Social Ontology

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financial market. It is my contention here that academic philosophy can be very helpful in clarifying and making progress in this debate on the most suitable format of sustainable finance.

An important question that looms in the background is how we should conceive of the main purpose or agency of finance. According to a popular view in economics, the purpose of financial markets is to funnel financial resources (such as loans and investments) to their most efficient use. This is typically taken to imply that the purpose of each financial agent should be to seek out the companies or transactions that he or she expects to yield the highest financial return adjusted for the associated financial risk. Expected return is taken to be the best measure of what a given company or transaction adds to society: e.g., how much consumers are willing to pay more for the company's products than for the labour and materials that go into them (this is the company's profit which also determines the investor's returns). When all financial agents do their best to maximize their own returns, then, the collective outcome is that financial resources are funnelled to the projects that contribute the most to society.

On this view, finance indeed has an important role to play in the sustainability transition, namely, to funnel financial resources towards "green" companies and projects. However, it is important to note that financial agents themselves do not play a very active role in carving out this new path for society. The assistance of finance ultimately hinges upon the expected profitability (and hence financial returns) of the "green" versus "brown" projects that are available on the market. To be more precise, it seems that finance can only move if and when certain corresponding changes take place in other sectors of society: either consumers must change their preferences and be ready to pay more for "green" than "brown" products (which would make the former more profitable than the latter), or governments need to change their regulations so that "brown" companies are penalized and/or "green" companies are subsidized. In either case, financial markets can only ever play a reactive role and never a proactive one.

An alternative view in the philosophical literature holds that financial agents and markets have their own agency and therefore their own moral obligations. In our contemporary system of financial capitalism, it is very difficult to get anything done without access to finance and investment. But with great social power also comes great social responsibility. Therefore, one could argue that financial agents have a moral obligation to (at least sometimes) put their money towards companies and projects that address very pressing societal challenges, irrespective of their expected financial returns. And in our current situation with challenges such as climate change, biodiversity loss, and global poverty, it does not seem unreasonable to require that financial markets should act irrespective of – or precisely *because of* – the slow changes in consumer preferences and government regulations. That is, financial agents have a moral obligation to (at least sometimes) be proactive and not only reactive.

While this alternative view may seem intuitive enough, it is not without its problems – and here it is likely to benefit from further philosophical thought. First, it is hardly reasonable or realistic to insist that all for-profit financial activities should be reformed into philanthropy. As long as we believe in the basic legitimacy and utility of financial capitalism, we perhaps should agree that the main role of financial markets is to funnel financial resources to their most efficient use. This could be taken to mean that financial agents *typically* should seek to maximize their own financial returns, but with certain salient *exceptions*. According to one suggestion, the exceptions pertain to so-called market failures, i.e., situations in which for-profit behaviour fails to secure efficient outcomes due to problems such as information asymmetry (that one party to a transaction knows more than the other) or externalities (that some transactions have significant effects on third parties). Alternatively, as we have seen here, another type of exception is when other sectors of society have failed in *their* moral obligations: e.g., when consumer preferences and government regulations have not (yet) changed enough. Further philosophical research is needed to calibrate and evaluate these ideas of exception-based obligations.

Second, we should not expect financial agents to able to change the world on their own. While financial capitalism gives much power to financiers as a collective, there is no individual agent with full control over the financial flows. Say, for example, that a significant group of fund managers were to read philosophy and decide to sell all their fossil fuel shares. Somewhat counterintuitively, that would have no direct effect on the fossil fuel industry if the shares are sold on the ordinary stock market (which is a secondary market, i.e., the transactions are with other investors rather than the underlying companies). The stunt may even leave the stock prices of the fossil fuel companies unaffected, as long as there are enough other investors that only seek to maximize profits (since these would have increased incentives to buy the shunned shares). Thus, perhaps the most significant effect in this case would be the *signal* that the stunt sends to other sectors of society, e.g., to consumers and regulators. It could have a more direct impact if the money was redirected to newly launched companies in the renewable energy sector that really need funding. Further philosophical research is needed to discuss the most suitable coordination of the moral obligations of investors, consumers, and regulators in this situation.

I hope to have shown here that sustainable finance is a fascinating topic, and that academic philosophy can be helpful in determining its most suitable and effective format for the future.

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Social Ontology: Money is No Object?

People typically use money without giving it much thought. Yet, it raises intricate questions. One concerns its value. Why would anyone attach value to basically worthless pieces of paper? The popular answer is: trust – perhaps, in particular, trust in central banks or states. Another concerns its ontology. What is it, most fundamentally? This question used to have an easy answer: money is a concrete object. Throughout history people have used furs, shells and even large limestones as money, as well as coins and pieces of paper. These are all concrete objects. Yet, social and technological innovations, such as credit and electronic money, are counterexamples. They are not concrete objects.

By way of alternative, it has been argued that money is a concrete object in some cases and an abstract object in others. I would like to highlight a third possibility here. *If money is not a concrete object, it is a property of an agent*, the amount of purchasing power that the agent has. To motivate this view, I start by discussing the relation between money, property rights, freedom and power. The upshot is that money is not always an object.

The Power Argument Money can be seen as an entry ticket that opens many doors. Jerry Cohen observes that, without a ticket, people are not allowed to travel by train. So, money makes a difference as to what people can do. It enables them to use goods and services. In this way, it makes them free to do so.

To appreciate this answer, it is important to understand the connection between money and property. Someone who owns a piece of land can exclude others from entering it. The notion of trespassing makes no sense without this right. More generally, property rights give people a license to exclude others from using the object owned. In many situations, money can be used to alleviate this constraint. What was off limits, no longer is; not after an appropriate payment. Property rights are often seen as the hallmark of freedom. However, they also function as constraints. And money serves to extinguish them. In this way, money provides freedom.

Now, suppose that money does indeed extinguish constraints on freedom. How does this bear on its ontology? The thing to note is that freedom is a relational property of an agent. An agent *A* is free to perform action *B* because they do not face constraint *C*. Furthermore, if money extinguishes property rights, it creates freedom. It enables an agent to use a good or service by getting another agent to remove a constraint. Hence, money is a relational property too.

The Innovation Argument Social and technological innovations also put pressure on the classical idea that money is a concrete object. Think of credit money that is not backed up by gold. More recent examples, include electronic money in a bank account or of ledgers that keep track of bitcoin transactions. The zeros and ones on a computer may represent money. But it is difficult to see how they could be money. John Searle has argued that, in such cases, the status of money as a means of exchange is imposed on nothing. It is 'a freestanding status.' In other cases, the status of money is imposed on concrete objects, such as coins or pieces of paper.

But how are we to make sense of such a dual ontology of money? And what does it mean for a status to be freestanding anyway? J.P. Smit, Filip Buekens and Stan du Plessis have argued that, instead of a concrete object, money is an abstract object. Furthermore, that abstract object is incentivized such that it induces people to act in certain ways. To be sure, money is sometimes represented by a concrete object. But that object is not money. In support of this view, they present an analogy with blind chess, which does not involve concrete objects either. The claim is that, if people had perfect memories, they could perform market transactions without concrete objects, in fact without any record-keeping devices at all. This proposal is clearer than that of Searle and it provides for a unitary ontology of money.

However, this proposal sacrifices an important intuition. If I hand you a five-euro bill, I give you money. And you can put that money in your wallet. I cannot give you an abstract object. And you cannot have one in your wallet. To preserve this intuition, it has been argued that money is a concrete object some but not all of the time. The idea is of course that money is a concrete object when we use, for instance, a coin as a means of exchange. But what is it in other cases? Francesco Guala argues that it is an abstract object. So, money is always an object, either abstract or concrete.

This view has difficulty accounting for the temporal, spatial and causal properties that money has. Money comes into existence at a certain moment, its use is typically restricted to a particular region, and it has causal effects. None of this holds for abstract objects. In response, it has been argued that money is a quasi-abstract object, like books, movies and symphonies, which are also created at a particular point in time. However, bills are not plausibly regarded as copies or manifestations of money. Instead, they are the real thing. Hence, it is also problematic to regard money as a quasi-abstract object.

Money as a Relational Property To arrive at a plausible ontology of money, it is best to consider the power argument and the technology argument in combination. The claim that money is a property instead of an object does not face any of the problems from which the money-as-abstract-object suffers. Hence, the claim that money is sometimes a concrete object can safely be combined with the claim that in other cases it is a relational property. As a bonus, it also makes sense of why money involves concrete objects, when it does.

I can usefully explain my proposal in terms of the notions of a means of exchange and that of purchasing power, which are near synonyms. If money is a concrete object, it is a means of exchange. Crucially, it can be used for buying goods and services by whoever happens to have it. In other cases, money is purchasing power. It is the power of a particular agent. The thing to note is that, if money is a property, the agent to whom it belongs is represented as having it. The physical or the electronic ledger will name the individual who has the purchasing power.

The upshot is that money has a dual nature after all. But maybe this is not as implausible as it seemed to be at first. After all, money that is not a concrete object is an innovation. It is similar enough to deserve the same name. But it is different enough to have a distinct ontology.

This contribution is based on 'The Social Ontology of Money', which is forthcoming in *The Philosophy of Money and Finance*, Joakim Sandberg and Lisa Warenski (eds.), Oxford: Oxford University Press.

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Financial markets design: some philosophical issues

Market design is a key issue to which the emerging philosophy of finance can make a fruitful contribution (see Ippoliti, E.: 2020. "Mathematics and Finance. Some philosophical remarks", https://doi.org/10.1007/s11245-020-09706-1, *Topoi:* 1-8.). Market design examines the different rules and procedures that characterize diverse financial markets and make them function *well* or *badly*. Of course, good or bad is relative to certain aims or functions of