WHAT INSIGHTS DOES GEORG SIMMEL’S *THE PHILOSOPHY OF MONEY* (1907) OFFER TO CONTEMPORARY ACCOUNTING?

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**ABSTRACT**

Georg Simmel’s *The Philosophy of Money* (1907) is widely regarded as the seminal work of an important thinker, yet it has not been explored within the accounting literature. This paper introduces Simmel’s key insights and considers their applicability and implications for contemporary accounting debates. In the analytical part of his work, Simmel analyses the development of the money form of value and the psychological foundations required for its use. Simmel demonstrates that the subjectivity of our valuing intentionality is subsumed into objective relationships between things in the process of exchange. This abstraction is reified further through the use of money, a reifying instrument which in effect prevents us from appreciating phenomena in and for themselves. When viewed though the lens provided by the Frankfurt School of Critical Theory, it becomes apparent that implicit in Simmel’s account is the idea that the use of money results in particular distortions in the development of our rational capacities which directly impact upon our ability as individuals and societies to actualise our full potential. Accounting is implicated in the perpetuation of this distortion due to its reinforcement of money as the quintessential expression of value in modern societies and economies. Even non-financial accounting remains largely in the service of enterprises concerned with money-making. While Simmel does not provide solutions to the pathologies he identifies, it is tentatively suggested that reducing the scope of commercial markets holds some promise, and initial thoughts regarding how this might be achieved are presented.
“I’d rather be rich, just short of being greedy;  
I’m eager to switch, to hell with being needy.  
I’d rather be rich, the truth of cash is tragic,  
The system’s a bitch, but money works like magic.”  

“There is a feeling today, more or less vague but nonetheless real, that accountants, economists, and others who deal mainly with money, inhabit a different world from everyone else.”  
Meikle (2000 p. 247)

1. INTRODUCTION

The recording of money flows is central to contemporary accounting. While arguments that such accounting is a mere shadow of genuine accountability (Gray *et al.*, 1996), and that accounting is neither unbiased nor objective (Hines, 1988; Tinker *et al.*, 1991) are compelling, the cornerstones of corporate reporting remain the profit and loss account, balance sheet and statement of cash flows. Concerned with the documentation of the movement of money, these products enshrine money as the tool of choice for accounting. If we are to understand the foundations of modern financial accounting and the potential for establishing more socially emancipatory accounting practices, then money, the raw material worked on by accounting, must be subjected to detailed analysis.

The disciplines of economics, finance and accounting have had a great deal to say about money. These discourses however, are predominantly concerned with quantification, and issues relating to the quantitative aspects of money; how best to measure, mathematically manipulate, analyse, insure for, and above all increase the flow of money between individuals, businesses and societies.

In contrast, there has been little deeper, sustained philosophical reflection on money and its effects. Although important philosophical analyses of the money form of value have been undertaken by figures such as Aristotle, Smith, and Marx, with less detailed reflections offered by philosophers including Mill and Hume, the only major philosophical treatise on money as a phenomenon in its own right is Simmel’s *The Philosophy of Money*.

Georg Simmel (1858-1918) was a German thinker and a highly influential member of the German cultural and artistic establishment, counting as friends such figures as Max Weber and Edmund Husserl. Though notoriously unsuccessful in attaining formal academic recognition (he was not awarded a full professorship until 1914), he lectured extensively on Kant, Goethe, Nietzsche and Schopenhauer, and was a prolific writer, authoring over two hundred articles and a dozen books. His seminal work is generally
considered to be *The Philosophy of Money*, the second edition of which was published in 1907, although this was not translated into English until 1978.

This paper provides an introduction to Simmel’s important work to the academic accounting community and explores its implications for contemporary accounting debates. Simmel’s subjectivist account of valuation and money, and its implicit links with social philosophy have points of resonance with modern debates which express deep discontents with postmodern capitalism, as expressed by critics such as Bakan (2004), Gray (2006) and Tinker *et al.* (1991).

Simmel’s qualitative analysis of money, a phenomenon which has figured as a central element in the development and continued functioning of capitalism, echoes the approach of contemporary social philosophy, especially as practiced by the Frankfurt School of Critical Theory. The analysis of the basic structures underpinning societies and the specific ways in which societies fall short of rationally developed and accepted moral norms gives contemporary social philosophy a basis from which to assess the transformation of society to a position which better aligns with our norms concerning social existence. Indeed, the Frankfurt School was heavily influenced by one of Simmel’s students, Georg Lukacs.

Finding its root in Hegel’s thesis that “every successful society is possible only through the maintenance of the highest developed standard of rationality”, Frankfurt School theorists assert that the pathologies of capitalist societies are to be understood as the result of a distortion in the process of the actualisation of historically possible standards of reason (Honneth, 2004 p. 340). This idea presupposes “an intact state of social relations in which all the members are provided with an opportunity for successful self-actualisation” (Honneth, 2004 p. 339). In their appreciation of historical materialism, Frankfurt School theorists see capitalism as a cause of social negativity, broadly conceived as “violations of the conditions for a good and successful life” (Honneth, 2004 p. 339). Capitalism, along with its institutions, are seen by the Frankfurt School as driving a deformation in the development of our objectively possible standards of rationality, which have been made possible by our ethical development through history.

The impact of capitalism upon social relationships also represents a deformation of reason for the Frankfurt School which holds, as did Hegel, that the self-actualisation of the individual is only successful when it is interwoven with the self-actualisation of all other members of society. By viewing capitalism through the lens of a developed standard of rationality made possible by history, we may perceive whether or not, or to what extent modern institutions and forms of existence represent the sites for a dislocation of objectively possible reason from its appropriate role in our collective existence. An important related feature of the historical and sociological analysis of the Frankfurt School, and one which Honneth argues is insufficiently practiced today, is the analysis of how such socially negative phenomena are able to disguise their existence through their own development. It is important to note here the role of culture, and capitalist consumer culture especially, in propagating and reinforcing the exercise of lower than ideal levels of rationality and of concealing this very fact.
A final defining feature in the formation of a critical perspective in the tradition of the Frankfurt School is the connection of the above to the transformation of the existing negative state of affairs through praxis. Informed by Freudian psychoanalytic theory, our emancipation from the effects of the deformation of reason will come, say Critical Theorists, from the application of that objectively possible reason whose influence in our lives and social arrangements has been impeded by capitalist arrangements. Since capitalism itself has been fruitfully critiqued by the Frankfurt School through this framework it is possible for money, as a core element in the continued functioning of capitalism, and the raw material with which accounting works with, to be analysed in the same fashion.

The distortion in our rational development and the subsequent deformation of our rational capacities which are thus most forcefully propounded by the Frankfurt School are implicit in Simmel’s analysis of the existence and resulting effects of money. The character of this rationality which is impeded is most evident in its absence from important decision making, where decisions would otherwise be made in a just and prudent manner, taking all relevant facts into account in order to prevent the hampering of the exercise of our rationality by a blinkered view of existence. Such a rationality would hold human freedom and autonomy as its guiding light. Section 2 of this paper details Simmel’s contribution to our understanding of the phenomenon of money and the soil from which it springs – value, demonstrating its links with the ideological perspective of the Frankfurt School of Critical Theory. Section 3 investigates the implications of Simmel’s analysis for contemporary accounting, and what a deeper understanding of the nature of money reveals about the foundations and practice of accounting under the hegemony of capitalism. Section 4 asks how the pathologies identified by Simmel might be eliminated, or at least alleviated, in modernity.

2. SIMMEL’S PHILOSOPHY OF MONEY

Simmel states that his aim in The Philosophy of Money is to:

“construct a new storey beneath historical materialism such that the explanatory value of the incorporation of economic life into the causes of intellectual culture is preserved, while these economic forms themselves are recognised as the result of more profound valuations and currents of psychological or even metaphysical pre-conditions” (Simmel, 2004 p. 55).

Simmel therefore seeks to analyse the foundations of historical materialism through an analysis of the philosophical and psychological conditions for the possibility of the existence of money. Money, for its part comes to exert influence upon social existence through its permeation of the productive bases and economic structures of society. Simmel performs this analysis because he believes the perception of exchange and money as simple economic facts, “whose content would be exhausted in the image that economics presents of it” to be based on an illusion – such ‘facts’ simply ‘do not exist’.
Instead, phenomena in this economic guise “become the object of philosophical study, which examines its preconditions in non-economic concepts and facts and its consequences for non-economic values and relationships” (Simmel, 2004 p. 55). Accordingly, Simmel subjects money to two broad points of non-economic analysis. In the analytical part of his work, Simmel seeks to “present the pre-conditions that, situated in mental states, in social relations and in the logical structure of reality and values, give money its meaning and its practical position…[relating]…money to the conditions that determine its essence and the meaning of its existence”. The second, synthetic part of the book analyses money’s “effects upon the inner world – upon the vitality of individuals, upon the linking of their fates, upon culture in general” (Simmel, 2004 p. 54).

In demarcating such an area of investigation Simmel’s analysis problematises the domination of discourse concerning money by quantitatively based disciplines. Although exchange and existence have largely come to be represented by money in modernity, quantitative analysis says nothing of the dynamic qualitative interaction between money and the ‘economic actors’ whose ‘economic actions’ quantitative thought analyses. Yet Simmel shows that these economic actors are the bearers of the preconditions for money’s existence, as well as the site at which money exerts its effects.

To appreciate the effects money has upon social existence and its interaction with accounting and concepts of accountability, we must first understand the conditions necessary for the possibility of the existence of money. These conditions broadly lie in the rational development of our valuing intentionality, and the subsequent development of the social process of exchange.

**2.1 THE DEVELOPMENT OF OUR VALUING INTENTIONALITY**

According to Simmel, our ability to value phenomena derives from the tendency of the developing mind to differentiate its directly controllable self from all other reality surrounding it. In concert with Freud, Simmel observes that the resulting distances perceived by the ego from the things it does not control, causes it to move away from the “naïve-practical unity of subject and object” characteristic of newborns (Simmel, 2004 p. 66). The distances between the self and the objects it wishes to control leads to the awakening of desire within the subject, and it is this conception of desire which forms the backbone of Simmel’s theory of value.

These postulates concerning our psychological development lead Simmel to assert in a Kantian vein that “the possibility of desire is the possibility of the objects of desire. The object thus formed, which is characterised by its separation from the subject, who at the same time establishes it and seeks to overcome it by his desire, is for us a value” Simmel, 2004 p. 66). The development of a distinction between subject and object in the pursuit of continued existence is therefore the basis for the development of our rational capacity for valuation. This is highlighted by Simmel’s argument that any value we attribute as a result of this distance melts away as the subject and object are drawn together. As he explains, “the moment of enjoyment itself, when the opposition between subject and
object is effaced, consumes the value. Value is only reinstated as contrast, as an object separated from the subject” (Simmel, 2004 p. 66).

It is therefore the self reflexive realisation by the ego that it lacks control over objects surrounding it, and its subsequently active psychological separation from them, which provide the ground from which valuation as a form of intentionality can develop. The perception of the distances thus generated, combined with a vision of the enjoyment the possession and control of the object will bring, serve to create the conditions for the possibility of value, thus allowing the development of our valuing intentionality: “…there develop from the objective conditions obstacles, deprivations, demands for some kind of ‘price’ through which the cause or content of impulse or enjoyment is first separated from us and becomes, by this very act, an object and a value” (Simmel, 2004 p. 76).

Based on his account of the psychology of valuation, we may classify Simmel’s account as a subjectivist approach to the existence of value. Simmel states on several occasions that valuation is a specific intentionality or “vantage point” from which we view the world. As such, subjective valuations from within the minds of individuals exist in addition to, and do not form part of, the already existing and completely determined phenomena which are subjected to valuation: “…value is never a ‘quality’ of the object, but a judgment upon them which remains inherent in the subject” (Simmel, 2004 p. 63). Valuation is therefore the attribution of worth to a particular object by a particular subject and is informed by, but independent of, the actual qualities the object possesses. These qualities do not change in response to valuations of them, as is shown by the fact that two people may accord completely different values to the same object.

Simmel states that “…value is not attached to objects in the same way as is colour or temperature. The latter, although determined by our senses, are accompanied by a feeling of their direct dependence upon the object; but in the case of value we soon learn to disregard this feeling because the two series constituted by reality and by value are quite independent of each other” (Simmel, 2004 p. 63). Implicit in Simmel’s statement is the discovery of an important development which occurs in our originally rational capacity for valuation. Through the development of our valuing intentionality, we begin to ignore the basis of the valuation – the object with pre-existing qualities which valuation supervenes upon – seeing objects instead simply as values relative to us. Objects thus come to be valued to the extent that they satisfy our desire, rather than being seen as objects of value in and of themselves. The development of this instrumental attitude towards the world surrounding us is defined by the conflation of objective qualities and our subjective valuation of them, a point where our valuing intentionality takes over and we forget the fact that anything in addition to the existing pre-valuation qualities of an object is only subjective. Such a mindset ignores the fact that despite our particular valuation of objects, the objects continue to exist in and of themselves regardless of our valuation of them. Although there is a direct dependence of subjective valuation upon an object, because according to Simmel, “value exists in our consciousness as a fact that can no more be altered than can reality itself”, it works in a different way to the non-instrumental apprehension of being and thus comes to develop separately from it, on the basis of the realities of subjective desire on the one hand, and objective facticity on the
other (Simmel, 2004 pp. 68-69). Indeed, it is in contrast to the fundamental view of the world simply as *being*, which perceives natural entities in their “universal equality”, that valuation works on objects by “disregarding their place in that series”, arranging them in another order “in which equality is completely eliminated…in this series the fundamental quality is not uniformity but difference” (Simmel, 2004 p. 59). So while the very fact that we exist and the irreducible category of being gives us the very basis for our thought, the abovementioned developments in the formation of the subjective mind constitute a new mode of relation to the environment surrounding the differentiated self. This new basis for thought which arises on the back of the already existent structure of being sees the subject arrange objects according to her own criteria of valuation.

Implicit in Simmel’s analysis then is the tracing of the development of our valuing intentionality, which develops as a rational process within our minds in our ordering of reality. For Simmel, valuation becomes a fundamental, irreducible structure through which humans view the world, on par with that of being. Since we are never really a “passive mirror of reality” following the development of the ego, we are continuously experiencing the world from a perspective which attributes value to all things. From this Simmel concludes that “value is in a sense the counterpart to being, and is comparable to being as a comprehensive form and category of the world view” (Simmel, 2004 p. 60).

This insight is critical, because it suggests that the prism through which the subject experiences the world is largely determined by their valuing intentionality and its particular course of development through time. If this intentionality develops in a distorted fashion, an idea which is also implicit in Simmel’s account, then from a Frankfurt School point of view, the individual’s or society’s chances for full self-actualisation become inhibited, and can only be revived if the causes of the deformation are exposed.

### 2.2 THE SOCIAL PROCESS OF EXCHANGE

So the first condition necessary for the possibility of the existence of money is the development of our valuing intentionality, a subjective construct based on desire which becomes the dominant mode of subject-object relations. This leads to the development of the second condition: a mechanism through which we can gain control of those objects we do not yet control, and thus satisfy our desire for them. This is the social process of exchange.

The process of exchange provides most rationally for the reduction of the distances between the subjects and objects capable of exchange. As Simmel explains:

> “Exchange brings about an increase in the absolute number of values experienced. Since everybody offers for exchange only what is relatively useless to him, and accepts in exchange what is relatively necessary, exchange effects a continuously growing utilisation of the values wrested from nature at any given time” (Simmel, 2004 p. 292).
The phenomenon of exchange, where the balancing of values takes place, in turn provides the possibility for the crystallization of the money form of value.

As noted above, the crucial concept in Simmel’s account is desire, as it forms the raw material of value. In the realm of exchange it is desire which translates into the economic concept of demand (Simmel, 2004 p. 69). In turn, desire needs objects to be directed towards, and so for an object to enter through the door of exchange, it must have the characteristic of utility, or more fundamentally, qualities capable of being desired. To be accorded a specific value in exchange, a certain scarcity must also pertain to the object. Simmel matches the concepts of demand and supply to pre-economic concepts of utility and scarcity respectively, and these align with the fundamental psychological predicates of desire and distance (Simmel, 2004 p. 91).

The impact of the process of exchange upon the subjective valuation of objects has important consequences for the development of money and its resulting effects. The reciprocal balancing of values which occurs in exchange, where one object has its value expressed in terms of another “removes both objects from the sphere of merely subjective significance” (Simmel, 2004 p. 79). The subjective elements of valuation are “absorbed” by the objects, and so originally subjective determinations of value become converted into objective relationships between things, detached from the subjectivity which created the values to begin with: “for even though each of the elements in exchange may be personal or only subjectively valuable, the fact that they are equal to each other is an objective factor which is not contained within any one of these elements and yet does not lie outside of them either” (Simmel, 2004 p. 81). The process of exchange thus transforms subjective valuation into objective measurement, dislocating value to a site external to the source of the original valuation, an occurrence which represents a distortion of our ability to appreciate value as rationally as we could.

Changes in our valuing intentionality are thus required for exchange to develop through the balancing of values and the phenomenon of sacrifice. Eventually, these changes lead to the creation of an autonomous realm:

“The economy transmits all valuations through the form of exchange, creating an intermediate realm between the desires that are the source of all human activity and the satisfaction of needs in which they culminate. The specific characteristic of the economy as a particular form of behaviour and communication consists not only in exchanging values but in the exchange of values” [italics in original] (Simmel, 2004 p. 80).

Indeed, the same way that our valuing intentionality comes to disregard the object as a thing in itself through simple valuation, the process of exchange and its focus on the equality of values abstracts from the reality that exchange is concerned with values to begin with. This alerts us to the fact that “not only the study of the economy but the economy itself is constituted by a real abstraction from the comprehensive reality of valuations” (Simmel, 2004 p. 80).
The comprehensive reality of valuations Simmel refers to here are the underlying, non-economic reasons for exchange, namely, desire and need. In view of these phenomena, the mutuality of the exchange of values appears as pure abstraction from reality. Herein Simmel discovers what makes the discipline of economics “a special area of investigation”, the fact that in exchange, economic value, unlike simple value which resides in the subject, “transcends the individual subject” (Simmel, 2004 p. 81). This transcendence of the subject by objects which our valuing intentionality has come to allow exerts influence over the subject, who must respond to the autonomous movements of these objects (ironically after having created that very realm by projecting her subjective value into objective things). Exchange itself reinforces such developments in the mind, for the exchange of one object for another requires the expression of subjective valuation in terms of an already fully determined object, thus requiring the projection of my subjective value, into objective things.

2.3 THE DISTORTION OF VALUATION BY THE PROCESS OF EXCHANGE

The process of exchange thus has a distortive effect on the development of our rational capacity for valuation. In trying to make it easier to gain control over objects of our desire, the particular mental habits which exchange requires come to allow objects, which we imbue with our own subjective valuation, to gain control over us and our apprehension of reality. Indeed, in placing the content of our desire outside ourselves and into objects, forgetting that our attribution of desire is subjective, our desires move with the objects rather than remaining within the more controllable realm (i.e, more amenable to reason and prudent decision making) of the subject. In this way, we see the elevation of value to a category beyond the strict meaning of subjectivity and objectivity: “In exchange, value becomes supra-subjective, supra-individual, yet without becoming an objective quality and reality of the things themselves” (Simmel, 2004 p. 78). Because value comes to be determined in this supra-subjective way through the demand for objects in exchange, which simultaneously represent a sacrifice on the other side of the exchange equation, “objects balance each other and value appears in a very specific way as an objective, inherent quality” (Simmel, 2004 p. 80).

The problem here is that the distortion in our rational capacities evident in the changes in our valuing intentionality comes to overshadow the category of being in itself, and thus the very non-purposive, non-instrumental existence of objects, people, and nature. Our instrumental rationality, concerned as it is with our purposive control over existence, compels the development of methods of exchange which come to exist in their own right as objective institutions over time, creating a distance between subjectively experienced existence and objective forms. The changes undergone by our valuing intentionality through our participation in exchange thus create the possibility for a distortion of our rational capacity to value being in and for itself in its full authenticity. This allows us to fall into the distorted intentionality of judging the value of being solely in subjective terms, yet believing that we are in fact valuing objectively and in full view of the existence of the phenomenon being valued. This theme, implicit in Simmel’s analysis in The Philosophy of Money, is to be found explicitly in the work of the Frankfurt School
theorists, and one of their ideological forerunners, a student of Simmel’s, Georg Lukacs: “This rational objectification conceals above all the immediate – qualitative and material – character of things as things. When use-values appear universally as commodities they acquire a new objectivity, a new substantiality which they did not possess in an age of episodic exchange and which destroys their original and authentic substantiality” (Lukacs, 1971 p. 92).

* * *

Exchange begins with the simple, direct process of sacrificing one value for another through barter exchange. Simmel considers that “Direct barter, the original natural form of exchange, represents rather the beginning of the transformation of use-values into commodities, than that of the transformation of commodities into money” (Simmel, 2004 p. 84). The instrumentally rational capacities of exchangers drive the realisation that the exchange of goods can be more efficiently served by the use of an intermediate element which is able to equate values more easily than disparate goods or values are able to balance each other out. Money thus develops through the realisation by humankind over time that organised, purposive action involving a series of intermediate steps allows us to “attain more, and more essential, ends with a long series containing numerous elements than with a short series” (Simmel, 2004 p. 208). A crucial element in this development is the genesis of the tool, the absolute means. Since money is “an institution through which the individual concentrates his activity and possession in order to attain goals that he could not attain directly”, money represents for Simmel the purest form of the tool (Simmel, 2004 p. 210). Indeed, through its divisibility and unlimited convertibility, money is able to effect exchange much more efficiently than would be possible without it.2

How is money able to subsume the function of concrete objects in barter exchange in this way? Simmel does not enter the debate on the commensurability of disparate goods in exchange begun by Aristotle and continued by Marx, which centers on the possibility for the exchange of goods as being dependent upon some common quality which allows them to be compared and valued. Instead, Simmel sees money having developed simply as a measure of desire: “Money is simply ‘that which is valuable’, and economic value means ‘to be exchangeable for something else’” (Simmel, 2004 p. 121). In his discussion of the development of money, Simmel does mention the issue of commensurability when he says “any quantitative and numerical equality and inequality that I assert would be meaningless if it did not refer to relative quantities of one and the same quality” (Simmel, 2004 p. 131). In other words, this is a reason why objects which develop as money initially must be valuable in order to effect exchange. After the money phenomenon is established a more efficient and thus more rational way of effecting exchange, it need not have any intrinsic value of its own to continue functioning as money – it must only be able to quantify desire. Accordingly, Simmel sees money as “nothing but the relation between economic values themselves, embodied in a tangible substance”, and this is what enables it to stand in as an economic value in place of specific objects (Simmel, 2004 p. 125).
In the same way that exchange is capable of reifying subjective valuation, money, which “is nothing but the relativity of exchangeable objects” for Simmel, is similarly able to reify value and its psychological essence, as well as the objects it interacts with (Simmel, 2004 p. 127). To say a thing is equivalent to, or worth a particular sum of money is essentially to purify it of everything that is not economic, for the second our minds process the money figure attached to objects we begin to ignore the non-economic qualities of the object in itself which underpinned the original valuation. In this way, money makes possible an even deeper abstraction from the realities of valuation through the reification of exchange itself: “…money is the reification of exchange among people, the embodiment of a pure function” (Simmel, 2004 p. 176). The interaction between individuals which exchange embodies thus becomes ‘crystallised’ or subsumed by money, which then takes on a seemingly independent existence.

In a discussion of what money represents, Simmel makes a comment reminiscent of Marx’s statements on commodity fetishism in Capital Vol. 1. Marx stated that:

“It is however precisely this finished form of the world of commodities – the money form – which conceals the social character of private labour and the social relations between the individual workers, by making those relations appear as relations between material objects, instead of revealing them plainly” (Marx, 1990 pp.168-169).

Similarly, Simmel notes that money exists

“in a realm organised according to its own norms which is the objectification of the movements of balancing and exchange originally accomplished by objects themselves. However, this is only a preliminary view… it is not the objects but the people who carry on these processes, and the relations between the objects are really relations between people. The activity of exchange among individuals is represented by money in a concrete, independent, and, as it were, congealed form” (Simmel, 2004 p. 176).

Implicit here, from the perspective afforded to us by Frankfurt School of Critical Theory as outlined earlier, is the idea that our valuing intentionality has developed through its interaction with a more efficient mechanism for satisfying subjective desires, but that this development has in turn influenced (or even dominated) the process of social metabolism it was originally created to serve. Money comes to define exchange, ridding the process of elements which do not conform to its basis as a tool, that is, anything that does not merge into money and its liquidity, mobility and characterlessness. This includes personalities, relationships, and indeed any non-instrumental interaction. The importance that money subsequently assumes after asserting its control over fundamental processes of social production and reproduction leads us to forget that “outside exchange, money has little meaning” (Simmel, 2004 p. 176).

Outside exchange, ‘valued’ phenomena have a meaning which remains irreducible to money, and continues to exist regardless of money. Indeed, “the money economy will
increasingly gloss over the fact that the money value of things does not fully replace what we ourselves possess in them, that they have qualities that cannot be expressed in money” (Simmel, 2004 p. 404). In the absence of qualitative reflection on the phenomenon of money, we prevent ourselves from self-reflexively appreciating these effects which money has upon us.

Having analysed the conditions for the possibility of the existence of money, we can see that implicit in Simmel’s explanation of the emergence of the money form of value are some important developments in our rational capacities. From the supra-subjective developments in our valuing intentionality, to our abstraction from the realities inherent in valuation through exchange, we can see a movement away from the originally rational developments in our psychology, to a rationality dominated by instrumental concerns. In this way, being, in and for itself, becomes swallowed up by the instrumental domination of our valuing intentionality and its pursuit of control over being, preventing our valuing intentionality from interacting with being in non-purposive ways. Money thus represents a synthesised, objectified form of instrumental rationality which can, and in modernity actually does represent an important site at which our rational capacities become distorted. This is precisely because money is more than the simple material substance we hand over in exchange – it is an object which appears to have an autonomous and independent existence over and above its users, and which holds within its abstracting nature an ignorance of social relationships, exchange relationships, values and phenomena which exist in and for themselves outside of money’s interaction with them. The use of such a congealed abstraction allows deformations to occur in our rational development which prevent us from actualising our full capacity for reason, thus damaging our chances for successful self-actualisation and human flourishing.

To summate, Simmel begins by showing that value is subjectively determined, being derived from desire, and automatically forms the dominant perspective of subject-object relations. Subjects then create the process of exchange and markets in order to satisfy their desires. Through exchange, money then becomes a tool to facilitate the operation of markets, yet incorporating money into exchange also has the effect of crystallizing subjective valuations, which are subsumed by seemingly objective movements of objects in exchange, into objective prices. On deeper analysis, it becomes apparent that such a transition obscures the subjective determinations of value which determined the objective price in exchange, while also distracting our psyches from the social relations of production and exchange.

A simple example then; we may not only come to value a diamond simply because it is expensive and its money price informs our attribution of value (already an irrational, distorted exercise of our capacity for valuation), but further, in reducing the diamond to a monetary figure, we abstract away important facts related to its existence in the world – although the decision to buy the diamond may be based on a dollar figure, other important considerations which cannot be subsumed into a monetary price are ignored. Important facts which we may consider in making a fully rational decision to purchase the diamond include the conditions under which the diamond was produced, the (often unjust) appropriation of the diamond by multi-national corporations, the full aesthetic
natural beauty of the diamond, the full aesthetic beauty of the mountain which the diamond was stolen from before it was mined, the death of an ancient civilization which called the mountain home for centuries before its being mined, the list goes on. Such concepts and facts cannot be expressed in dollar figures because money is only able to encapsulate economic or exchange value, a fact which leads to the ignorance of other, equally important, relevant, and valid facts and determinations of value which would assist in making informed, prudent and just decisions. The use of money has seriously distortive effects upon our valuing intentionality, which then result in a loss of touch with the fullness of the value of phenomena themselves, and our original subjective valuation of them, which are first abstracted from in the process of exchange, and reified further through the use of money. On this basis, the following section considers the implications of this perspective to the world of accounting and financial markets.

3. IMPLICATIONS OF SIMMEL’S FRAMEWORK FOR CONTEMPORARY ACCOUNTING

Gray notes that “The issue of whether financial reporting is a genuine boon for a self-actualising society remains unasked, and indeed often appears to be un-askable” (Gray, 2006, p. 796). Using Simmel’s perspective on the nature of money we are now in a position to investigate the foundations of contemporary accounting practice and further, the societal utility of financial accounting under the hegemony of capitalism and the dollar which drives it.

As Simmel finds, the process of exchange itself results in a reification of the subjectivity of valuation inherent in the objective facts of exchange. While valuation abstracts from the appreciation of phenomena in and for themselves, exchange and the equating of values which defines it abstracts from the original subjective valuations themselves. As noted above, these moves constitute a distortion of our valutional capabilities, and are taken to completely new levels when money is inserted into the process. Among this interplay of reifying forces accounting inserts itself, performing an operation akin to a modern mass production line, converting the raw material of monetary data into ‘relevant, reliable, timely and useful financial information’. In other words, accounting takes the reification performed by exchange and money, and interposes a further level of abstraction through the collation and aggregation of these already reified figures. This heightened form of the reification of value and valuation amplifies money’s power, for money is then used to measure and dictate the future direction of all manner of phenomena aggregated in accounting reports. By adopting money as its only ‘real’ and significant measure of value, financial accounting reinforces the idea that money is the measure of value, the only important measure of value for the purposes of decision making, and by omission, that other types of important information relating to the value in phenomena are irrelevant to sound decision-making.

The institution of accounting has thus become ensnared in the reifying milieu of modern capitalist existence, completing an inversion and becoming a tool for that which was to be its tool of measurement. Accounting becomes a vehicle through which to hyper-
rationalise the movements of money between interested parties, and thus provide opportunities for interested parties to make more and more money. Through accounting, money has elevated itself to a new status – the ultimate arbiter of value, that matter from which all accounting reports are constructed and which is used by the powers that be to make the decisions which drive the future of the planet.

Through accounting then, and the operations it performs in the name of the generation of relevant and useful information for decision making, money has been successful in reifying value and valuation to a point where it has entrenched and reinforced itself as the supreme arbiter of value. The extent of money’s entrenchment in our psyches and in our practice is evidenced in the fact that when we speak of value itself now, and not only in an accounting context, we usually mean money, and the pursuit of greater quantities of it. Thus the subjectivity of the valuation of existence is replaced by an objectivity provided by the dollar, abstracting all subjectivity away in the name of control, and leading to a situation where money appears to be the only valid point from which to make ‘economic’ decisions (Bourguignon (2005) discusses this process in relation to the different types of ‘value’ analysed within management accounting).

Accounting is thus an active force in the hegemony of monetary interests in modernity and the corresponding domination of decision making by monetary imperatives. This permeation of monetary imperatives into decision making has meant that the ‘laws’ of the market can barely be questioned, let alone broken. Financial reporting ignores, indeed obscures from view the importance of real elements of the life-world which exceed the boundaries of, and are unable to be contained within monetary amounts; such elements inevitably fail to be taken into ‘account’ in decision-making. Gray (2006 p. 798) notes that “It is a straightforward matter to demonstrate that conventional accounting as we know it intentionally excludes almost anything that might be thought of as wonderful, aspirational or desirable in the human condition – happiness, fun, sunshine, love, relaxation, poetry, laughter, time to goof off. All of these are lost, nay relentlessly pursued and expunged from experience, in accounting. Accounting produces a social construction of a world of precision and accuracy, of measurement and rationality, of bleakness and inhumanity.” A salient example of what financial accounting is capable of achieving is provided by Lehman (2005 p. 681-2, quoting Chwastiak, 2001 p. 503):

“Demonstrating the profound political consequences accounting can have as part of the planning process whereby quantitative programming and budgets attain the status of authority, and instrumental rationality is seen as ostensibly value-free, accounting transforms ‘the planning for war into a routine resource allocation exercise, rather than an insane preparation for genocide’”.

Suggesting that financial accounting falls short of genuine accountability is hardly an original claim, although using Simmel’s approach to the fundamental raw material which accounting works on we can see the situation from another angle. For example, in recent years there have been a number of attempts to bolster traditional financial accounting with ‘new’ accounting via ancillary disclosures and reporting. What, then, could we say from the perspective offered to us by Simmel, and in view of the reification provided by
money, of directors disclosures in financial statements? Of the Sarbannes-Oxley Act? Of social reports? Of Triple Bottom Line reporting and the Global Reporting Initiative?

On the surface these appear sensible, though perhaps timid, responses to the problems created and reinforced by financial accounting. They offer a way of conveying information which is not readily valued by the market via exchange; information about internal controls, community outreach, environmental policies and so on. Indeed, we might be tempted to conclude that such approaches will alleviate our concerns over the reduction of decision making to an analysis of value expressed solely in monetary terms.

Deeper reflection however, reveals that this ‘new’ accounting is unlikely to deal with the fundamental problems posed by the use of money and the violent reification it accomplishes. This is because the primary objective of the underlying reporting entity, i.e. the corporation, is the pursuit of profit – profit of a monetary kind. All other objectives are instrumental, and this includes the ‘new’ accounting (Deegan and Rankin, 1996; Deegan et al., 2002; Moerman and Van Der Laan, 2005; Clatworthy and Jones, 2006).

In a wider sense, the reflexive capacity of money to both measure and create subjective value can be seen in capital markets, where the most ‘valuable’ corporation in the wider sense is still the one with the highest market capitalization (i.e. the most ‘valuable’ in the narrowest sense). The paradox is most evident in the conundrum of ‘ethical’ investment, where participants attempt to reconcile some ideas of ethics with an activity which is fundamentally concerned with wealth creation via the machinery of capitalism, and where ‘success’ remains measured in financial terms (Haigh and Hazelton, 2004; Haigh, 2006a; Haigh, 2006b).

The core issue remains that corporations remain predominantly concerned with profit maximization. From the perspective offered by Simmel and the Frankfurt School, we can conclude that so long as this remains the case, no amount of non-monetary reporting will buffer the negative consequences generated within an increasingly monetarised society. Money’s interaction with accounting denotes the deformation of objectively possible standards of reason concerning the equitable and effective allocation of resources in society, whereby a set of techniques for the more just and socially effective tracking and allocation of resources has been hijacked to serve particular partial interests (i.e. corporations and profits) rather than serving the global community as a whole for the just allocation of scarce resources.

4. CONCLUDING REMARKS

Some years ago, Tinker (1991 p. 306) wrote of accounting that “its social self-awareness of the contradictions that beset it is woefully inadequate; unless it acts expeditiously it may suffer a spectacular martyrdom.” While this observation might be true, of more pressing concern is the martyrdom of a society that is insufficiently self-aware of the impact of the dominant species of accounting which has come to be dominated by money
and monetary expressions of value, that tool which was supposed to form the basis of a reliable measure for accountants for the purposes of decision making.

While Simmel’s analysis of money in his work is insightful, one of the major limitations therein is the lack of prescriptive cure to the negative potentialities of money’s use. The importance of money to the prevalence of markets has increased exponentially since Simmel’s time. As the Frankfurt school posit, following the teachings of Freud, the acknowledgement of a pathology will lead to its cure. Acknowledgement of the state of affairs in its entirety constitutes the self-reflexive realization of the harm it occasions. Truly rational beings, upon realization of self-harm, will be induced to purge themselves of the negative elements pertaining to their existence. An important question is therefore how this purge might actually take place. What follows is a speculative, but hopefully thought-provoking, initial attempt at considering this question.

Fundamental to Simmel’s conception of the problem of monetary pathology is exchange, and of course, monetary exchange. Recall that it is through the exercise of our valuational capacity that value is accorded to phenomena, and that exchange allows the supra-subjective interplay and balancing of values to occur, where value is separated from its creators. Taking root here, money, as any other commodity, conceals within its existence a multiplicity of existential facts relevant to valuation and the exchange which are ignored by the valuer concerned only with monetary amounts. The amplification of markets then exacerbates this very problem which money seizes upon. The only plausible solution is therefore the reduction of market-based exchange in some way. (This might be considered close to the position of the late Marx, who might crudely be characterized as shifting away from a position seeking the transformation of work into a non-alienated activity to one advocating a reduction in the time devoted to work altogether.)

Markets might be superseded in one of two ways. Increased self-sufficiency, where individuals (or households or communities) largely create what they need, enabling a gradual withdrawal from markets. There is a long tradition of this approach, from the Epicureans of ancient Greece to the monasteries of the Middle Ages through to present day communities such as the Amish. While initially appealing, withdrawal into parochial communities seems to run counter to our increasingly globalized world. An alternative method of reducing reliance on markets is to move toward gift-based (as opposed to money-based) exchange, where goods and/or services still flow freely, but more in accordance with the Marxist dictum of ‘from each according to their ability, to each according to their needs.’ While such a gift-based society might seem utopian, there are three important responses to such an objection. First, such societies have actually existed, from a strictly anthropological point of view. The founding researcher in this field is Marcel Mauss, whose seminal work *The Gift* explored exchange in pre-modern societies (Mauss, 1989). Second, there are a number of contemporary examples, most notably the rise of the open-source software movement, where volunteers produce equivalent products to major applications which are free to download. Most academics will be familiar with applications such as Firefox and LaTex, and there are literally thousands of such initiatives. The free exchange of art, music and literature is also a prevalent aspect of the contemporary landscape of the internet. The third response to the utopian objection
is a cautionary one. While such a society may not suffer from the pathologies that Simmel identified, it may well have pathologies of its own. Mauss identified that gift giving is never one-sided; it always contains a reciprocal element. The giver is always entitled to expect something in return.

These responses indicate that there is an alternative to societies which cling to market-based exchange, even within a predominantly capitalist society. We believe that Simmel makes an important contribution to our understanding of modernity and the deformation of reason apparent within it, a deformation which has rendered accounting a shadowy force. We hope our articulation of Simmel’s thought and its implications for accounting are of value to academics and others in the profession, and that our brief remarks on possibilities for reform might spark some spirited debate on praxis for human flourishing and emancipatory accounting practices in a (post?) capitalist world.

NOTES

1 This may also constitute an important point in the development of our instrumental rationality, which is concerned with the extent to which phenomena obey our will – those that do are assimilated into the individual psyche, those which do not are held separate to it, thus necessitating the concept of value in order to bridge the instrumental gap between what has come to be seen as the gulf between subject and object. (Cf Horkheimer and Adorno, 1972 p. 39).

2 Mill, for instance, notes that money is “a machine for doing quickly and commodiously, what would be done, though less quickly and commodiously, without it, and like many other kinds of machinery, it only exerts a distinct and independent influence of its own when it gets out of order.” (Mill, 1870 at paragraph III.7.8 (Our emphasis)).

3 “The statement that the value of A is 1 mark has purified A of everything that is not economic, i.e. not an exchange relationship to B, C, D and E. This mark, considered as value, is the function of A detached from its carrier, in relation to the other objects of the economy. Everything else that A may be, in itself and independent of this relation, is irrelevant here” (Simmel, 2004 pp. 120-1).
REFERENCES


