



Philosophy of Economics

Philosophy of Money

Alla Sheptun

asheptun@fa.ru; asheptun@gmail.com

ABSTRACT: This article is an attempt to sketch a philosophical view of money as a social phenomenon. I show that the way to understand the substance of money is to analyze its meaning as a medium of exchange in connection with its meaning as a purpose of exchange, thereby providing an investigation of its social value. This approach has been used by many of the great philosophers and economists of the past, but not today. Modern economics is a policy oriented theoretical discipline and concentrates its efforts on solving practical tasks. I hope to contribute a philosophical approach to economic research.

Money is a *reality*, a permanent feature of our everyday lives. It gives our lives a particular rhythm, a particular «charm», a particular perception of the world and our place in it.

Money creates problems when we do not have it, and yet more problems when we do have it. But it is only an *illusion* that we are in control of our money: in actual fact we do not notice how subtly and intensively it exercises control over us.

Money makes us both master and slave. Our power over money is real only inasmuch as we are able to understand its power over us.

Man has sought to understand the essence of money for many centuries. Philosophers and economists, statesmen, writers, even poets have written about money. (1) Money has been lauded and cursed, it has been dreamed of and disdained. What is money - good or evil? It brings stability and instability and makes people looking for and running away from it. Money is capable of creating and destroying, of uniting and disuniting. It makes people partners and rivals and can influence the fate of individuals and whole nations. But what does money bring - freedom or dependence? People obtain money working hard and playing and spend it with joy and sadness. Man makes money, and money makes man : it forms his way of living and his way of thinking.

Money is capable of invoking the whole range of emotions. If one could bring together everything that has been written about money at various times and by various nations, one would have a gigantic multicolored canvas of human thoughts and feelings, on which

bright and dark tones will alternate, but which will nevertheless retain «blank areas» of the unknown.

Money as the *object of cognition* enter the realm of a special branch of knowledge, economic science, which, like every other science, has its own subject matter, methods of inquiry and pursues its own goals.

Modern economic theory (economics) treats money as a «means of exchange», one designed to facilitate trade, and herein lies its «vital importance». (2) The tasks of economics are to explain how much money an economy needs and what factors influence the fluctuation of money supply and demand. (3) The tasks dictates the methods - predominantly those of quantitative analysis.

The methodology of modern economics is a matter for both philosophers and economists, and is a subject of heated debate. Many authors doubt its effectiveness (4) and object to undue enthusiasm for mathematical methods, which turn economics into a «mathematicized» version of economy. (5) This criticism is basically correct.

Economics, as a science, has practical application and selects methods which will enable to get the goals. Herein lies its strength, caused by its expediency, and its weakness as manifested in the limitations of knowledge. Economics, and monetary economics as its integral part, serve the purpose to substantiate the economic and monetary policy. But considering the importance of the analysis of money flows and market situation we should however agree that it is not enough to unravel the mystery of money and to understand its role in the life of society. For this we need a philosophical approach, we need the methods of intellectual inquiry which will help to embrace the whole picture of money as a social phenomenon. The quantitative analysis should be added with «qualitative» one. And in this sense we have every right to speak of the philosophy of money. (6)

The integral picture of money can be drawn on the basis of analysis of money not just as a *means*, but also as an *end* of exchange. As a means of exchange money has helped to develop trade, accelerate and extend the movement of goods and services, and form economic ties in the society. As an end of exchange money has exerted huge influence on the development of man himself, his purposeful activity, his attitude to work. It has altered the value orientation of man and his ideas of moral standards.

The dual role of money as a means and an end of exchange was examined by Aristotle in his writings on the state and served as a theoretical foundation to define the notion of «economy» as the art of acquiring useful goods and of «chrematistics» as the art of getting rich. Aristotle considered the first role of money to be necessary and conforming to the nature, but the second one to be the opposite - unnatural and devoid of any boundaries. (7)

The subsequent course of history has demonstrated that both of these roles of money are essential and expedient and, furthermore, represent the unity of opposites, while their inner contradiction serves as a source of social development. It was from this standpoint that K.Marx analyzed the essence of money and showed how money being an end of exchange can be transforming into capital. (8) It was from this standpoint that G.Simmel emphasized the grate influence of money on the human actions when money becomes an end. (9)

The historic mission of money consist not only in «facilitating trade» and not only in the developing of «market economy», but also in the growing of «economic man» with his

peculiar value attitudes - something, what would later be described as the «spirit of capitalism». (10) Money has changed not only «the world of things» and not only the «world of people», but it also has played a definite role in changing man's inner world - his interests, ideals, aspirations and moral criteria. Money has altered the system of humans values, assigning itself a central role as a universal value.

Money is a *value*, but what does it consist in? It was possible to speak of the real value of money only when money existed in the form of noble metals, in its full-value form. But the transition to other forms of money - coins and notes - with only a nominal value, made money into a token, a sign, a symbol for information. Nevertheless, money remains the highest value, thanks to which it is able to serve as both a means and an end of exchange. Money's value stems not from its material *form*, but from the *content* of that social process which money mediates by its circulation and thus makes possible. (11)

Money is a *thing*, which, irrespective of its material or symbolical form, has its own mode of *moving* from one person to another and this peculiar mode of moving makes money into a means of social interaction, into a medium of communication. This is the «source of the immense value of money for society». (12)

The mechanism of social interaction by means of money can be summarized as two alternating acts: appropriation and alienation. People living in the society may appropriate the goods only by alienating money and may appropriate money by alienating goods (or labour). This is the social order for redistributing of social values and allocation of resources. What has been mine becomes someone else's and what has been someone else's becomes mine according to the ability to pay. Money serves as a means of universal exchangeability and, thank to this, as a *measure* of value - «measure of all things». (13)

The continuous alternation of alienation and appropriation makes market pulsation and provides the economic links between producers and consumers, that finally constitutes the economic life of society .

The continuous alternation of alienation and appropriation means a mode of human co-operation and creates the social connections of the economy - a single socio-economic organism based on the mutual *dependence* of each.

The continuous alternation of alienation and appropriation is the mechanism of social interaction of private interests, is the way how the individuals can realize their aims, desires and dreams - their *freedom* in making a choice. All these moments of self-realization of personality in exchange (14) constitutes the life of «economic man» with its quantitative and qualitative characteristics.

Money expresses the *quantitative definiteness* (limits) of the possible in the actions of people. It measures the quantitative proportions of exchange and ensures that the principle of equivalence work. In this sense it is possible to say that money is «order out of chaos», the order of the «collective game» called the «market» which establishes equal rights for its participants. Money works as a means of the socio-normative regulation of the economic life.

But money also expresses the *qualitative infinity* (limitless) of possible in the actions of people. Thanks to its universal value money acts as an unconditional stimulus and a driving motive for all kinds of activity, including the inhumane. It makes all work appealing, even

work directed against man, and turns what ought not to be into an object of buying and selling. In this sense money brings «chaos» into the life of society, it shows how private interest can influence on the social order. Being a seduction and a temptation it works as a test of human morality.

Money fills the *will* of man with material strength, which can be realized through a social mechanism - market, but money remains indifferent to what that will is aimed at. This comes from sphere of *reason*.

Money conscientiously caters to both the destructive and the constructive actions of man, and is only a *means* for exercising his will and mind. But in this role money is not passive. It either creates or destroys man himself as a personality, it exerts a strong influence on the building up of his individual system of values and on the alignment of his personal priorities and goals. Everything depends on the correlation between two forces - reason and money interest - in the purposeful activity of people.

Money creates the necessity for a person to rationally substantiate his actions. Here one must agree with G.Simmel, who believed that intellect develops in parallel with the money economy. ⁽¹⁵⁾ Moreover, money helps develop the «social intellect» forcing society to control «the free play of market forces».

Money is a social good, «social invention», and society is responsible for its own «child». Just as once, long ago, money was created by social will, now we must use the strength of social reason in order to understand the place and role of money in the life of society and learn to control this «elemental force». This can be achieved by combining the efforts of practically oriented economic science and philosophy striving to cognize the world as a whole (the universe).

Contemporary economic science can boast great achievements in the development of methods of controlling money flows, but many questions in theory of money remain unanswered. We must look for the essence of money not only in the regularities of market, but also in the regularities of social development. Money is both a product of civilization and an instrument of its further developing. It calls for a philosophical explanation.

The philosophy of money is not empty theorizing. The essence and role of money is a basic theoretical issue, one that has been used to contrast the «planned» and the «market» economies, socialism and capitalism. This is the key factor that determines the limits of freedom and equality of people in a society with the money economy.

The philosophy of money is the mode of the intellectual inquiry of the essence of money as a social phenomenon and its influence on the «world of things», the «world of people» and the «inner world» of the individual.

The philosophy of money can make a certain contribution to educating humanity and help people to remember that «the measure of all things» must always be the man .

Notes

(1) «The subject of money has fascinated wise man from the time of Aristotle to the present

day because it is so full of mystery and paradox.» (The New Encyclopedia Britannica.15 th edition. 1985- Volume 24, p.333)

(2) Macmillan Dictionary of Modern Economics. Fourth edition. INFRA-M, Moscow, 1997, pp.332-333.

The definition of money in contemporary economics is that money is something used to effect exchange. «Money is whatever people use to pay for goods and service, to measure the worth of things, and to store value for future use.(C.Campbell, R.Campbell, E.Dolan. Money, Banking, and Monetary Policy. - The Dryden Press, 1988, p.6) «What is money? Money is whatever money does. All that performs the functions of money is money.» (C.R.McConnel, S.L.Brue. «Economics: Principles, Problems and Policies» in two volumes. Translated from the English, 11th edition, Respublica, Moscow, 1992, p.264.

(3) (C.R.McConnel, S.L.Brue. «Economics: Principles, Problems and Policies» in two volumes. Translated from the English, 11th edition, Respublica, Moscow, 1992, p.264-275.

(4) « The large literature concerned with economic methodology is of uneven quality, and there is striking disparity between the quality of the economic contributions and of the methodological reflections of major economists. (Essays on philosophy and economic methodology / Daniel M. Hausman. Cambridge: Cambridge University Press, 1992, p.230)

(5) «... economics brings the economist into the world of mathematicized conformities..., to an illusory world, artfully built, but very distant from reality... .Enthusiasm for formal mathematical axiomatics inevitably resulted an oversimplified notion of economic world.» («Economic Theory on the Threshold of the 21st Century», edited by Y.M. Osipov and V.T.Puliaev, St.Petersburg,1996, p.11)

(6) «The Philosophy of Money» as a subject of special research was first established by the German sociologist G. Simmel, although the philosophical approach to the analysis of the phenomenon of money has been undertaken by many renowned thinkers, beginning from ancient times.

(7) « ...People direct all of their capabilities towards the acquisition of money, as if this were an end, and no effort were to be spared to attain this end.» (Aristotle, «Politics, Athenian Policy». Foreword by Y.I.Temnov, Mysl, Moscow, 1997, p.50)

(8) K.Marx. Capital. Volume 1, trans. Ben Fowkes. Pelican Marx Library. New York: Random House, 1977.

(9) «The inner polarity of the essence of money lies in its being the absolute means and thereby becoming psychologically the absolute purpose for most people, which makes it, in a strange way, a symbol in which the major regulators of practical life are frozen». (G.Simmel. The Philosophy of Money/ Ed. By D.Frisby. Second enlarged edition.-L.,N.Y.: Routledge, 1995, p.232)

(10) V.Sombart. «The Bourgeois. Studies in the History of the Spiritual Development of Contemporary Economic Man», Nauka, Moscow,1994. M.Weber. The Protestant Ethic and the Spirit of Capitalism, ed. T.Parsons.L.,1930.

(11)The concept of «value» is the most mysterious and enigmatic in economics. This is

probably because it is the most «philosophical» of all economic categories. Economics does not give a clear answer, and value remains a subject of heated debate. «What does the word «value» mean in English? There is no simple answer. There are many reasons why the concept of value is so complicated.» (C.Dyke. Philosophy of Economics.- Englewood Cliffs, New Jersey: Prentice-Hall. 1981, pp.15-16)

(12) «General agreement to the convention, not the particular media agreed upon, is the source of money's immense value to the society.» (The New Palgrave Dictionary of Money and Finance/Edited by P.Newman, M.Milgate, J.Eatwell.- The Macmillan Press Ltd. 1992, p.770)

(13) «The ideal purpose of money, as well as of the law, is to be a measure of things without being measured itself, a purpose that can be realized fully only by an endless development». (G.Simmel. The Philosophy of Money/ Ed. by D.Frisby.- L., N.Y.: Routledge. 1995, p.511)

(14) «Exchange» is here treated in its broadest sense as the alienation of all that man gives to society and the appropriation of all that he receives from society.

(15) G.Simmel. The Philosophy of Money./ Ed. By D.Frisby.- L., N.Y.: Routledge, 1995

(16) We agree that fundamental theoretical research in economics cannot be effective without philosophy. «What are the prospects for bridging disciplinary boundaries and for strengthening the collaboration between economists and philosophers?» (D.Hausman.Essays on philosophy and economic methodology.-Cambridge University Press.1992, p.230)

Top of page



Home

Paideia logo design by **Janet L. Olson**.
All Rights Reserved

Sheptun, A. **Philosophy of Money**

The Paideia Archive: Twentieth World Congress of Philosophy 28 36-40. 1998.

<https://www.bu.edu/wcp/Papers/Econ/EconShep.htm>