

**Classical Sociological Theory**  
**Professor R Santhosh**  
**Department of Humanities and Social Sciences**  
**Indian Institute of Technology, Madras**  
**Lecture 48**  
**Simmel on Philosophy of Money**

(Refer Slide Time: 00:11)



## Simmel on Philosophy of Money




Welcome back to the class. This is the third and final session on George Simmel. In the previous class we discussed this theorization on social conflict and differentiation to substantive teams which, in which Simmel provided very, very interesting set of insights and he very strongly argued why social differentiation and social conflicts need very careful analysis from social scientists and the sociologists.

And as I mentioned in the previous class, social conflict with Simmel's writings emerged as a very important site of sociological exploration as something which was seen as negative, something which was seen as undesirable, disruptive and subversive. From that kind of an understanding, social conflict was seen as something extremely important, reflective of deeper social processes. So similarly that sense is a very important corner of scholars of sociological violence, social conflict.

And in today's class, let us have a very brief look at his very important work on the philosophy of money. And with the very title it becomes clear that it is rather a philosophical take on money,

not a very strict sociological analysis. And this is typical of Simmel. As we discussed in the previous classes, Simmel is also was a philosopher unlike many other previous strict sociologists in that sense, Simmel was a philosopher. He was a sociologist. He wanted to ask some philosophical profound sociological questions. He wanted to ask deeper philosophical questions through the discipline of sociology. So here we will come across what was his take on money and what kind of philosophy he identified in the form of money, its circuits, its exchange and other things.

(Refer Slide Time: 02:26)

- 
- Study of the social consequences of exchange relationships among human beings, with special emphasis on those forms of exchange in which money is used as an abstract measure of value.
  - Not all interaction is exchange, but exchange is a universal form of interaction. Money is a central form of exchange emerged as a result of differentiation.
  - Sought to link certain philosophical views about humans and the social universe to understanding the properties of a particular social form.
  - Simmel argues that people are teleological beings; that is, they act on the environment in the pursuit of anticipated goals. People use subtle, symbolic tools, such as language and money, to achieve their goals.



So Simmel believes the study of money by looking at study of the social consequences of exchange relationships among human beings, with special emphasize on those forms of exchange in which money is used as an abstract measure of value.

You know that this exchange among human being is a very, very fascinating subject. When do we exchange, means what do we exchange? We exchange lot of things, we exchange money, we exchange ideas, we exchange artifacts, we exchange art objects, we exchange lot of things both cultural, both tangible as well as non-tangible objects we exchange. And this exchange has been a very, very interesting area for anthropology for a long time. Anthropologists are, especially anthropologists who have studied in the societies they have studied various practices of exchange.

So there it could be exchange of woman, for example, exchange of various artifacts, exchange of spices, exchange of wealth, gold. So why some people give away certain thing and what happens to that, and whether that comes back, these are some of the very profound questions for anthropology and sociology.

For example, gift, talking fabulous, fascinating studies on gift. What constitutes a gift and what is the connection between gift and reciprocity? Why that they, these two are very closely connected. Can you think of a gift which is not returned, is something is not returned, what happens to that. Usually, if you look into our everyday life, for somebody's marriage we give something and after some time it is returned. So there is something is given with a understanding that it will be returned. So there is a kind of a social consensus, social acceptance that things will be returned. So what happens if it is not returned or what is the role of this understanding that things are giving, given only to be return later, will be an addition, increased value.

So just to give you an idea that this whole idea of exchange which we know in the earlier times as barter system. You exchange certain thing for some other commodity. But anthropology has developed for serious focus to understand whole process of exchange. So certain social consequence of exchange relationship around human being with special emphasize on those forms of exchange in which money is used in an abstract measure of value. And here these two terms are important. Value is important and there is an abstract measure of value. You understand certain thing and you think you got a price the other person does not agree he quotes a lower price, and then you reach a kind of a consensus, you reach an agreement, and then you hand over the money and the other person gives you the object.

So here there is an abstract measure of value. The money stands for certain thing. Every currency note in India, the Reserve Bank Governor he promises you, he promises the value of that particular denomination. It is a promise from the Governor of the Reserve Bank. So it is an abstract entity. The note per se it is only a piece of paper with a lot of technology emerged with that, but actually it is something more than that.

So not all interaction is exchange, but exchange is universal form of interaction. You know that all interaction is not exchange because exchange means reciprocity you give certain thing and is something you get back and every interaction is not that. But exchange is a universal form of interaction. Money is a central form of exchange emerged as a result of differentiation. Why differentiation? We know that.

In simple societies, you would exchange things. You, maybe you exchange some amount of paddy for some meat or some fish. But when societies became more and more complicated, you introduced money, and the introduction of money, introduction of precious stones, coins, these are very, very important milestones in the development of human beings. Those who have studied this know that why it is important starting with copper and then gold and then silver coins and then later paper currencies, very, very important milestones in the development of human beings.

So money is a central form of exchange emerged as a result of differentiation. So he sought to link certain philosophical views about humans and the social universe to understand the properties of a particular social form. So for Simmel, for him, money is only an important medium. It allows him to enter into the world of human beings and that to the society in which exchange is something very important. You know that Simmel is not an economist. He is not an economist. So his focal point on money is quite different from that of an economist. But he identify, he argues, so he understands that money is an important medium of exchange, which that is something very interesting about the nature of human beings and nature of society.

So Simmel argues that people are teleological beings that is, they act on their environment in the pursuit of anticipated goals. People use subtle, symbolic tools, such as language and money to achieve their goals. So your actions are always condition that oriented on the basis of the, of a particular outcome. You do not simply debate on the basis of our instincts you know that. We are so trained, well trained to contain, to regulate our instincts. But this regulation of these instincts also could be for the better realization of a particular goal.

When you see something very precious, you do not go and grab it. You know that going and grabbing will have a lot of repercussions, but you wait and you see what are the appropriate ways of getting it. So, Weber, sorry, Simmel argues that human beings are teleological beings. We know that how our actions have to be oriented on the base of a forthcoming or unfolding goal. So this perverted goal or the goals in our imagination is supposed to be the reason why we behave in a particular line.

(Refer Slide Time: 09:39)

- Money, Simmel asserted, is the ultimate social tool because it is generalized; that is, people can use it in many ways to manipulate the environment to obtain their goals.
- In contrast with Marx, Simmel stressed that the value of an object existed not in the “labor power” required to produce it but in the extent to which it was both desired and unattainable; that is, value resides in the process of seeking objects that are scarce and distant. Value is thus tied to humans’ basic capacity to distinguish a subjective from an objective world and in the relative difficulty in securing objects.
- Money, as Simmel showed, greatly increases the creation and acceleration of value because it provides a common yardstick for a quick calculation of values (“how much” a commodity or service is “worth”).



So money, Simmel asserted, is the ultimate social tool because it is generalized. So he argued that human beings use lot of symbolic things, including language, including money, including lot of other tools in order to reach this particular goal. And for Simmel, money is the most ultimate, the best example of the social tool, because it is generalized. What does it mean to be generalized or do we say, why does he say that it is generalized, that is people can use it in many ways to manipulate the environment to obtain their goals.

Money is just a form, is not it. Money, you can use money for so many things. You can satisfy so many different kind of people with money. People, some people might be interested in that is because they are able to convert this money into whatever they want. So that is why it is so gentle. It has this ability to get converted into their desired object, whether it is ornaments or property or car or a mission, or a technological thing whatever be that. So here it becomes so generalized. It becomes a universal medium of exchange.

You do not try to entice people by showing certain objects rather you offer them money, an equivalent amount of money, which really attracts them. So in contrast with Marx here comes very interesting rebuttal to Marxian theory on value and on money.

In contrast with Marx, Simmel stressed that values of an object existed not in the labor power required to produce it, but in the extent to which it was both desired and unattainable. It is a completely different argument. I hope you remember our discussion about Marxian notion about labor power, the cost on the labor to produce a particular kind of work. So Simmel does not agree with that. He does not understand the value of an object. He argues that it does not exist in the labor power, rather it is the extent to which it was both desired and unattainable. Something you desire certain thing and if it is freely available, it does not have any value.

Whereas if you desire certain thing and if it is scarce in its supply, then its value increases, that is the reverse take for that, that is value resides in the process of seeking objects that are scarce and distant. You know that, we know that. It is, I do not think I need to elaborate that, a stone on the road or pebbles on a river bank. These are available in abundance which you do not want or whether you want or not, it is available in abundance. It has no value. Whereas things you want, but it is so distant, it is very limited in its supply, then it increases its value. Value is thus tied to humans' basic capacity to distinguish a subjective from an objective world and in the relative difficulty to securing options.

So here it is a very important point he says, it is tied to humans' basic capacity to distinguish a subjective from an objective world and in the relative difficulty in securing objects. Why that certain art pieces are considered to be invaluable. Why that, say some of the very famous auctioning firms, they do this auctioning of very rare pieces and quite often some extremely rich people or some people who do not want to reveal their identity, they pay millions of dollars to get that.

So here, they, so he, so why that we think that a particular diamond or a particular artifact or a particular painting command some EUR5 million or USD5 million. Even the person who buys knows that there is nothing called as an objective value for that painting, but it is a subjective value. The person is so attracted with that or maybe it is a purely, a pure business mind. The painting that could be very, very famous painter or it could be very rare painting and he must be thinking that he can sell it after some time at much higher price or maybe that person is a real person who really finds that to be so valuable that he wants to keep it in his private collection. He

is an art publisher. So you see it is quite distinct kind of arguments from subjective form of an objective world.

Money, as Simmel showed, greatly increases the creation and acceleration of value because it provides a common yardstick for a quick calculation of values, how much a commodity or service is worth. The most common word that you ask how much, whether it is a price of an object or a service or what will be that. Whether even if somebody helps you, you need somebody gives you a particular, this question how much helps you to understand or this question how much an answer helps you to really comprehend the value of that particular service of product in the most easiest way.

(Refer Slide Time: 15:41)



• In sum, then, Simmel believed that the development of money is an expression and extension of basic human nature. Money is a kind of tool in teleological acts; it is a way to express the value inherent in humans' capacity for subject-object division; and it is a means for attaining stability and order in people's worldview.



So in sum, then, Simmel believes that the development of money is an expression and the extension of human nature. That is his philosophical take on that. So money is an expression as well as an extension of basic human nature. Money is a kind of tool in teleological acts, it is a way to express the value inherent in humans' capacity for subject, object division and it is a means for attaining stability and order in people's worldview.

So this actually really summarizes Simmel's argument about the social character of money. It is an expression, the expression of basic human nature because human beings have in it desire to



take possession of things that are limited in supply at that attachment, depending upon your taste, some, it could be weapons, it would be wealth, it could be food items, it could be artifacts, but if they are not in abundance, if it is in short supply, and if you feel attracted to that, you think that it is something very valuable, it could be beauty.

Money is a kind of tool in teleological acts. You manipulate your actions in order to achieve certain goals. It is a way to express the value inherent in humans' capacity to subject object division. I just explained it earlier. It is not that the price is fixed. Of course, we buy quite a lot of things where the price is fixed. They are particularly used to this MRP, maximum retail price. But for host of our everyday life we know that there is no MRP attached to or fixed to certain objects or certain other things services.

It is a means of attaining stability and order in people's worldview. There is a generalizability, there is a uniformity you can immediately converge a particular value into very, very profit terms as quantifiable amount.

(Refer Slide Time: 17:46)

For Simmel, social exchange involves the following elements:

1. The desire for a valued object that one does not have
2. The possession of the valued object by an identifiable other
3. The offer of an object of value to secure from another the desired object
4. The acceptance of this offer by the possessor of the valued object

• When money becomes the predominant means for establishing value in social relationships, the properties and dynamics of social relations are transformed. This process of displacing other criteria of value, such as logic, ethics, and aesthetics, with a monetary criterion is precisely the long-term historical trend in societies.



So for Simmel, social exchange involves the following elements. Now, he has this very interesting take on philosophical and sociological take on money. Then what is he talking about, social exchange. Why that he finds the social exchange of money as something important. So

Simmel says that, the social exchange involves the following elements. One is the desire for a valued object that one does not have, agreed. You do not have certain thing and you have a desire for that.

Second, the possession of the valued object by an identifiable other. You identify a supply who has that object could be anything. The offer of an object of value to secure from another the desired object. You make an offer earlier times it was a barter system, but now no longer it is the case now we offer money. The acceptance of the offer by the possessor of the valued objects. These are the simple steps that are involved in everything, everyday life.

When money becomes the predominant means for establishing value in social relationships, the properties and dynamics of social relations are transformed. The process of displacing other criteria of value, such as logic, ethics and aesthetics, with a monetary criterion is precisely long-term historical trend in societies.

So, Weber, sorry, Simmel argues that when in a modern capitalist society or in the modern times, when you can buy anything with money, a host of other things such as logic, ethics and aesthetics are kind of replaced. The process of displacing other criteria of value, such as logic, ethics and aesthetics with a monetary criterion is precisely the long-term historical trend in societies.

So you know that extremely rich people they can buy anything at their, on their goods and transits. So this is something quite different from the way in which people value certain things. So he says that this is a precisely the long-term historical, is the result of a long-term historical trend in society because it is not come all of a sudden, rather it is a sort of a long process because money has assumed that it is a generalized trend.

(Refer Slide Time: 20:26)

## Money and Its Consequences for Social Relations



- He asked two related questions in tracing the consequences of money for social patterns:
  - (1) What are the consequences of money for the structure of society as a whole?
  - (2) What are the consequences of money for individuals?
- Money represents the ultimate objective symbolization of social relations—unlike material entities, money has no intrinsic value. Money merely represents values, and it is used to express the value of one object in relation to another.
- The use of money enables actors to make quick calculations of respective values.



Now what are the consequences of money on social relationships, money and its consequences for social relations? Simmel asked two related questions in tracing the consequences of money on social patterns. What are the consequences of money for the structure of a society as a whole? What are the consequences of money for the individuals?

So, these two very simple questions are very profound questions. What are the implications of or what are the consequences of money for the structure of society as a whole, then what are the consequences of money for the individual? How does money influence the larger social structure of a society?

Now I know that it becomes almost impossible for us to imagine a society, because we can only imagine it that to very, very fleeting. We cannot be really sure about how such a society will, it is just because we have never lived so have only read about society like that or we have only seen some documentary or read about or imagined a societies where money simply does not exist.

Money, I am not talking about hard currency, money in every form, in electronic form in your Paytm, in your Google Pay, or in your credit card, debit card or whatever. And what does it do to social structures? And there are very interesting arguments, for example, Giddens talks about abstract systems and symbolic pockets in modern societies. In his analysis about modern

societies, he talks about abstract systems are symbolic tokens. And he talks about this money as an excellent example of this symbolic pocket, almost similar way in which Simmel talks about it.

So you use this symbolic token in order to get things done. And he uses this category, he uses them when he talks about this process of dis-embedding as a productive modernization. You are dis-embedded from the local economies. We will give the details, but it is very important theoretical intervention by Giddens.

Money represents the ultimate objective of symbolization of social relations, unlike material entities, money has no intrinsic value. Money has the, money represent the ultimate objective of symbolization of social relations. You put a value to certain thing. And with that value you fix its importance, you symbolize it. Money has no intrinsic value. Money merely represent values and it is used to express the value of one object in relation to another.

So these arguments are very profound when you look at how we are so accustomed to living like that. We put some value to certain thing and it is understood we know that money in itself does not have any intrinsic value. If you have so much of money, but you do not, you cannot buy anything with that money then you know that it is useless. Money becomes valuable only when you are able to convert it into other artifacts and it is always related.

The use of money enables actors to make quick calculations of respective values. We know that. When you go to a market, when you see things online and how much it costs and looking into its color, its aesthetics, its quality, its stubborn then you reach, you calculate in your mind and you think whether it is worthwhile to spend that much money. So it actually helps you to make quick calculations on a respective values.

(Refer Slide Time: 24:22)



- The use of money as a liquid and nonspecific resource allows for much greater continuity in social relations.
- Money also allows exchanges among human beings located at great distances.
- Money also promotes social solidarity, in the sense that it represents a "trust"; that is, if people take money for goods or services, they believe that it can be used at a future date to buy other goods or services.
- Money increases the power of central authority, for the use of money requires that there be social stability and that a central authority guarantees the worth of money.
- Money releases people from the constraints of tradition and moral authority; money creates a system in which it is difficult to restrain individual aspirations and desires. Deviance and "pathology" are, therefore, more likely in systems where money becomes the prevalent medium of interaction.



And the use of money as a liquid and non-specific resource allows for much greater continuity in social relations. Use of money as a liquid and non-specific resource, when you travel abroad, you no longer use hard cash, you do not have to many times change Indian rupee into say dollar or pound. You can use your credit card if it has international validity. So such benefits so you can use a Google Pay or you can use, you can scan the thing and then get it done. So such liquid and non-specific resource allows for much greater continuity social relations.

Money also allows exchanges among human beings located at great distance. I do not need to elaborate that, is not it. When we buy things online, like Amazon or in Flipkart, the seller must be maybe sitting in the other part of the country, but you immediately enter into an agreement and then you pay the money upfront most of the time or he sends the material and then you pay it once you get the delivery, cash on delivery program. So it is possible even though you have never seen, never met, you do not the person and that is because there is a medium called money and of course it is medium to through the Internet and this platform.

Money also promotes social solidarity in the sense that it represents a trust that is people take money for goods or services, they believe that it can be used at a future date to buy other goods or services. It is a guarantee. And you know that in India when we had this episode of demonetization, is not it. This is precisely what happened. Many people who had money in their hand found that it no longer has any value and thus they exchanged it. And after that particular

deadline people who did not know about it or people who did not care about it, this huge bundles of notes then became kind of priceless papers.

So money increases the power of central authority for the use of money requires that there be social stability and that a central authority guarantees the worth of money, very important. When you think of a modern society where there are multiple types of money available with no legitimacy on that can we have why that every country is so much worried about counterfeit notes or why no country allows different forms of currencies used by different private people without any kind of arrangement simply it will not work. So that is why in every society, every country that piece of currency is authenticated by the highest political authority. In India, it is the Governor of Reserve Bank of India. He guarantees, he or she guarantees the bearer the sum assuring that particular denomination.

The money releases people from the constraints of tradition and moral authority, money creates a system in which it is difficult to restrain individual aspirations and desires. Deviance and pathology are, therefore, more likely in systems where money becomes the prevalent medium of interaction. Very, very important arguments, is not it.

When you have money as a sole criterion for lot of things and money can be earned when the opportunities are endless, then people have the drive for that using one form of, one means of making money or other means of making money only becomes individual choices. So the pathology deviates only since happen. Money releases people from the constraints of tradition and moral authority. Anybody can become rich.

And this was something very, very, it was something extremely impossible. Sometimes back when you are supposed to continue to work in your own craft, your own tradition. You are not supposed to do something else. When there was no open kind of trade or jobs were allowed. Money creates a system in which it is difficult to restrain individual aspirations and desires.

(Refer Slide Time: 28:56)



- Most of the consequences reflect the inherent tension between individual freedom from constraint, on the one hand, and alienation and detachment from social groups, on the other. Money gives people new choices and options, but it also depersonalizes their social milieu.
- Individuals in a society that uses money as its principal medium of exchange enjoy considerably more freedom of choice than is possible in a society that does not use money.
- Money gives people many options for self-expression money also creates a distance between one's sense of self and the objects of self-expression. With money, objects are easily acquired and discarded, and hence long-term attachments to objects do not develop.



Now what are the implications on money and the, on the individual. Most of the consequences reflect the inherent tension between individual freedom from constraint, on the one hand, and alienation and detachment from social groups, on the other. Money gives people new choices and options, but also depersonalizes their social milieu. We know that it is very, very fascinating discussions here, Simmel brings in.

Whether money can provide you with happiness? We have heard a lot of stories of the sorrows of extremely rich people. People who realize that money is not the ultimate thing. People who really realize that money cannot buy them happiness. We know that lot of people are extremely unhappy even they are so rich. So there is some disconnect in that. So he says that, most of the consequences reflect the inherent tension between individual freedom from constraint on the one hand you have more money, you are free, on the one hand, the alienation and detachment from social groups on the other. Money gives people new choices and options, but it also depersonalizes their social milieu.

If people begin to value money more than personal relationship, then they are definitely for trouble. It was, maybe you have seen it in movies, we have read it in novels, we know that, those kind of arguments.

Individuals in a society that uses money as its principal medium of exchange enjoy considerable freedom of choice than is possible in a society that does not use money. Obviously the money that imagine if you build a society where there is no cash, you do not look at the wage, you get only maybe one basket full of rice as your wage. And such a society, the possibilities with that bag of rice is so limited, whereas you are getting INR100 or INR500 after one full days of work. You can do lot of things with that money.

Money gives people many options for self-expression. Money also creates a distance between one's sense of self and the objects of self-expression. With money, objects are easily acquired and discarded. And hence, long-term attachments to objects do not develop. Very, very interesting arguments. I hope you know about this movement called as minimalism. Minimalism is a particular kind of a lifestyle, a very deliberate choice where people try to live with bear, with very bear minimum things. It is, they live, they extremely over simplified, over simplistic life, not because they do not have money, but they realize that they have money, but they do not need to buy a lot of stuff.

So there are very extreme cases of minimalism where people live with only one pair of dress or with a very bear minimum amount of utensils and dress and shoes, footwear, furniture in their houses. So why do people do that, because they need that. Money can buy you lot of stuff, but money cannot bring you satisfaction. So with money objects are easily acquired and discarded, and hence long-term attachment to objects to do develop.

(Refer Slide Time: 32:29)





- Money encourages a multiplicity of social relations and group memberships. At the same time, however, money discourages intimate attachments. It atomizes and compartmentalizes their activities and often keeps them from emotional involvement in each of their segregated activities.

- Increases in social exchanges mediated by money feed back on differentiation, encouraging further differentiation, which in turn increases the volume, rate, velocity, and scope of social ties mediated by money. Such processes cause ever more individualization of people—that is, increased involvement of only small parts of one's personality in groups, increased group affiliations, and greater potential alienation from society.



Then money encourages a multiplicity of social relationships and group membership. At the same time, however, money discourages intimate attachments, something very similar to that. It atomizes and compartmentalizes their activities that often keep them from emotional involvement in each others, in each of their segregated activities.

So you, when you buy something with your money, then money becomes the rationale on which you think further. Everything is decided on the base of the logic of money. And that many times prevent intimate attachments. I do not think I need to elaborate. You know that you cannot buy love with money. You cannot get somebody's love with money. You need to buy somebody's love it will be shocking. We have seen it in movies and it is cliché I do not need even to explain that.

Increases in social exchange mediated by money feedback on differentiation, encouraging further differentiation, which in turn increases the volume, rate, velocity and scope of social ties mediated by money. So here again he is talking about the kind of a spiraling relationship between social exchange and differentiation. So increases in social exchanges mediated by money feedback on differentiation.

In a society where there is money, it creates more differentiation and this differentiation creates demand for money and it complement to each other, encouraging for the differentiation, which in

turn increase the volume, rate, velocity and scope of social ties mediated by money. Such processes cause ever more individualization of people that is increased involvement of only small parts of one's personality in groups, increased group affiliations and greater potential alienation from society.

So that allows people to participate in so many different groups. And you know that when you are member of so many different groups, you are only partially a member from that. You are not able to devote completely into do that or that is not even required unlike your primary groups. So that leads to potential alienation, that leads to increased group affiliation at the same time greater potential alienation from society.

So I found it extremely fascinating analysis of Simmel is, as I told you, his focal point is not economics, it is rather philosophy. And it is again, not your philosophies rather it is a sociologically informed philosophy. So he tries to understand that why or what are the role of money in providing a particular kind of social structure, how it influences society at large, how it influences individual and what is the kind of a connection between this differentiation and utilization, very, very important arguments.

So, let us stop here. I hope you found this discussion of Simmel interesting, because as I told you this whole question of exchange has been a major theme among sociologists and anthropologists. So let us stop here and we will meet for the next class. Thank you.