

# The Philosopher of Money

A century ago, the German thinker Georg Simmel (1858–1918) wrote a brilliant and nuanced book on the tradeoffs of life in a market society. If he had called it *Capitalism and Its Discontents*, Simmel might be famous today. As it is, *The Philosophy of Money* sharply illuminates many of the perplexities of capitalist life at the dawn of the 21st century.

by Jerry Z. Muller

Capitalism has rarely been the subject of as much sustained intellectual examination as it was in Germany toward the end of the 19th century. It was a time, unsurprisingly, of rapid economic transformation. Between its unification in 1871 and the outbreak of World War I in 1914, Germany experienced a second industrial revolution, fueled by the rise of the new chemical and electrical industries. Germany's cities expanded; its people left farms for the burgeoning factories and offices; and the first large corporations—including now-familiar names such as Bayer, BASF, and Siemens—arose. In Great Britain, the leading power of the era, industrial production doubled during those years; in Germany it increased six times over.

As the market economy flourished, so too did a debate about its effects on society. What kind of social life does capitalism create? What kinds of human beings does it produce? The debate brought forth many of the thinkers who are now recognized as the founders of modern social science, including the sociologist Max Weber, the historians Gustav Schmoller and Werner Sombart, and the political scientist Robert Michels. Their concerns also animated Thomas Mann's *Buddenbrooks* (1901), the great German novel of the era, and had been anticipated by writers and artists in earlier decades.

The tone of the debate was largely set by the sociologist Ferdinand Tönnies in his book, *Community and Society* (1887). In terms that still resonate today, Tönnies argued that capitalism destroyed “community” and replaced it with “society.” Like the market, society is based on soulless self-interest, the exchange of commodities, and sterile legal contractual relations. “In community people remain essentially united in spite of all separating factors,” Tönnies declared, “whereas in society they are essentially separated in spite of all uniting factors.”



*Blessing or bane? The stupendous array of choices created by capitalism, Simmel recognized, isn't limited to material goods but includes values, beliefs, and relationships.*

Of all the thinkers who wrestled with the changes wrought by capitalism, the one who now seems in many ways the most modern is also one of the least known outside the academic world: the philosopher, sociologist, and cultural analyst Georg Simmel. While Tönnies and others were fixated on the decline of community, Simmel, in *The Philosophy of Money* (1900) and other works, explored the possibilities that capitalism created for the development of individuality. While Marxists were categorizing individuals as bourgeois or proletarian, Simmel called attention to their roles as consumers. While Weber and the French sociologist Émile Durkheim regarded human beings in modern societies chiefly in terms of their membership in a class or occupational group, Simmel saw them as individuals whose identities and morals were shaped by the multiple cultural and social circles to which they belonged. Yet even as he cautiously embraced the promise and complexity of life in capitalist society, Simmel felt a certain ambivalence—an ambivalence that only makes his ideas seem all the more modern.

Simmel was born into a family of Jewish merchants and manufacturers in Berlin in 1858, a time when the city was embarking on its rapid growth into a European metropolis. Little more than a decade later it would become the capital of a newly unified Germany; within four decades its population would swell from half a million to four million. Yet if Simmel was at the center of the whirlwind, he also acquired something of the classic outsider's perspective. Though raised as a Protestant by parents who had converted to Christianity, he was still seen by others—and to some degree saw himself—as Jewish, a status that was uncomfort-

able at best in 19th-century Europe. And both of Simmel's parents died, a few years apart, while he was still a boy.

Simmel attended the University of Berlin, where he earned a doctorate in philosophy in 1881, and after the death of his wealthy guardian left him financially independent, he was able to stay on to write and teach at the university without a regular salary. For all his acknowledged brilliance, and despite the efforts of Weber and other prominent friends, Simmel was not able to win a full professorship until he was 56 years old, and then only at the provincial University

of Strasbourg. Anti-Semitism is undoubtedly part of the explanation. ("I don't know whether Simmel is baptized . . . but he is an Israelite through and through, in his external appearance, his bearing, and his manner of thinking," wrote one Berlin scholar in a confidential assess-

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ment intended to torpedo his chances for a professorship.)

Yet Georg Simmel was hardly an isolated, brooding figure. With some 15 books to his credit by the end of his career, as well as innumerable shorter works, and a reputation as a scintillating lecturer, he was known throughout Europe. Among his friends he numbered academics, poets (including Rilke), artists (including Rodin), and the religious thinker Martin Buber. His wife, Gertrud Kinel, was an artist and novelist, and their home a cultural hub. Through his students, he came into contact with the social and political movements of the day: socialism, feminism, vegetarianism, the youth movement (which rejected bourgeois propriety in a quest for authenticity), and Protestant, Jewish, and pagan movements of religious renewal. It's not surprising that the theme of multiple, and sometimes conflicting, options was to be central to his writing.

Simmel's subjects were multiple as well, which further explains his inability to secure a regular faculty post. He was an unorthodox academic, with little respect for the boundaries of disciplines. He wrote on an extraordinary range of subjects, including Rembrandt and Nietzsche, the psychology of fashion, the aesthetics of ruins, the psychology of the sexes, and the nature of religion. Weber declared that nearly every one of his friend's works "abounds in important new theoretical ideas and the most subtle observations. . . . Not only the valid findings, but even the false ones, contain a wealth of stimulation for one's own further thought."

*The Philosophy of Money* began as an 1889 lecture and evolved into a volume of more than 500 pages, an amalgam of history, economics, sociology, social psychology, and cultural commentary. Simmel set out to explore the effects on the mind and the spirit of living in a capitalist economy, an economy in which more and more areas of life could be measured in money.

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A money economy creates a mindset that is increasingly abstract, Simmel argued, because the means of exchange become ever more abstract. Exchange begins as barter, the giving of one tangible thing for another. Then, in an early stage of the money economy, the means of exchange themselves—gold, silver, or other precious metals—have intrinsic value. In an advanced stage, money consists of pieces of metal or paper, the value of which is ultimately guaranteed by the power of the state. A mark is worth a mark, or a dollar a dollar, because the issuing government says so. With the development of credit, money becomes still more abstract—a bookkeeping notation. Today money can be as intangible as the flickering symbols on a computer screen. Through constant exposure to an abstract means of exchange, Simmel believed, individuals become habituated to thinking about the world itself in increasingly abstract terms.

They also become more calculating and more accustomed to weighing

*“I know that I shall die without spiritual heirs (and this is good). The estate I leave is like cash distributed among many heirs, each of whom puts his share to use in some trade that is compatible with his nature but which can no longer be recognized as coming from that estate.”*  
—Georg Simmel



a variety of factors in making decisions. When one is dependent on the market for almost everything—from food to entertainment to medicine—decisions about how to live become decisions about what to buy and how much of one thing to trade for another. Because each of these choices requires calculations and tradeoffs—“If I pay more for item  $x$ , I’ll have less left over for item  $y$ ”—people get used to thinking in numerical terms, and this manner of thought spills over into a growing number of personal decisions. Life becomes more calculated, less impulsive and emotional.

For Simmel, life in a modern money economy is characterized by ever greater distances between means and ends. In primitive conditions, we eat by picking the fruit from a tree or by bartering. In a modern capitalist economy, we buy food. For that we need money, which we acquire by working in an occupation. To become established in an occupation requires many steps, beginning with an education, which itself involves years of planning and calculation. So between the desire to eat and the satisfaction of that desire

we find interposed a longer and longer series of means. Intellect, which weighs the means, comes to play an ever larger role in the life of a money-based society. Minds ever more focused on the weighing of means, Simmel believed, become generally more tolerant and conciliatory precisely because their concern with means makes them indifferent to the ultimate ends others may set for themselves.

At times, Simmel echoed the complaints of the cultural pessimists and critics of capitalism. But at his most creative he upended their assumptions. While many decried the competition that is central to capitalism, for example, Simmel pointed out its integrative effects. He observed that capitalist competition doesn't just involve those who compete; it's a struggle for the affection (or money) of a third party. In order to succeed, the competitor must discover the wishes of that third party. "Antagonistic tension with his competitor sharpens the businessman's sensitivity to the tendencies of the public, even to the point of clairvoyance, regarding future changes in the public's tastes, fashions, interests—not only the businessman's, but also the journalist's, artist's, bookseller's, parliamentarian's." Often, competition "achieves what usually only love can do: the divination of the innermost wishes of the other, even before he himself becomes aware of them."

The competition for customers and consumers has a highly democratic aspect as well: "Modern competition is often described as the fight of all against all, but at the same time it is the fight of all for all." Competition forms "a web of a thousand social threads: through concentrating the consciousness on the will and feeling and thinking of fellowmen, through the adaptation of producers to consumers, through the discovery of ever more refined possibilities of gaining their favor and patronage."

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Whereas Thomas Carlyle—and, after him, Marx and Engels—had scorned the "cash nexus" linking men under capitalism, Simmel believed that there are positive consequences to the links established by money in modern society. He reminded his readers that money allows individuals to cooperate who would otherwise have nothing to do

with one another. The shareholders of a modern corporation have no common goal other than the making of profit; they work together without sharing all-encompassing goals. So too, Simmel argued, do people who contribute to charities that attract contributors from different religious denominations; donating money for a limited but shared purpose, such as helping the poor, makes it possible to bypass theological differences.

He saw the limited liability corporation as a model for many characteristic forms of association in an advanced capitalist society, where individu-

als cooperate for common but limited purposes. Unlike older social forms such as the medieval guild—an all-encompassing “living community”—modern life is based upon loose, temporary associations, established to pursue specific economic, cultural, or political interests. In contrast to these older groupings, modern associations allow one to participate without being absorbed. They demand only a small part of the individual, sometimes nothing more than the payment of annual dues. They allow people to become involved in a greater range of activities than would otherwise be possible, and to do so without surrendering all their time, income, or identity to any one community. Money, Simmel argued, “establishes incomparably more connections among people than ever existed in the days of the feudal associations so beloved by romantics.” The eclipse of “community” was no cause for nostalgic lament.

**S**immel was particularly interested in how a developed money economy can create both new forms of individuality and conflicts *within* the individual. He took as an example the emerging feminist movement and argued that the cultural dynamics of capitalist development best explained the rise of demands for women’s rights to property, higher education, professional equality, and political participation. Market developments, such as the introduction of new technologies that made housework less time-consuming, left middle-class women with time

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and energy they could no longer fruitfully use in the home. But even as the traditionally female domestic realm was being diminished, the public arena remained closed to women. The resultant sense of frustration and wasted potential accounted for the women’s movement, as women demanded entry into fields once reserved for men. Although women would be forced in the short run to compete according to a set of rules made by and for men, Simmel predicted their entry into the workplace, commerce, and culture would eventually transform each of these realms.

Paradoxically, Simmel noted, women were developing a greater consciousness of themselves as women at precisely the time they were becoming more like men. In traditional societies, the social roles of middle-class women and men were very distinct. Because women had little opportunity to associate with other women outside the home, they identified most strongly with the family. The very notion of identifying *as women* was a product of capitalist affluence. With fewer responsibilities at home, middle-class women had much more opportunity to meet, to develop an awareness of themselves as women, and to shape collective goals of female emancipation.

Simmel was intrigued by the strained relations between the women's movement and the labor movement in Germany, and he believed the problem could be explained by the different positions in which middle-class and working-class women now found themselves. Both classes shared a common experience: "The sociological isolation of the woman, the consequence of her absorption

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in the home, is being superseded in both classes by her separation from the home." But it was economic need that drove working-class women out of the home and into the factory, and the exhausting work took a physical and psychological toll. Many longed for more time to devote to their roles as wives and mothers. For middle-class women, by contrast, the

move into the workplace promised greater personal fulfillment.

More significantly, both classes of women experienced a tension born of their having two identities: They were, at once, members of the traditional family and "women" with new common interests in the public realm. Simmel viewed that sort of tension—the internal conflict of moral demands that arises from the complexity of social membership—as an essential characteristic of modern society. It was a mistake, he thought, to assume that individuals face a clear hierarchy of moral demands at any given time. Because they belong to a number of social circles, each with its own demands, they live in a state of continual internal conflict. Indeed, that conflict is intrinsic to the modern personality.

It is the multiplicity of each person's social and cultural circles that fosters individuality, Simmel asserted. Instead of having a single identity defined by membership in a guild, for example, individuals in a modern capitalist economy have many sources of belonging—familial roles, jobs, recreational roles, political and religious affiliations—no single one of which determines personality:

Compared to earlier circumstances, the modern, more independent personality . . . is prone to a certain solitariness, increasingly doing without those all-encompassing and familiar attachments which offer both limitation and support. But it is compensated for this by the creation of ever more circles and associations that provide support for every interest and inclination. Though the individual is more isolated than ever, and the totality of his being lacks the support provided by more primitive forms of society, he finds support for the various elements of his life in more specialized groups. . . . Someone may belong to various professional associations at the same time as he belongs to a scientific society, is a reserve officer, plays a role in a civic association, and in addition has a social life which brings him into contact with a diverse social strata.

Simmel viewed money's effects on human life as an example—perhaps the quintessential example—of a larger truth about the relationship between human beings and the things they create. Objects and practices created to fulfill immediate human needs become institutionalized and take on a life of their own, both enriching and constraining those who come after. The creations that express the human sense of transcendence become religion; those devised to control nature become technology. Over time, efforts are made to develop and perfect these cultural creations. Each becomes more ramified, a separate cultural “world,” the understanding and mastery of which may require a human lifetime. Science is such a world. In fact, biology, physics, chemistry, and other sciences have each become worlds of their own, and these, in turn, have been broken into subworlds. Mastering any one of them, or just keeping up, can absorb all of one's time. Alongside the worlds of science are worlds of religion, of the various arts, of sports, of the military, and so forth. Each has only the most tenuous connection to the others. Researchers on the cutting edge of two fields of medicine (or aficionados of two different sports, or devotees of two genres of music) may each have knowledge so specialized that they can barely explain themselves to each other. The notion that we all partake in some unified culture becomes absurd.

**O**n the positive side, Simmel pointed out, having a variety of cultural worlds allows for the flowering of individuality. By assimilating some portion of each world, we develop and enrich ourselves. But these possibilities are not without cost. For Simmel, “the tragedy of culture” was the frustration that comes of recognizing how much there is that we would like to know but will never have the time or mental energy to master. The intellectually sensitive are frustrated by the dawning recognition that they will never have enough time and energy to read all the books, hear all the concerts, acquire all the knowledge, or learn the various skills that might enhance their lives.

On the one hand, then, capitalism increases frustration. On the other hand, its multitude of cultural realms develops individuality by allowing us to select the pursuits that best suit us. The diverse culture that accompanies the growth of capitalism thus encourages distinctiveness and personal refinement.

Although capitalism promises to foster individuality, as Simmel recognized, a specter haunts the promise: The number of possibilities is forever increasing, and yet there may be no compelling reason for choosing one over another. That may lead to paralysis, or a desperate attempt to put other pos-

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sibilities out of mind. The proliferation of things to buy drives some to worship commodities and surrender their lives to the pursuit of an “unprecedented practical materialism.”

Simmel recognized that the freedom of the liberal capitalist state is not a good in and of itself. Freedom without a sense of direction and purpose breeds boredom and restlessness. Those who define themselves only by freedom from restraint often fall victim to the illusion that vigor, stability, and purpose can be obtained through material goods. What they find instead is a never-ending round of joyless consumption.

**M**oney may have no purpose of its own, but Simmel noted that it does have uses we tend not to appreciate. It’s a commonplace that there are some things money can’t buy. Simmel had a more striking insight: Having money can actually be more satisfying than having the things money can buy. That’s because, in addition to possessing the value of objects for which it can be exchanged, money has a “surplus value.” A person with money enjoys the added satisfaction of having a *choice* of things to buy: “The value of a given amount of money is equal to the value of any object for which it might be exchanged plus the value of free choice between innumerable other objects.”

Simmel had another interesting insight: Money may be only a tool, but a tool may do more than satisfy an existing end. It may also conjure new purposes for which it can be used. As Simmel put it, “Once a purpose has engendered the idea of means, the means may produce the conception of a purpose.”

Human psychology is such that what begins as a means may also become an end in itself, since time and again the emotional value we place on a goal is transferred to the means we use to obtain it. We buy a car in order to travel. But some of us become so fascinated by cars that we devote endless hours to scouting out new cars, or polishing and accessorizing the one in the driveway, instead of going to our original destination. Or we feel a religious urge, but get so caught up in the dogma, rituals, or inner controversies of our church that we rarely have occasion for religious action. This transformation of means into ends occurs to some extent in every realm of human life. But since money is the ultimate means in a market economy, it is all too easy for people to get caught up in its pursuit and lose sight of other purposes.

Simmel himself was ambivalent about capitalist society. He could never quite shake off the assumption that society should cohere and provide individuals with an ultimate purpose. Like many other European intellectuals, he mistakenly welcomed the coming of the war in 1914, believing that it would provide a common purpose and relief from a world of un compelling choices. His great accomplishment was to identify one of the hallmarks of an advanced capitalist economy: its creation of new cultural and social spheres that offer unprecedented opportunities for the development of individuality. Those of us who now take for granted a life of manifold possibility in a market economy might well profit from reflecting as Simmel did on its preconditions—and its inherent perils. □