, I will summarize the article by Susan Haack to which I am responding. In section two I will use the monetary system as a basis to criticize her distinction of the “real” as necessarily needing “sortal terms,” suggesting that this distinction is insufficient in regards to certain institutions. The third section will consider a counter argument to this criticism of Haack’s method. In the fourth section I will summarize and conclude that Haack’s theory is unable to sufficiently account for the monetary system.

Susan Haack is concerned with the idea that there can really be fictional characters, but the characters themselves aren’t real.^V She wants to find a way to dispel the paradox this suggests, so that what is meant by “real” can be clearer. Haack approaches this problem by first looking at various contrasting terms to “real.” She first considers “real” as contrasted with “fake” or “supposed.” She uses this definition of real to contrast real money and counterfeit money, as well as other “real” items and their imitations. The idea of the “real” is important to her theory of reality as it gives her room to consider how the products of the imagination affect our concept of reality and the “real.”

Haack first considers the definitions of “real” offered by other philosophers. She considers the philosophical definition of “real” as meaning “independent of us,” and then considers the definition of “real” as being simply “mind-independent.” She is dissatisfied with these definitions, as in her view of reality ideas, thoughts, and all of the products of these mental faculties are real; that is, they all exist in one reality.^{VI} After exhausting her distinctions of both physical and imaginative things, all of which take place in her conception of reality, she then applies the “sortal terms” to the idea of imagination.

Haack’s application of sortal terms to the imagination serves as a foundation for her later application of these terms to fiction. She makes three distinctions regarding the imagination. Firstly, there is an imagined X, which is later followed by a real X. Secondly, the X is purely imagined and not acted upon. Finally, X is once again imagined but instead of later becoming real, it

instead becomes a physical representation of X.^{VII}

Haack is concerned in the third section of the article with the intricate nature of reality and the degrees in which it can be manifested. This concern stems from her concept of varying degrees of truth and fiction in reality, and their ability to coincide with one another. She exhausts a seemingly limitless number of examples of different degrees of fiction, representation, and their respective relationship to what is “real.” For the purpose of the article and the resolution of her problems with fiction in reality, she settles on simply analyzing fictional characters and places (and not the nature of their various representations). Although she limits her focus, Haack claims that the distinctions she makes are also applicable in a more general sense to the imagination and the products of the imagination, as well as representation in reality.

Finally, Haack attempts to construct a new way of talking about what is “real” to avoid paradox when we speak about things which are “fictional.” Haack attempts to resolve this paradox by asserting that when we use the humdrum version of “real,” which she describes as contrasting to “fake,” we are referring to “real X.” She argues that the same treatment of the term “real” is also necessarily implicit in the metaphysical use of the word “real.” She claims that when the matter is treated in this format, you can say without contradiction that there are real fictional people, but these same fictional people are not real people. By distinguishing the specific term X to which “real” is being applied, we are able to avoid the paradox.^{VIII}

In this paper, I argue that Haack’s application of “sortal terms” is not sufficient to explain social institutions. Her use of the real by distinguishing it with a “sortal term” does not take into account how institutions vary from culture to culture. While she includes institutions in her concept of “one real world,” the neat segmentation of reality according to her “sortal terms” appears to be insufficient regarding the cultural tendencies and trends that come with some institutions. While she makes distinctions regarding the monetary system, her distinction only extends to real money compared to counterfeit or play money. According to the St. Louis branch of the Federal Reserve, there are two types of “real” money: representative money and fiat money. Representative money is defined as a certificate or token that can be ex-

changed for the underlying commodity. Fiat money is defined as money that does not have intrinsic value and does not represent an asset in a vault somewhere.^{IX} Taking into account these two types of money, as well as how the value of money differs between cultures, I intend to show that although all of these things can exist in “one real world,” the specific value of currency or the type of currency used is normatively relativistic.^X By this I mean that outside of any given culture with a set standard of economic values, currency may be treated differently or not as such at all.

Representative money does not necessarily refute Haack’s principle of reality. In this version of the monetary system, money represents some “real” thing, or real “X.” This could be anything from “real gold” to “real cows,” with gold or cows respectively being the “sortal term” to which “real” is applied. While these things are real, the physical money itself is also real. The value of the money in this system, however, is contingent on what “real” object it represents. The value of these real objects to a culture is where the real-ness begins to become relative. While it is true that two physical currencies in two separate cultures can both physically exist as real objects at the same time, the values of these currencies may differ in many respects. An example of this is if one currency represented a standard or stock of gold, while the other one represented a commodity, such as cattle. Cattle in one society may be as valuable as gold, or even more valuable. This theoretical society that uses cattle as a medium of exchange may not have any immediate use for gold as a commodity.

In contrast to representative money, fiat money is defined as having no intrinsic value, and does not represent anything which may have a clear intrinsic value (e.g., sheep, gold, cattle, etc.). While representative money in itself does not have intrinsic value, it often represents something which may have intrinsic value. Fiat money does not represent any tangible asset, but instead is money solely because some authority decides it is money. This type of money represents an institution that is even less based in reality than representative money. While representative money represents a “real” asset in the world, fiat money represents a confidence in the ability to spend money for goods and

services. The entire system of fiat money is based on the values that one particular culture or society deems appropriate.

Given these two basic forms of money, Haack's distinction of the "real" according to "sortal terms" can be revisited. Earlier in the article, she argues that something can be simply imagined X, or imagined as X and then become "real X," or imagined X and then become "a physical representation of X."^{XI} These distinctions create problems in the reality of the monetary system, as money either represents an asset, or represents something completely intangible, such as being money solely based on a social contract. Haack considers the implications of this in her article, "The World According to Innocent Realism."

In this article, Haack maintains that if fictionality comes in degrees, then it follows that reality comes in degrees.^{XII} This argument poses a plausible solution to the problem with money, as one form of money which represents something may be "more realistic" than one based solely on social contract but still exist in Haack's "one real world." However, I find this distinction to be insufficient for dispelling the argument against money as being universally "real." Physically, money is a tangible object in reality; you can hold it, touch it, and you can use senses to determine what it is. The form money takes varies from culture to culture, but the institution of money at least is plausibly universal. So regarding money in this basic manner, yes, the institution of money is part of "one real world." Even the things that money represents are part of this one world. Values, ideas, and anything relating to the monetary system partake in this principle of "innocent realism." However, this leaves room for a complex problem of relativism. Haack may be applying the principle liberally enough to encompass ideas like relativism, but admitting that all of these values and ideas are valid in reality leaves room for cultural or normative relativism to be a regular aspect of this all-encompassing principle of "innocent realism." If things relative to each respective culture are considered real, it begs the question of whether valid money in one culture remains "real" when brought into another culture.

This problem is evident when making the distinction between real and counterfeit money. Although the distinction between the two is made, "real money" can differ specifically from

culture to culture. If you tried to pay for an item in Russian rubles in an American market, it is probable that they will reject your currency. While the ruble is just as real as the American dollar as far as money is concerned, it is not real to the culture of America, in-so-much as it lacks value in that culture. In this context, whether a given currency is real is dependent solely on the value it has within an institution. While you can have your currency exchanged to match that of a particular culture, the reality of the institution is still based on the values of that particular culture. The problem deepens when the two basic types of money are considered on this point.

Representative money is often based on a standard or asset which gives it value. While the culture determines which asset is valuable enough to standardize their currency on, the object of consideration often still holds intrinsic value across multiple cultures. While not all cultures may value cattle as a basis for trade, it is enough of a commodity that even if currency is not accepted, it is still likely that you could barter the cattle for another object of value. In the case of fiat money, however, relativism takes precedence. Since fiat money represents nothing but the authority of itself (after it is deemed valuable), it holds no value apart from that which it has in the culture in which it exists. Its value is based on the confidence that other people will accept it as legal tender.^{XIII} This system of thought pertaining to what is valued in any specific culture almost ensures societal relativism, with the only familiar concept being the universal idea or system of money. Money holds as being more “real” when it represents a commodity that exists in reality and not a social contract, but even by this social contract, the assets it represents can be highly relative. The only reason that this latter form of monetary representation could be potentially more real is if the money is an asset or represents an asset, it can be traded on the basis of its own value (e.g., cattle, sheep, gold, corn, etc.).

Thus, Haack’s requirement that “real” always take a “sortal term” is insufficient to identify culturally specific problems regarding the value of money. While she can distinguish between what is “real” and “fictional” by utilizing this method, she can do little to distinguish two equally “real” forms of currency within this system. She cannot argue that one form of currency

is “more real” than the other, as they are all part of the same basic system of monetary economics. She agrees that this system is “real” in her argument regarding “innocent realism” when she claims that her idea of reality includes “social institutions, roles, rules, and norms.”^{XIV} This leaves room for the point to be argued that even though, on her view, reality comes in degrees, even these degrees can be relative to culturally defined values.

One might argue that because economics is a system or institution in Haack’s “innocent realism,” the only relativism it displays is descriptive relativism because money is a fact about the world, and its variations are merely different descriptions of the same thing.^{XV} This means that the initial problem goes away because the relativism is being treated as simply having cosmetic differences, and not acting differently between cultures. Since money is part of every culture in some form, the system of money itself of course will have differences. The only way that this relativism can be treated as normative is if the values pertaining to the monetary system differ from culture to culture. This argument for descriptive relativism is mundane because often it regards minute differences in properties that are real in each culture (e.g. eye color, height, etc.). Since the institution of money both exists in the real world and is universally common, it is likely that it would be approached in this manner. However, when you examine the content of the institution, rather than the institution itself, a problem arises in the treatment of this as merely descriptive relativism. The main basis of the problem is that the monetary system involves direct communication and exchange between multiple cultures and societies. This interaction means that if the relativism is merely descriptive, the value of currency should not change between cultures, even if the form it takes does.

While the American dollar and the Russian ruble are both “real” money, their respective values are contingent on the society from which they originate. If both represented an asset in reality, the problem would be more easily rectified. For example, if the dollar and ruble both operated on a standard of gold, they would both represent a similar asset. Even then, however, the value one society places on gold may differ wildly from that of another society, and this can cause problems in exchanging assets. The problem becomes even more complex when certain curren-

cies from these various economic systems operate as fiat money, rather than representative money. The specific currency loses almost all inter-cultural value and can only exist as valid in the confidence of its own economic system because it only holds value in a society where it is said to be valuable.

Considering this, while institutions can potentially be universal and real, the intricacies of each institution may remain relative in a normative sense. This relativism is normative only because cultures can interact with one another and the currencies which they use in one country may not be acceptable in another. While this provides a basis for normative relativism, it may also be argued that this problem is circumvented by international currency exchange markets. In these markets dollars can be exchanged for rubles, rubles for euros, and so on. This argument does not take into account, however, the relative nature of the store of value per currency and also does not take into account the implications this relativism has for other institutions besides that of monetary economics.

The value of a dollar is less than the value of a euro. To buy a euro, it is necessary to spend more than one dollar, because the euro has a larger store of value than the dollar. Once again, this is dictated by certain social and cultural norms and their respective values. While Haack asserts that there is one single world in her “innocent realism,” it seems that certain aspects of this realism also make “real” certain relativisms. With this in mind, dividing “real” versus “fictional” with the use of “sortal terms,” as well as determining that all of this happens in one world, does nothing to explain how reality differs among those with different systems of value.

Haack says that the “real” can be divided into “sortal terms,” where both reality and representations of reality can be “real.” I argue that her concept of reality does not take into account culturally specific values defined inside of “real” institutions. One might object that while these institutions may be based on social or cultural norms, they are still “real,” especially according to Haack’s “innocent realism.” I would reply that even if all these values are “real” according to Haack’s view of “innocent realism,” the specific properties and standards of these institutions is contingent on culturally defined values.

Notes

^I These “sortal terms” can be characterized as a modifier for a term. In the case of the term “real” they modify it and further categorize its relevant meaning and usage according to the circumstances in which it is being used.

^{II} Haack, 2013, p. 209.

^{III} Haack, 2015, p. 11.

^{IV} Swoyer (Website).

^V Haack, 2013, p. 209.

^{VI} Ibid., p. 211.

^{VII} Ibid., p. 213.

^{VIII} Ibid., p. 216.

^{IX} St. Louis Federal Reserve (Website).

^X Swoyer (Website)

^{XI} Haack, 2013, p. 213.

^{XII} Haack, 2015, pp. 15-16.

^{XIII} St. Louis Federal Reserve (Website).

^{XIV} Haack, 2015, p. 12.

^{XV} Swoyer (Website).

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