



A Gloss on the State Theory of Money: Simmel and Knapp

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Volume 24, Number 2, 2020

Simmel in Latinamerica

URI: <https://id.erudit.org/iderudit/1075565ar>

DOI: <https://doi.org/10.7202/1075565ar>

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Publisher(s)

Georg Simmel Gesellschaft

ISSN

1616-2552 (print)

2512-1022 (digital)

[Explore this journal](#)

Cite this article

Waizbort, L. (2020). A Gloss on the State Theory of Money: Simmel and Knapp. *Simmel Studies*, 24(2), 21–42. <https://doi.org/10.7202/1075565ar>

Article abstract

In his Staatliche Theorie des Geldes, published in 1905, Georg Friedrich Knapp presented the thesis that underlies so-called 'chartalism': "Das Geld ist ein Geschöpf der Rechtsordnung." Formulated at a time when the basing of money on precious metal was considered indispensable (metalism), Knapp's theory seeks an eminently social foundation of money, based on the legal order and the State. Knapp thus moved away from more substantialist conceptions of money; his theory is based on the practical functions and performances of money and points to the decisive problem of trust (in the acceptability and value of money). Although Georg Simmel, in his Philosophie des Geldes, published in 1900, did not develop a properly chartalist approach, he offers a number of points of support to the chartalist theory. The overcoming of the substantial character of money in favour of its functional character and his conception of money as relation, as well as the logical genesis of money and value as eminently social, offers a foundation to a social theory of money, of which the state theory of money suggested by Knapp would be a modalization.

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A Gloss on the State Theory of Money: Simmel and Knapp

Abstract. In his *Staatliche Theorie des Geldes*, published in 1905, Georg Friedrich Knapp presented the thesis that underlies so-called 'chartalism': "Das Geld ist ein Geschöpf der Rechtsordnung." Formulated at a time when the basing of money on precious metal was considered indispensable (metalism), Knapp's theory seeks an eminently social foundation of money, based on the legal order and the State. Knapp thus moved away from more substantialist conceptions of money; his theory is based on the practical functions and performances of money and points to the decisive problem of trust (in the acceptability and value of money). Although Georg Simmel, in his *Philosophie des Geldes*, published in 1900, did not develop a properly chartalist approach, he offers a number of points of support to the chartalist theory. The overcoming of the substantial character of money in favour of its functional character and his conception of money as relation, as well as the logical genesis of money and value as eminently social, offers a foundation to a social theory of money, of which the state theory of money suggested by Knapp would be a modalization.

Readers of *Staatliche Theorie des Geldes*, published by Georg Friedrich Knapp in 1905, are often startled by its esoteric terminology – his intention to “create an erudite artificial language” (Knapp, 1905: VII) – and with the arid logical progression of the text, which the author himself recognizes is pushed to an extreme. His position is always that of the ‘theorist’ (Knapp, 1905: VII, 9, 20, passim), which is all the more surprising when we recall that the preceding studies by Knapp – an author who the textbooks locate among the third generation of the historical school of German political economy – dedicated to comprehending the transformations in the German agricultural world during its transition to capitalism, are characterized by, in Schumpeter's words, a “marvelous equilibrium of comprehensive vision and

detailed research”¹ (Schumpeter, 1954: 811; Schumpeter, 1926). However, in *Staatliche Theorie des Geldes* Knapp abandons the historical approach in favour of the logical, although the second part of the book presents case studies intended to clarify the logical argument.

A comparison with the book published by Georg Simmel a short while earlier places them almost as polar opposites, at least in terms of their mode of exposition – more geometric in Knapp, although Simmel was the admirer of Spinoza. In his preface too, Knapp highlights the difference between his own book and *Philosophie des Geldes*, locating them in distinct terrains, due not only to their mode of exposition and the paths taken by their thought, but also to their different objectives and intentions (Knapp, 1905: VI). Nothing could be more distant from Knapp’s exposition and analysis than the route traced out in *Philosophie des Geldes*: the gradual expansion from the singular to the universal and the “totality of existence,” its “aesthetic pantheism” (Simmel, 1907: VIII; GSG, VI, 12; Waizbort, 2000: 75-112).

Nonetheless, reading the two books reveals that important aspects of Simmel’s developments in *Philosophie des Geldes* find a home in *Staatliche Theorie des Geldes*, indicating a common space of problematization, which this article proposes to make explicit.

Knapp

¹ Above all in the books: *Die Bauernbefreiung und der Ursprung der Landarbeiter in den älteren Teilen Preussens*, published in 1887, and *Die Landarbeiter in Knechtschaft und Freiheit*, published in 1891. Prior to this, Knapp had developed pioneering statistical studies on mortality and population: *Über die Ermittlung der Sterblichkeit*, 1868; *Theorie des Bevölkerungswechsels*, 1874. Knapp formed part of the group that founded the Verein für Socialpolitik in 1872. “It is possible to recognize three moments in his work: initially statistical, he turned to agrarian history and finally, to the theory of money” (Winkel, 1977: 110). Frisby suggests the possibility that Simmel had taken from Knapp’s works examples presented in *Philosophie des Geldes* (Frisby, 2004: 28).

The goal of the book *Staatliche Theorie des Geldes*, declared from its outset, is to “replace the metalistic view by one founded on Political Science” (*staatswissenschaftliche*), though this may well lead the author to “discover the soul of money” (Knapp, 1905: VII, VIII). Indeed, the first paragraph of the book, certainly its best known and most cited passage, delimits both the problem and the proposed solution:

Money is a creation of the legal order; in the course of history, it appears in the most varied forms: a theory of money must, therefore, be a legal-historical theory. (Knapp, 1905: 1, also 32-33)

The proposed approach thus combines theory and history: the legal order, theoretical in nature, and the diverse forms that this legal order assumes over the course of history. However much Knapp may have converted into a *Theoretiker*, he did not entirely abandon his experience as a historian-economist or economist-historian.

Money is a means of payment and this seems to be, in Knapp’s understanding, its principal and primordial function. However, the means of payment is an exchange commodity (Knapp, 1905: 2, 3) and, therefore, is concretized in exchange situations. Exchange situations, in turn, depend on “social circles,” such that an exchange commodity (which we could also, I think, denominate in more usual terms a ‘medium of exchange’) is “a device of social intercourse” (Knapp, 1905: 3).

His argument thus emphasizes the social dimension that anchors the exchange commodity, the means of payment, money. For a means of payment to circulate, however, and act as means of payment, it depends on a legal ordination, since it needs to possess the quality or attribute of a unit of value (or a unit of account, as we more commonly say today). And this connection between means of payment and unit of value is only valid when established by the legal order (Knapp, 1905: 6). This position is also reinforced by the assumption of the intrinsic historicity of the unit of value (Knapp, 1905: 9, 14, *passim*). And on this point, the State appears in its central role: the State is the “guardian of the legal order” (Knapp,

1905: 17) and defines the nominality of the unit of value and, therefore, the nominality of debts – and nominality is a “necessary premise for the advent of money” (Knapp, 1905: 15). The State is the authority or power that defines both the means of payment and the unit of value (Knapp, 1905: 20). To use another terminology, which we shall come to shortly, the State is the agent that writes the dictionary.

In the gradual process of defining the means of payment – the architecture of the theory, since, we should not forget, we are talking about a book entitled *Staatliche Theorie des Geldes* – the legal order appears as the creator of the name of the unit of value (peso, euro, dollar, etc.). This amounts to “validity by proclamation” (Knapp, 1905: 25). And with this we come to chartality: “Since chartalism is nothing more than the proclamatory use of the means of payment in a specific form” (Knapp, 1905: 29). In other words: the state power, via the legal order, proclaims an object, which possesses a determined shape, as the valid (and necessary) means of payment. This takes us, then, to money, since money is the chartal means of payment (Knapp, 1905: 31). And, in being proclaimed as such, it can be independent of each and any material, each and any intrinsic value: what it is made from is of little importance, since what matters is its validation by proclamation, guaranteed by the legal order, safeguarded by the state. It is not a question of ‘what’ but of ‘how.’

This definition makes evident the move beyond metalism (which is discussed, of course, in detail in Knapp’s theoretical construction, here simplified and abbreviated), as well as means of payment that involve the materiality of the object adopted, or its measured weight.

In the conflict between metalism and nominalism, the position defended by Knapp is clear, since it precisely involves providing a theoretical foundation to the nominalist position through proclamation (Knapp, 1905: 45, *passim*). Moreover, it is the State that defines the means of payment with which debts can be settled, especially the debts with the State, the taxes due. Such being the case, chartal money is a liberational instrument: “it frees us from our

debts” and “[f]irst and foremost it frees us from our debts towards the State” (Knapp, 1905: 43).

From what it seems, the aspect that most stands out from Knapp’s chartalist perspective is the definition of the connection between means of payment and unit of value, since through it a unified and standardized system is created that measures credits and debts, and operationalizes its transactions. Indeed, this is the crucial point of his argument, perhaps hidden by the emphasis on the proclamatory nature in which the State emerges as an agent. But the State indeed proclaims this uniform system and moreover guarantees it – or seeks to do so.

Keynes, a very attentive reader of Knapp, began his *A Treatise on Money* (1930) precisely with this problematization, believing it was where the foundation of money was located:

Money-of-Account, namely that in which Debts and Prices and General Purchasing Power are expressed, is the primary concept of a Theory of Money.

A Money-of-Account comes into existence along with Debts, which are contracts for deferred payment, and Price-Lists, which are offers of contracts for sale or purchase. Such Debts and Price-Lists, whether they are recorded by word of mouth or by book entry on backed bricks or paper documents, can only be expressed in terms of a Money-of Account.

Money itself, namely that by delivery of which debt-contracts and price-contracts are discharged, and in the shape of which a store of General Purchasing Power is held, derives its character from its relationship to the Money-of-Account, since the debts and prices must first have been expressed in terms of the latter. [...] Money-Proper in the full sense of the term can only exist in relation to a Money-of-Account.

Perhaps we may elucidate the distinction between money and money-of-account by saying that the money-of-account is the description or title and the money is the thing which answers to

the description. [...] if the thing can change, whilst the description remains the same, then the distinction can be highly significant. [...]

It is a peculiar characteristic of money contracts that it is the State or Community not only which enforces delivery, but also which decides what is that must be delivered as a lawful or customary discharge of a contract which has been concluded in term of money-of-account. The State, therefore, comes in first of all as the authority of law which enforces the payment of the thing which corresponds to the name or description in the contract. But it comes in doubly when, in addition, it claims the right to determine and declare what thing corresponds the name, and to vary its declaration from time to time – when, that is to say, it claims the right to re-edit the dictionary. This right is claimed by all modern States and has been so claimed for some four thousand years at least. It is when this stage in the evolution of Money has been reached that Knapp's Chartalism – the doctrine that money is peculiarly a creation of the State – is fully realised. (Keynes, 1930: 3-4)²

Debates over the function of money, long traced back to the reflections of Aristotle,³ have identified it as, for example, a medium of exchange, a store of value, a means of payment, or a unit of account (measure of value). Both Knapp and his 'disciple' Keynes take the latter to be the most decisive and, in logical terms, to take precedence (see, for example, Ingham, 2004: 6, 12, 25, 34). They go on to assert that it is the State that institutes, substantiates, validates and guarantees this function.

Here we can take a short detour and examine two cases that illustrate the questions we have been discussing.

² Schumpeter traces antecedents of this position, as well as the metalism/chartalism contrast, back to Aristotle. See Schumpeter, 1954: 63, 288-297. For a discussion of Keynes from a perspective analogous to the one delineated here, see Frankel, 1977.

³ See Aristóteles, 2000: Book I; Meikle, 2000; Helfferich, 1903: 230-269.

1) Paul presents an insightful argument concerning the comprehension of money primordially as a means of payment. Setting out from the well-known study by Paul Bohannan on the Tiv and the imposition of the British currency as a means of payment for the taxes demanded by the colonial power (cf. Bohannan, 1955), Paul shows how the colonial imposition of colonial money occurs through the imposition of this form of paying debts – that is, paying taxes. The empire imposes the tax and imposes the only currency with which the tax can be paid. In sum, the empire declares that the tax due can only be paid in the imperial currency. The example makes evident the primacy of the means of payment function over the medium of exchange function. And above all, it shows how the State performs a decisive role in imposing and validating money.

But just as importantly, or perhaps more so, these debts, whatever they may be, are quantified – that is, they are calculated with a measure, which makes evident the antecedence of the unit of account function.

Pursuing this line of argument entails some important consequences: we are led to recognize that money is primarily credit: “If, in effect, money is initially a means of payment, if it originates as a means of payment, then money does not precede credit, but rather it is from credit, or, more generally, from a debt relation, that it originates” (Paul, 2017: 61). And this takes us to the conception of money as credit – the credit theory of money (Innes, 1913; Innes, 1914; cf. Simmel, 1907: 152 ff, 164 ff; GSG, VI, 199 ff, 214 ff). This is a very important development, to which Simmel also makes significant contributions, but which I shall develop at another time.

2) Carruthers and Babb, for their part, examining the debates after the American Civil War, the ‘Greenback Era,’ in which metalist and nominalist conceptions clashed. During the war, the issuing of currencies not based on metal (“greenbacks”) proliferated. Following the end of the conflicts, the pressure to return to currency based on metal met resistance from sectors that would suffer huge losses as a consequence, due to the devaluation of the currencies

then issued without a metal based compared to those based on metal. The polemic opposed ‘greenbackers’ and ‘bullionists’ over what confers value to money and, therefore, what is the value of money. “Greenbackers attacked the bullionist ‘yardstick’ idea that a measure of value must have the substance of the thing measured. [...] For greenbackers, coin or paper money possessed value only because the government made it a legal tender” (Carruthers & Babb, 1996: 1569-70). A central point of the greenbackers’ argument was that it is the government that imprints value on money by declaring it as such. The State’s declaratory power therefore establishes money. Hence, we find in one of these polemicists, Wolcott, the same assertion that will appear 30 years later in the opening to Knapp’s book: “Money is a creature of law, it is created and upheld by law” (Wolcott, 1876, quoted in Carruthers & Babb, 1996: 1572).

Finally, in another pamphlet from this era we encounter ideas that tie together the two points highlighted above: “All money, whether it be gold, silver or paper, derives its chief value from the fact that government and governments do enact arbitrary laws declaring it money for the payment of debts, thereby creating the chief demand for it.” (Ensley, 1877, quoted in Carruthers & Babb, 1996: 1570).

Simmel

Simmel elaborates a discussion on the substantial value and functional value of money in the second chapter of *Philosophie des Geldes*, which offers a foundation for chartalism. Although Knapp undoubtedly read Simmel’s book carefully (Knapp, 1905: VI), it is impossible to weigh the precise extent to which Simmel’s discussions were decisive to Knapp’s elaboration. Perhaps Knapp arrived at his ideas independently of the reading of *Philosophie des Geldes*, but it is highly likely that the reading of Simmel’s book had contributed considerably to him being able to gain a clearer understanding of the problems discussed in the book he published in 1905. This is why it is worth pursuing the comparison.

There are various passages of Simmel's book that present the problems examined by Knapp. Since the objective of the present article is to suggest the Simmel-Knapp nexus, rather than develop the idea *in extenso*, here I present just one of these passages, which provides sufficient material:

the basis and the sociological carrier of the relation between objects and money is the relationship between economically active individuals and the central power which issues or guarantees the currency. Money serves as an absolute intermediary upon all commodities only if coinage has raised it above its character as a mere quantity of metal – to say nothing of simpler kinds of money. The abstraction of the process of exchange from specific real exchanges, and its embodiment in a distinctive objective form, can happen only if exchange has become something other than a private process between two individuals which is confined to individual actions and counteractions. This new and broader character of exchange is established when the value of exchange given by one party has no direct significance for the other party, but is merely a claim upon other definite values – a claim whose realization depends upon the totality of the economic circle or upon the government as its representative. When barter is replaced by money transactions a third factor is introduced between the two parties: the social totality, which provides a real value corresponding to money. The pivotal point in the interaction of the two parties recedes from the direct binding line between them, and moves to the relationship which each of them, through his interest in money, has with the economic circle that accepts the money, and demonstrates this fact by having money minted by its highest representative. This is the core of truth in the theory that money is only a claim [a payment order] upon society. Money appears, so to speak, as a bill of exchange from which the name of the drawee is lacking, or alternatively, the coinage represents the acceptance. It has been argued against the theory that metallic money involves credit, that credit creates a bind, whereas metallic money payment liquidates any bind; but this argument overlooks the fact: what for a individual a liquidation

of a bind is, can be a bind to the totality. The liquidation of every private obligation by money means that the totality now assumes this obligation towards the creditor. (Simmel, 2004: 176-177; transl. modified; Simmel, 1907: 162-163; GSG, VI, 213)

The whole – or, as the original English translator preferred, “the community” – is the level that guarantees money, its validity, acceptance and circulation. However, at this point of his discussion, Simmel had already extensively developed what he understands precisely as the ‘whole’ (*Gesamtheit*): the whole is the society, the ensemble of social interactions in a continuous process (Simmel, 1907: 159, 160; GSG, VI, 208 ff).

This means that is society, or the continuous social process, that guarantees money. But at the same time, society can also assume more enduring social forms like the State and government, and Simmel has this in mind when he refers to “the central power which issues or guarantees the currency.” There are two important questions, therefore: the central power and the guarantee.

In relation to the former, which also takes on the form of ‘government’ (*Regierung*) or State (*Staat*), it should be pointed out that in *Philosophie des Geldes*, Simmel is uninterested in developing the question further and that the central power, government and State appear as representations, or sedimentations, or social formations. But in other texts, as in the ‘big’ *Soziologie*, he makes the point very clearly, emphasizing his interest in macrological formations or ‘sedimentations’: “States and union confederations, priesthoods and family forms, economic conditions and the army, corporations and communities, class formation and the industrial division of labour” (Simmel, 1908: 18-19; GSG, XI, 31-32; cf. Simmel, 2009: 32-33) – and micrological – “an immense number of minor forms of relation and modes of interaction between men, in singular cases that are apparently insignificant but in fact represented by these singular cases to a far from negligible extent and that, insofar as they move among the wider social formations, official formations, so to speak, they actually realize society, such as we know it” (*ibid*). My interest

here is merely to stress that the institutions that perform a central role in Knapp's theory – the State and the government – are understood by Simmel as “objective formations,” “solid supraindividual formations” (*ibid*) that originate logically and historically from the relations established between human beings, social interactions that assume more fixed and less ephemeral forms than, say, a queue to buy a cinema ticket – a good example of what could be understood as “society in status nascens” (*ibid*).

While it is the central power that guarantees money, it is no more than one of these “solid supraindividual formations,” which in this particular situation – guaranteeing money – represents the whole, society. There is clearly a significant difference between Simmel's sociological approach and Knapp's legal approach, which defines the way each of them formulates and constituted the ‘State.’ Nevertheless, it involves the same social formation, performing, in the case of interest to us here, the same function.

Here we can now turn to the second point: guarantee and its correlate, trust. It is trust in the whole, expressed by the “social and state organization and order,” that guarantees the “claim and payment order upon society.” Simmel cites the motto stamped on a Maltese coin: “non aes sed fides,” or in other words, “not money, but trust” (Simmel, 1907: 164; GSG, VI, 215; Simmel, 2004: 177).⁴

Trust, a belief (cf. Simmel, 1907: 164-165; GSG, VI, 215 ff; Simmel, 2004: 177-178; cf. Simmel, 1908: 346-347; GSG, XI, 393-394), is the mechanism of the guarantee. In his sociology of the secret, Simmel developed a little the problem of trust as a social mechanism that guarantees the continuity of actions between individuals, making it too a mechanism of social bond – “one of the most important synthetic strengths inside society” (Simmel, 2009: 315; Simmel, 1908: 346; GSG, XI, 393). Trust permits the establishment of an equilibrium between the known and the unknown, between knowing and not knowing, which facilitates social bonds and human interactions, since we can act without

⁴ For a discussion, see Frankel, 1977.

having full knowledge of everything that is involved in the action and in the people involved, given that the mechanism of trust frees us from the need for omniscience. This, in turn, becomes all the more significant the broader and more complex societies become, permeated by indifference and impersonality (themes that are, as we know, amply explored in *Philosophie des Geldes*).

Society institutes that “supra-subjective strength of conviction” (Simmel, 2009: 308; Simmel, 1908: 338; GSG, XI, 384) fundamental to the trust in money, “increasing the probability of the improbable” (Luhmann, 1986: 9; Luhmann, 1982: 10). The improbable and uncertain are not abolished, and could not be, since there is no way to abolish them. But social mechanisms can be created to reduce complexity and thus enable the improbable but possible to become less improbable, expectations to become more feasible, the improbable to happen. All those involved in the social circuit in which the monetary economy operates, in which money circulates – that is, in which it is used to settle debts – see themselves involved in a “circle of expectation” (Accarino, 1984: 120): we expect money to be valid, to be recognized and to function. And this hope and expectation is shared by all those who take part in the game – that is, who participate in a monetary economy.

The question about the foundation of this hope, this expectation, is the reverse of the question about the trust that we invest in money. In Luhmann’s terms, trust is clearly a mechanism for reducing complexity and a decisive mechanism in modern societies: “Trust is not the sole foundation of the world; but a highly complex but nevertheless structured representation of the world could not be established without a fairly complex social order, which in turn could not be established without trust” (Luhmann, 1982a: 93-94, transl. modified; Luhmann, 1968: 96). This appears to apply to the present discussion.

The social mechanism of trust is based, historically and concretely, on institutions and traditions that become sufficiently strong and trustworthy to offer the guarantee for actions, communications and operations: in our case, for money. They

guarantee that expectations are met; that the money accepted today by one is equally accepted tomorrow by another; that the credit given is honoured and fulfilled. Steering the problem towards money, Simmel asserted: “The feeling of personal security that the possession of money gives is perhaps the most concentrated and pointed form and manifestation of confidence in the socio-political organization and order” (Simmel, 2004: 178; Simmel, 1907: 165-166; GSG, VI, 216). Without doubt, the problem of confidence/trust is central to the operation of money and is only apparently more intense in the nominalist-chartalist position. The key point thus continues to be the comprehension of money as a unit of account or, as formulated elsewhere, “an accounting tool” (Graeber, 2014: 46) that allows the size of the debt/credit to be measured.

This said, it should also be pointed out that Simmel makes a solid argument for overcoming metalism, which will later receive a detailed and exhaustive (and for many a pedantic) development in Knapp. The entire second chapter of *Philosophie des Geldes* elaborates the theme of the passage from a substantial form of money to a relational or functional form, which ultimately signifies the abandonment of supports containing their own intrinsic value in favour of supports whose value depends on their foundation and its varied forms of ‘totality.’⁵ It ultimately depends on the trust possessed by the whole in itself – and that is present and represented in the State.⁶

The main point, however, is that the significance of metal in monetary affairs recedes more and more into the background, as compared with safeguarding the functional value of money

⁵ Simmel’s discussion on the substantial and functional value of money (Simmel, 1907: 151-196; GSG, VI, 199-253) corresponds to Knapp’s discussion on hylogeny and autogeny (Knapp, 1905: 30).

⁶ A similar point is developed by François Simiand in his text “La Monnaie réalité sociale” (Simiand, 1934), which provides us with an approximation to developments in the Durkheimian universe. See Waizbort, 2020.

through community institutions. (Simmel, 2004: 183; Simmel, 1907: 171; see also 172, 173; GSG, VI, 224)

In fact, at certain moments Simmel clearly anticipates Knapp's argument, as can be seen in the following excerpt:

The theory and practice of monetary policy confirm the course of development from the substantial to the functional significance of money, as well as the dependence of the latter upon sociological conditions. (Simmel, 2004: 171; Simmel, 1907: 156; GSG, VI, 205-206)

Substantial value was related to a support that contained and transmitted value and, therefore, was itself valuable (or, at least, supposedly so), while functional value is related to the set of social relations that establish the systemic mechanism of trust, present and represented in the State.

It is also worth emphasizing that both Knapp and Simmel highlight the abstraction involved in the processes in which money acts. In making itself present, it makes present the whole, or its particular figure, the State. On the other hand, it can and should be argued that while for Knapp money is a creation of the State, for Simmel it is a creation of society. But Knapp does not in any sense detach his State from society, just as Simmel does not detach his society from the State. Hence, while at a more superficial level the two authors present different emphases, both develop their arguments by making use of abstraction, which ends up revealing a strong convergence beneath the surface.

On this point, we can return to Keynes's statement "that the money-of-account is the description or title and the money is the thing which answers to the description" and seek to advance a bit further. If the object, the 'thing,' does not possess any value in and of itself, apart from that which the central power proclaims, it indeed depends entirely on the unit of account, since it is as a unit of account that money acquires the 'substance' that it, so to speak, does not possess by itself. But this is, precisely, a relational

‘substance’ – or functional, in Simmel’s terms: as a unit of account, money is relation. “Money has not only function, money is function” (Simmel, 1907: 89, 93, 152; GSG, VI, 125, 126, 131, 201; see Flotow & Schmidt, 2000).

Again in the words of Keynes, since it is through the unit of account that debts and prices are expressed, we can return to Simmel’s further step cited above and recall that credit (or its equivalent, debt) depends on and creates social bonds, ultimately relating to society as a whole and thus exposing the global and totalizing nexus involved in the monetary form.

Finally, it is worth observing that Simmel argues that there will always be a residual element of substantial value in money, but this is due to the “imperfections of economic technique” (Simmel, 1907: 136, 146; GSG, VI, 182, 193). The experience of high inflation in 1923, in particular, led both students and critics of Knapp to seek a complement to his state theory. In the words of one historian of economics, the 1923 experience made clear that “the value of money is not just legal but needs to be, first of all, economically founded” (Winkel, 1977: 112). Simmel would probably say that this is still not enough and it would need to be *gesamtgesellschaftlich begründet* (founded by the society as a whole) – exactly what he proposes in *Philosophie des Geldes*. But he did not invent the wheel. He had ancestors.

Antecedents & context

We can agree entirely with Stadermann’s assertion that an adequate understanding of *Philosophie des Geldes* depends on knowledge of the contemporary debates concerning money, however much Simmel may have claimed that his aim was not a study of political economy (Stadermann, 2000a: 7; Simmel, 1907: VII; GSG, VI, 11). In fact, we lack a critical edition of *Philosophie des Geldes*, indicating its sources, interlocutions, hidden references and intertexts, which would certainly enable us to situate the work better in its intellectual context and the contemporary discussion and

debate. In the absence of this resource, and the impossibility of adequately reconstituting the context and debate, I shall proceed in incomplete fashion and begin by turning to S.P. Altmann, who in the *Festschrift* for the 70th anniversary of Gustav Schmoller, published in 1908, offered a valuable overview entitled “Zur Deutschen Geldlehre des 19. Jahrhunderts.” There we encounter a passage that I would like to cite:

The romantic Adam Müller brought a new point of view to theory of money, the sociological investigation. Müller’s theory of money can be seen, initially, as a ‘state theory of money’ and, on the other hand, as a ‘philosophy of money.’ The socialization of humans finds its expression in money, the State only is the subject of the circulation, the essence of money is the function of interweaving. [...] Müller’s vision is a Nominalism, which sees in the piece of metal [...] something that is still ‘stateless, without language, inorganic.’ The metal piece only becomes currency when it possesses ‘a determined monetary denomination, by its localization, through a kind of marriage with some national law.’ The essence of money, ‘the endless mediation between person and thing,’ can only be expressed in bourgeois society; its value cannot be linked to a material substance and be grounded in it. This grounding can only be given by the bonds of men and the metal serves them precisely by virtue of its absolute dispensability. In principle, this also applies to paper, precisely because ‘in the currency we see a transsubstantialization of the monetary piece into the body of the State,’ since gold and money do not coincide. Paper money seems to Müller like national money, while metal money seems like cosmopolitan money. In an analysis of the bonds of men by virtue of personal services and money, he develops ideas concerning the natural economy, the monetary economy and the economy of credit that nobody had yet developed. His idea of degrees of exchange, commerce and credit is linked to the historical knowledge of the growing rise of pure credit, the functional aspect of money. Precisely in this knowledge of the

tendencies of development, Müller is a precursor to Simmel. (Altmann, 1908: VI-14)⁷

This passage from Altmann reveals an important meeting point between Simmel and Knapp, despite occurring around 84 years before the publication of *Philosophie des Geldes* and 89 years before the publication of *Staatliche Theorie des Geldes*, precisely in the work of Adam Müller, *Versuche einer neuen Theorie des Geldes, mit besonderer Rücksicht auf Grossbritannien*, published in 1816. In fact, this work merely reiterated and systemized arguments developed in a previous book, *Elemente der Staatskunst*, from 1809 (Müller, 1809; Müller, 1816). Müller's emphasis on the processes of interaction (*Wechselwirkung*, the same term that will be privileged by Simmel) as a social foundation of money, as creators of bonds through which money is constituted, coincides to a large extent with the developments cited by Simmel in *Philosophie des Geldes*, especially in relation to the constitution of the 'whole' (see, for example: Müller, 1816: 12-13; Simmel, 1907: 60-61, 99, 492; GSG, VI, 91-92, 137, 606). On the other hand, as Altmann emphasizes, the idea that it is the State that proclaims money, creating it, establishing it, defining a nominalist position, encounters a clear formulation in Müller. Finally, the idea of the functional value of money, in detriment to its substantial value, also connects him directly to Simmel and Knapp.

In truth, Müller's theory of money also encounters antecedents not only in his discussion of the contrast with the British case (Müller, 1816), but in the very philosophical context of his era, especially in the work of Fichte, *Der geschlossnene Handelsstaat* (1800; Book I, Chap. 6), which in 1800 assumed what would later become a Knappian position:

A closed commercial State, whose citizens do not trade directly with foreigners, can make money with whatever it wants, merely

⁷ Altmann cites Müller's book on money from 1816, as well as the writings gathered for publication in 1839. See bibliography.

by declaring that it, the State, will only be paid with this money and no other.

And further:

since money is in and of itself nothing; only through the will of the State does it represent something. (Fichte, 1800: 48, 49).

Müller benefitted significantly from these ideas of Fichte (see Baxa, 1922: 430; Spann, 1930: 154 ff, 216). The writings of Müller and Fichte demonstrate how much the developments of Simmel and Knapp drank from the economic thought in the German language of 1800, both in relation to the role of the State in the establishment of money, and in respect to the constitution of money itself and in the relation of interdependence existing between these two phenomena, which in fact are conceived as united.

For Müller, for example, “the true essence of money [...] is the endless mediation between person and thing: where people and things are linked, therefore, where there is a bourgeois society, there is money” (Müller, 1816: 177-8). Readers of *Philosophie des Geldes*, on encountering formulations like this, will perceive the proximity between the analyses. These points reveal that the two authors of 1900 established fruitful dialogues with the tradition of German economic thought, even if they did not cite them by name – neither *Philosophie des Geldes*, nor *Staatliche Theorie des Geldes* cite Fichte or Müller.

In terms of the centrality of the State, Müller’s position emphasizes, through a critique of Adam Smith and individualist conceptions in general (Müller, 1809: I, 58 ff; Müller 1816: 22, 199 ff, 124 ff, 130 ff; Müller, 1839: 111 ff), an organicist and holistic idea, understanding it as “the aggregate of human affairs, their interconnexion to form a living whole” (Müller, quoted in Spann, 1930: 159), which reveals in equal measure the centrality of the idea of *Wechselwirkung* (e.g. Müller, 1816: 12, 13, 113). The economic agent is never the isolated individual, but individuals in interaction, as members of a dynamic whole. In Müller’s terms, the State is the

interaction of the elements, and the power and force of money derive from the State and from these interactions (Müller, 1816: 34, 31, 18). For this same reason, State and society, for Müller, merge, they are the same thing: the whole, the set of interactions.

The point of interest for us here is that the positions developed by Simmel and Knapp in relation to the functional value of money and the proclamatory institution of money by the central power, State or government are already present in authors from the beginning of the nineteenth century who offered important bases for the later theoretical developments of Simmel and Knapp. On the other hand, both of them amply developed problematizations that appeared in more incipient form in Fichte and Müller.

A commentary by Baxa can provide us some guidance:

Very often Müller's theory of money was denominated 'state.' Going by his own use of the terms, identifying state and society, this would be correct. This tempts us to think of Knapp's state theory. For this reason, it would be better to employ the expression 'social' or 'sociological' theory, since Müller makes it quite clear that money can only be comprehended as a social phenomenon, it can only exist in society. (Baxa, 1922: 384-385)

And with this we return from Müller and Fichte, passing through Knapp, to Simmel. The proximity between Müller and Simmel becomes denser still when we turn to Müller's theory of oppositions, his conception of oppositions, the *Urpolarität allen Lebens* (originary polarity of all life) (Palyi, 1916: 103), his recurrent use of the 'double nature' of phenomena (e.g. Müller, 1809: I, 351, 401, passim; Müller, 1804), which are very similar to Simmelian dualism, widely developed both in *Philosophie des Geldes*, and in later writings (Simmel, 1907; Simmel, 1911).

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