GEORG SIMMEL'S PHILOSOPHY OF MONEY; AN APPLICATION TO BITCOIN

SIWITRA CHAINIYOM

I.D. No. 5819783

A Dissertation Submitted in Partial Fulfillment of the
Requirements for the Degree of
DOCTOR OF PHILOSOPHY
IN PHILOSOPHY AND RELIGION
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Dissertation Title: Georg Simmel's Philosophy of Money; An Application to Bitcoin
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ABSTRACT

"Money" is the instrument which was created in order to facilitate trade in human society. There are many researchers try to explore money from many aspects, however, this dissertation has the purpose to study money from the philosophical perspective. The researcher has the aim to investigate Georg Simmel's idea of money and show how his idea can be relevant for understanding the current situation of globalization, corporatization and digitalization. Georg Simmel developed an idea about "perfect money" which seems to match with the operation of Bitcoin in modern society. But according to Simmel, perfect money could only exist in a perfect society. This means that even if Bitcoin can be understood as a purely abstract and purely functional perfect money, human society is still imperfect. Bitcoin is often used in illegal business transactions. And it is not universally available to the "unbanked" and the larger percentage of the world populace. The researcher would like to show that the idea of perfect money in relation to Bitcoin allows us to reflect on the problems of contemporary society and the appropriate use of technology in this age when we are more dependent upon digital currencies and information technology.

CHAPTER ONE

Introduction

"In other times and places people have desired salvation, beauty, power, … adventure, conquest, comfort. Today, money – not necessarily even the things money can buy, but money – is what everyone wants (and) therefore if one wishes to understand life one must understand money in this present phase of history and civilization" (Needleman, 1991, p. 25)

1.1 Background and Significance of Research

Humans are the only creature in the world that use money. It is a man-made instrument which become one of the most important tools for human to interact with each other. Money is become a necessity in society. According to the definition of Jacobs and Slaus, "Money is a remarkable human invention, a mental symbol, a social organization and a means for the application and transfer of social power for accomplishment" (Jacobs & Slaus, 2012, p. 68). Yet although functions everywhere in our everyday life, its deeper essence and function seems to be a mystery. Therefore, it is necessary for human to understand and study about money, in order to see how it effect to human, especially in an aspect of the future of human in global world.

Money, at first, was created as a medium of exchange with the purpose to solve obstacles related to barter. "Human started using metal objects as money around 5000 B.C." (Vanderkam, 2012, p.232). By 700 B.C., in the western, the Lydians in present day Turkey, is the first place which considered to make coins. However, "some of the earliest known paper money dates back to China, where the issue of paper money becomes common from about AD 960 onwards" (Vitan, 2015, Para. 5). The advantages of metal material were many such as it always ready to use and it could be recycled. Furthermore, coins gave an easy point of comparison for the exchange value of items because it gave a certain value.

Kiger writes that “civilization existed before money, but probably wouldn’t have gotten very far without it” (Kiger, 2017, Para. 4). The evolution of money became one of the important factors which help human civilization develop. It allows for the trade of goods and services, together with the increasing of specialized business such as craftsmen, artists, merchants, and soldiers. The evolution of money has continued to develop in form and function, from material money as stones, shells and paper money to checks. Until now, it is gradually replaced the material form to electronic money such as credit card transaction to digital currency.

The form of money has changed since the beginning of barter to the modern complicated economic systems. This change is reflected in many aspects of human society such as in politics and government, in economic life and power, in science and technology, in religious and other cultural beliefs, in family and neighborhood life, and in other aspects of people. Apparently, money has an important effect on people, therefore, not just only economics needs to be considered but also the influence on the social and ethical. It is like other phenomenon, money could not understand from a single science since “the very standpoint of a single science never exhausts the totality of reality” (Firsby, 1984, p. 84)

According to the economic perspective, “money is something used to effect exchange. Money is whatever people use to pay for goods and services, to measure the worth of things, and to store value for future use.” (C.C Ampbell, R. Campbell, Dolan, 1988, p.6). Economics explain money according to its function and investigate money in terms of quantitative analysis. Many economists examine money with a practical application and use mathematical models. However, this functional quantitative strength of economics, is also a weakness, because it reduces human knowledge to the circulation of capital. As abovementioned, money has been involved in many of human activities, hence the analysis of money according to the market situation is not enough. The philosophical approach is needed, “methods of intellectual inquiry which will help to embrace the whole picture of money as a social phenomenon” (Sheptun, 1998, Para. 3). A quantitative study should be synthesized with qualitative analysis, it is necessary to comprehend money by using philosophical methods.

To study philosophy with money appeared counterintuitive, in fact, it was noted since in ancient Greece of the appearance of currency in the Greek cities at the time of establishing the democracy. They claimed that “monetization represented an important element in the transition from a highly centralized, theocratic society to the classical polis, in which citizens exchanged arguments in the agora over the best course of political action” (Rosemann, 2018, p. 58). As politics presented an opinion of people in the public area, therefore currency also offered the idea of wealth with the providing the concept of an objective measurement of economic values. Thus, money represent to a society in which law, truth, and value are subject to public examination then it becomes possible to imagine philosophy as being intrinsically concerned with money.

However, the form of money has been developing for thousand years both in concept and material form, the most significant transition is the invention of credit money and digital money. The development of money enables people in society purchase everything in seconds and from almost anywhere. This new system made people get familiar in buying without money but with the illusion number of real money. Kurzman (1994) wrote the book “The Death of Money” discussed the incident of the computerization. He mentioned that new form of money is destroying the global economic system, except there are new technique to eliminate the potential for fraud.

Therefore, in consequence, the human nature or social structures are changed from this new mechanisms. “Economic reform now calls for radically new thinking on both a technical and ethical level” (Parkinson, 2005, Para. 5).

According to the philosophical perspective, the study of money can remind people how and why money developed together with human society, to facilitate exchange. However, as time passed, people forget this saw money as something else. This research has the purpose to study and understand money in term of the philosophical perspective, however, some of the economic ideas are brought to use. It could not be denied that in order to study money, economical approach is still necessary. Moreover, the researcher would like to investigate the fundamental nature of money rather than the more visible or obvious ways that money manifests itself in the world. The research also focus in studying how money effects the modern world by analyzing the concept of money from the philosopher named Georg Simmel.

Georg Simmel was the German Philosopher who wrote the book on money, The Philosophy of Money, in 1904, which is more than a hundred years ago. His book was first published in 1900, but it is still relevant today. “The Philosophy of Money” is an outstanding work, it has the interpretation and the internal criticism of a mature money economy and modern society. The attitude of Simmel toward money still provides important reflections effect on how money works in earlier societies as well as understanding its functions in contemporary society.

His work was published 30 years before the World War I, many researched refer his concept in the present context because Simmel explored with the technique in which explained modern society related to the development of money economy. Moreover, he also had a deep understanding in other aspect such as psychology, and aesthetics. How his interest in the minutiae of daily life and his aesthetic perspective are related can be can be seen in the following observation.

In conclusion, the purpose of this research is to examine the concept of money from the perspective of philosophy. The researcher would like to express that not only economics can study money but philosophy can also. Moreover, the researcher would like to investigate the philosophy of money and value to cast light on the situation of digital currencies and show that Simmel's point of view supplies insights into the contemporary connections of economics and society.

1.2 Thesis Statement

The research wishes to investigate Georg Simmel's idea of the value of money and show how it is relevant for understanding the current situation of globalization, corporatization and digitalization. Simmel's theory of value and his idea of "perfect money" in relationship to society allows us to the functioning of perfect money which we can now see in cyber-currencies functions only in relationship to the perfections in society. The future of digital currencies cannot be separated from the proper functioning of society. The researcher would like to argue that Simmel's explanation on the value of money is important for understanding of the value of money in the context of digitalization of money in a corporatized and globalized context.

1.3 Research Questions

The fundamental questions that will be explored in this research work are as follows:

1.3.1 How Georg Simmel analyzed “the concept of money” according to the philosophical aspect?

1.3.2 What constitutes the explanation of the value of money from Georg Simmel’s philosophy? What is "perfect money."

1.3.3 In what ways are Simmel’s concept of money applicative to the current situation especially in cryptocurrency, Bitcoin?

1.4 Research Objectives

The overall aim of this study is to explore and elucidate the concept of money in term of philosophy. The specific objectives are to:

1.4.1 To provide a detailed and analysed exposition of Georg Simmel’s the concept of money. The exposition includes the explanation of the terms and definitions, the historical background of the issue, and the current debate on the issue.

1.4.2 To provide the critical descriptive exposition of Georg Simmel’s concept of value and money.

1.4.3 To provide an application of Georg Simmel’s analysis on the concept of the value and money to the current situation in which money circulates in digital form in a corporatized and globalized world.

1.5 Preceding Relevant Research

The preceding works relevant to this research are:

In “The Mind on the Market: Capitalism in Modern European Thought”, Jerry Z. Muller (2002) wrote on “The Philosophy of Money”, in relationship to capitalism and social life. He used many thinkers, including Simmel, to explain how human production in capitalist society and concluded that the capitalism creates a new cultural and social systems, for Simmel, which offers opportunities for the development of individuality.

In the Journal *The Monist*, Edward Atkinson (1896) wrote an article named “The Philosophy of Money” by discussing the monetary theories that develop the concept of money. He discussed "Good money" and "Bad money" he distinguished according to absolute standards of value. Value of money depends on the subjective, however, “it is necessary that there should be a unit of value possessing the greatest stability and uniformity that is possible under the varying of the world” (Atkinson, 1896, p. 350).

In the dissertation, “Making Real Money: Local Currency and Social Economics in the United States”, Alan Thomas Schussman (2007) studied about the local currency in United States. He concluded that money is not necessarily as real as people tend to think, it is more related to the systems and institutions of the society in which people live.

The article, “The Synthetic Unity of Valuation: Saussure, Marx, Simmel, and Kant on Money and Valuation” wrote by Michael J. Zyphur, Gazi Islam, and Michael S. Franklin (2018) had been researched the psychology of money and valuation by using the philosophers, Saussure, Marx, and Simmel in developing the understanding of money as a signifier of value, with both money and value conforming to semiotic rules of significance. The study concluded that value is one of the functions that order in commodities for a particular individual by requiring an interrelation between commodified objects in order to understand any single commodity.

In the research, “The Social Life of Bitcoin”, Nigel Dodd (2017) studied Bitcoin as “trust-free” money. He explained Bitcoin as a social phenomenon and as an organizational structure. The study explains Bitcoin in the terms of an ideology, it is not to be considered “money” in practical terms. Dodd (2017) explained clearly that “The new currency is premised on the idea of money as a “thing” that must be abstracted from social life in order for to be protected from manipulation by bank intermediaries and political authorities” (Dodd, 2017, p. 1).

For the *Journal of Siberian Federal University*, Yuriy Savelyev (2013) wrote an article named “Multidimensional Modernity: Essential Features of Modern Society in Sociological Discourse” in order to analyse the discourse of modern society. He considered the essential features of modernity. He classified a structure of modern society as comprising the essential features of civilization and the variability and uniqueness of cultural programs.

In the article, “More on the Ethics of Bitcoin” wrote by Seamus Vaughan Lucey (2016) explained the ethics of Bitcoin in modern society. He clarified that Bitcoin was invented with the positive intention to give an alternative system for people in society. However, it also can be used for unethical purposes beyond the reach of fiat money. To use Bitcoin, government or the institution necessary to engage and organize in using this technology. If there is an effective policy, Bitcoin can be improve their users and expand to use in our lives.

1.6 Definition of the Terms Used

Money: It has a difficult concept to define money in exact terms, according to Prof. Walker (2010), money is anything which is recognized as a medium of exchange for transactional purposes in economy. It can be the market-determined which formally issued legal, therefore, money may be defined as "anything which is generally acceptable by the people in exchange of goods and services or in payment of debts" (Yang, 2007, p. 102). According to the economic literature, economists consider money as an instrument which serves into three functions; a medium of exchange, a unit of account, and a store of value.

Perfect money: For money to be a perfect tool, it cannot be limited by an inherent valuable. It has to be completely neutral. Perfection would be the property of a stable money. Money is the purest tool to facilitate exchange in human society, it has developed through history from material form until it reaches a formless merely functional state. It would be "Money is detached from every substantial value" (Simmel, 1900, p.163).

Modern society: It applies to the characteristic of the present time which contrasted to a former age or an age long past. However, Simmel (1978) describes the characteristics of modern society that it is the transference of the social structuring especially in consumption, which money is an important factor and exemplary symbol in modern time. "whereas pre-modern society were local, long-lasting and direct, relations in the modern world become distanced and impersonal" (Holt, 1994, p. 66).

The invisible hand: "It is a metaphor for the unseen forces that move the free market economy which was used by Adam Smith" (Majaski, 2019, para. 1). Smith described "the invisible hand" as the unseen forces that organize the free market. Everyone in society, Smith mentioned, have their self-interests and freedoms in consuming products to fulfil their need, however, they are all need to base it on sympathy. "The invisible hand is part of laissez-faire, meaning "let do/let go," approach to the market. In other words, the approach holds that the market will find its equilibrium without government or other interventions forcing it into unnatural patterns" (Wells, 2014, p.92).

Unbanked: It is a person who does not have the bank accounts in any capacity. Unbanked is used to describe an adult who does not has the capacity to access to the financial services and products which are offered by retail banks. The Unbanked use cash to purchase things, they generally does not have insurance, pensions, or any other type of professional money-related services.

Cryptocurrency: It is a digital or virtual currency which was designed to work as a medium of exchange. The form of cryptocurrency only exists in digital that stored in "a computerized database using strong cryptography to secure transaction record entries, to control the creation of additional digital coin records, and to verify the transfer of coin ownership" (Telangena News, 2020). The Financial Action Task Force (FATE[1]) gave the explanation of cryptocurrency in the FATE Conference, Paris, that, "it is a digital representations of value that can be digitally traded and functions as (1) a medium of exchange; and/or (2) a unit of account; and/or (3) a store of value, but does not have legal tender status in any jurisdiction" (FATE, 2014). FATE mentioned that cryptocurrency performs its functions based upon agreement within the

[1]FATE (The Financial Action Task Force) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destructions.

community. However, virtual currency is different from e-money because e-money represents itself as a digital transfer instrument for fiat currency, but, “digital currency can mean a digital representation of either virtual currency (non-fiat) or e-money (fiat) and thus is often used interchangeably with the term virtual currency” (FATE, 2014, p. 4).

Bitcoin: It is one of the famous cryptocurrencies which was recognized as “White Paper”. Satsohi Nakamoto, the inventor of Bitcoin, disclosed on the website that “we the author himself defines Bitcoin as an electronic money system operating within the Peer-to-Peer system” (Nakamoto, 2015, Para. 7). Nowakowski (2019) suggested that Bitcoin “refers not only to a unit a money, but also to software and the P2P network” (Nowakowski, 2015, Para. 7), it then became a new form of money which had an autonomous payment system by removing trust and middlemen in financial transactions.

Blockchain technology: It is the technology which allow the series of digital information records its data which is used to proof and secure the transference of the unit of cryptocurrency. It works as the way to pass the information from one party to another. The transaction in blockchain will create a block and later will be verified by millions of computers which communicate around the network. Therefore, the network of a block is added to a chain which is kept and created a unique record. This technology was created to support the user of Bitcoin in order to decentralize in storage the information of digital currency data.

Peer-to-peer (P2P): It is the network in a computer system which are connected to other computer system by the Internet. The information will be shared directly via system on the network without the help from the central server. The computers, according to P2P network, work as their own server as well as client. In order to connect to a peer-to-peer network, the computer necessary to connect to the internet together with the P2P software. This software help people to search for the information or files on other computers but only the information that is designed to share. This technology makes it easy to share their files, but it also creates problems of software privacy and illegal downloading.

1.7 Scope of the Research

From the aforementioned, this dissertation has the purpose to study deeply on the concept of money and its value by using the perspective of Georg Simmel, the German Philosopher. The researcher also endeavoured to emphasize how money involved itself in human society and try to prove how Simmel's philosophy of money can apply through the current situation in modern society. However, the dissertation has limited itself as follow:

1.7.1 The research is mainly focused on Georg Simmel's the concept of value and money. The rest of the works cited are for the purpose of in depth critical study.

1.7.2 The research perspective is mainly philosophical.

1.7.3 Georg Simmel's work, The Philosophy of Money (1900), is considered as the main source for this dissertation.

1.7.4 The last chapter is the application of Georg Simmel on the concept of perfect money to the current situation in which money circulates in digital form, Bitcoin.

1.8 Research Methodology

The research methodology used involves the collection of data concerning texts about the concept of money with the concept of value. This research study requires both primary and secondary sources. The sources will be the books and articles in journals and newspapers which are available in the libraries of many universities in Thailand, for instances, Libraries of Assumption University, Chulalongkorn University, Thammasat University, Ramkhamhaeng University and others. The researcher has taken advantages of the online information from the internet as well.

1.9 Expected Results

The dissertation, The Value and Money, the researcher expected to discover the deeply explanation in the concept of money together with the value of money from Georg Simmel's point of view. Furthermore, the researcher would like to apply Simmel's concept to the current situation of digital currencies and cyber-currencies. The researcher would like to prove that Simmel is not only a philosopher of the past but his reflections on the philosophy of money and value are important in our current situation.

CHAPTER TWO

The Philosophical Foundation of Money

> "Since money is nothing but the indifferent means for concrete and infinitely varied purposes, its quantity is the only important determination as far as we are concerned. With reference to money, we do not ask what and how, but how much" (Simmel, 1990, p. 259).

1. Introduction

Money is a man-made instrument which is accepted in society for exchanging commodities and services. It has functioned in human history for a long time, however, it functions not only as a tool for exchange, becomes a reified object which infiltrates into human activity. Many researchers who explored money, focused on its practical and pragmatic aspects. However, there are also deeper questions concerning money that can be studied philosophically beyond economics.

Basically, money had a purpose to facilitate trade, it is "an exchange of products or services which has been gradually evolved by almost every race of men, beginning with barter but soon developing the necessity for and the use of money" (Atkinson, 1896, p. 340). The evolution of a monetary unit started with gold coins and objects which had an inherent value which could be sold or exchanged for something else of value. However, any substance which was admitted to be used as money, was sanctioned by the power of the government. Money was established through legal agreement which was formally accepted within the community in which they operated. Each community determined a set of objects which can serve as money together with the contexts in which they are to function.

In the late 19th Century, the increasing of banknotes and credit money had been started to replace bullion and coin, this was the beginning of the question of money and its value which had become more interesting, because it was obvious that money became valueless. “Money as a unit of account is a measuring standard for ascribing economic value prices to things, but does not incorporate such value itself” (Huber, 2017, p. 1). Until now, the value of money was reduced, it is the valuable that exist in money which available in exchanging goods and services.

Before presenting some important philosophers who discussed money in their theories, it is better to establish what has been understood by the term money first. Undeniably, the discussion of money always describes money in terms of the economy. According to the economic literature, the phrase “*money is whatever functions as money*” (Burton, 2009, p. 24-26) is the most commonly used terms in describing money. Generally, economists always consider money as an instrument which serves into three functions; a medium of exchange, a unit of account, and a store of value.

First, money as a medium of exchange; this function is the most important because money was invented with the purpose to dissolve the inefficiencies and inconveniences of barter directly. Therefore, it has the main duty to be a medium in exchanging process. “Money is technically correct to say that the modern economic world would not exist if it were not for money” (Worley, 2013, p. 82). **Second, money as a store-of-value**; money has a function of a store of value because it is a medium of exchange. It enables people to preserve value in order to be used in the future. **Third, money as a unit-of-account**; this function is more substantial role, but has been present in some degree from the earliest monetary forms. However, the particular unit is determined by governments.

Mostly, “the discussion of money must also include some sense of money’s role in modern capitalism, along with capitalism’s role in historically changing the nature of money” (Worley, 2013, p. 85). Money was considered as a primary factor in proceeding the world form through the industrial revolution, and also into the contemporary period. At first, money was used in the merchant class and then it began to evolve into various forms through the increasing of modern banking. Money was easily deployed throughout the world through bills of exchange and other banking instruments, industrial production and exchanged developed, and the division of labour took hold.

In summary, functioned in human society for a long time, but in the last three to four centuries, it has rapidly taken on a central and foundational role in society. Today, money became the lifeblood of production, consumption, and investment. There were many philosophers who studied the concept of money. Therefore, the researcher would like to introduce some of the important studies of money for the basic understanding of money.

From the pre-Socratics to postmoderns philosophy, it could be said that every philosopher in a monetary society contributes to a philosophy of money explicitly or not, because the interaction between economics and philosophy influences philosophical writings on any topic. The connection between philosophy and money is taken as a sign of a deeper universal knowledge.

Normally, the philosophers of money are who try to “change the monetary world”, and are focused with a monetary program of action. Their philosophy constitutes and a monetary art. It is exactly in the use of philosophical concepts in the development and justification of monetary forms that the work of the philosopher of money is done. For there can be philosophers who have commented more or less extensively on money but have not had their philosophies deeply impacted by monetary crises and revolutions.

Although not many philosophers are interested to study money and its value directly, but there are still some who treat this topic in detail. The study of the concept of money is help the reader to understand money in term of philosophical concept. Therefore, the researcher has collected the outstanding concept of the study of money from important philosopher below.

2. The Philosophical Foundation on Money

"The starting point for Western thinking about money lies with Aristotle in particular in his *Nicomachean Ethics*, Book V Justice, Chapter 5 which deals with reciprocity in relation to justice" (Eldred M., 2011, Para. 3). Aristotle discussed the concept of money through his theory of exchange. Money, according to Aristotle, is necessary to create a "proportionate equality of goods" (Aristotle, Nicomachean Ethics, 1133a15-20) which facilitate just exchange. Thus, money is an intermediate for measuring all things that exchangeable, it does not exist from nature but by law or custom.

Furthermore, he also stated that money exists as a solution in providing a quantitative measurement which mediates men in the process of exchange and also keeps the association in society. In mediating the exchange money manifests itself as "an embodiment of universal use, for it can be used to purchase anything useful, but in being exchanged for money, the concrete, particular use of a specific thing is abstracted form or bracketed off" (Eldred M. , 2008, p. 108). As Aristotle wrote that:

> "So money makes things commensurable as a measure does, and equates them; for without exchange there would be no association between people, without equality no exchange, and without commensurability no equality. It is impossible that things differing to such a degree should become truly enough. So there must be some one standard, and it must be on an agreed basis – which is why money is called nomisma. Money makes all things commensurable, since everything is measured by money" (Aristotle, Nicomachean Ethics, 1133b22-23).

Aristotle claimed that money serves household management. It is necessary and honorable. However, the unnatural part of money is usury which derives from money itself "for money was intended to be used in exchange, but not increase at interest (. . . .) Wherefore of all modes of getting wealth this (usury) is the most unnatural" (Aristotle, Politics, 1258b).

Follow the idea of Aristotle, Thomas Aquinas mentioned that money has a function in harmonizing social order. He, especially, conceded on the idea of the Ethics to make "the point that money exists for the purpose of commutative justice; specifically, money make equal exchange possible and so contributes to a just society" (Saye, 2010, p. 85). Money, for Aquinas, exists for the purpose of justice and to support just exchange as he put it:

> "Nor again would there be equality of passion in voluntary commutations, were one always to exchange one's chattel for another man's, because it might happen that the other man's chattel is much greater than our own: so that it becomes necessary to equalize passion and action in commutations according to a certain proportionate commensuration, for which purpose money was invented" (Aquinas, Summa, II-II, Q.61, A.4).

Furthermore, he explained that money was invented with the purpose to generate commensurability between two trading parties. "The creation of money, for Aquinas, was not simply pragmatic, allowing trade to happen across distances of time and space, but was specifically ordered to the task of making such trades just by creating a single unit of measure" (Saye, 2010, p. 85). He acknowledged money as an instrument in creating a just price, which in turn assures that “buying and selling (serve) the common advantage of both parties” (Aquinas, Summa, II-II, Q.77, A.1). He wrote:

> “Now whatever is established for the common advantage, should not be more of a burden to one party than to another, and consequently all contracts between them should observe equality of thing and thing. Again, the quality of a thing that comes into human use is measured by the price give for it, for which purpose money was invented, as state in Ethic. V.5. Therefore if either the price exceed the quantity of the thing’s worth, or, conversely, the thing exceed the price, there is no longer the equality of justice: and consequently, to sell a thing for more than its worth, or to buy it for less than its worth, is in itself unjust and unlawful” (Aquinas, Summa, II-II, Q.77,A.1).

In short, both of Aristotle and Aquinas considered money as an instrument for functioning in human economy, however they both restricted to the instrumental role of money only. The danger of money is not how people accumulate it but it is the failure to see money for what it is. They agreed on the point that, money is an instrument which has the function of exchange in society. It does not have value in itself, but it exists for exchanging the valuable goods and services. From this point, both of them illustrated that people often are confused about what actually money is and how it properly serves human society.

Afterward, the concept of money was found in the theory of property of John Locke. He mentioned it in his famous work, *The Second Treatise of Government*. According to Locke, everything in the world is given by God, as he wrote “God has given us all things richly . . . But how far has he given it us? To enjoy. As much as anyone can make use of to any advantage of life before it spoils” (Locke, 1967, p. 308). This means, for Locke, God gives the natural world to mankind, therefore nature should be considered to use for people survival and benefit. Mankind has a right to appropriate the natural world as long as he does not spoil it.

Locke clearly explained that mankind can appropriate objects only if they add their labour in order to claim it, thus people need to use their labour to create private property. However though labour creates property, but it still sets limits to accumulation and capacity to produce and consume. According to Locke, unused property is waste, therefore man is allowed to exchange his excessive goods.

Money, consequently, come involve within this exchange process. For Locke, money is necessary for accumulating property and avoiding any waste or spoilage. He wrote: "and thus came in the use of money, some lasting thing that men might keep without spoiling, and that by mutual consent men would take in exchange for the truly useful, but perishable supports of life" (Locke, 1967). Money eliminates the limits of accumulation and works as a store of value that makes possible "the vast inequalities in private property that Locke assumes to be a major source of inconvenience in the state of nature" (Ridy, 2013, p. 72).

At first, the explanation of money was focused on a medium of exchange. The philosophers considered it as a tool to facilitate exchange and keep the interaction in society. However, the early modern period, George Berkeley started to explain money from the different point of view, he utilized the idea of Aristotle. Money, for Berkely, has a function to help people in society participate to further production. He asserted that that "money was not merely a passive medium of exchange, but an active stimulus to trade" (Gallen & Sophister, 2007, p. 46). In *The Querist*, Berkeley explained that money is not truly signifies some idea, but it also provoked people in the monetary industry to work and invest productively. Therefore, the concept of money involved will, action and power, it is not valuable for its own sake, but as a stimulus to consumption.

His analysis that money was comparable as a ticket to control over the services or commodities in the proportion of money and the prices. According to Berkeley, coin and paper money are regarded as tokens of power over goods and services which are represented by money, thus the actual material of which the ticket was constituted was not of particular consequence. For many purposes, credit is more convenient in the shape of paper which was "more easily transferred, preserved and reserved when lost," (Berkeley, 1970, p. 226). Paper money, for Berkeley, was the development stage in exchange economics. Money was created by the state which transformed the needs and wants of individuals into the proportionate of their labour.

Money, in the early modern period, was now become a factor in the economic system. David Hume presented his concept of economic work by reshaping from John Locke's theory of money and was also influenced the concept of money of Adam Smith, the Scottish enlightenment philosopher. "Hume has traditionally been seen as a father to monetarist theory and has indeed been a great influence on many monetarist theorists such as Milton Friedman" (Spray, 2010, p. 12).

Hume related his concept of money on the relation between supply and demand. In "Of Money", his well-known essay, Hume analyzed money as a tool with the purpose to assist the exchange process in a nation, it was neutral which provides the agreement in the exchange of commodities. According to Hume, money in exchange process works as oil which helps the wheel's movements in the engine. It is not create a new value but it improves the function of their wheels. As in the first paragraph he stated that:

> "Money is not, properly speaking, one of the subjects of commerce; but only the instrument which men have agreed upon to facilitate the exchange of one commodity for another. It is none of the wheels of trade: It is the oil which renders the mention of the wheels more smooth and easy. If we consider any one kingdom by itself, it is evident, that the greater or less plenty of money is of no consequence;

> since the prices of commodities are always proportioned to the plenty of money" (Hume, 1752, p. 290).

There were two forms of money in Hume's time, precious metals and paper money. He mentioned on this point that "the forms, shapes, and denominations that money may take do not seem to matter, as long as they are agreed upon" (Paganelli, 2009, p. 65). Hume explained more that goal and silver had a full status of money, they had an ability to negotiate with foreign states as they are basically universally agreed upon. On the other hand, paper-money was a counterfeit money because it was accepted only for some nation, it was not accepted for international transactions, foreigners will not accept in any payment.

In sum, since Aristotle, it is obvious that what philosophers explained about money had been developed. Before Berkeley, philosophers usually considered money according to the concept of exchange. Money was created to help trader succeed in their transaction process. It made product measurement and people was easily exchange things by using it. However, Berkeley was the one who started to explore money from the modern economic point of view. It became one of the important factors in economic system, not just only the instrument in exchange process but it helped the whole system move. However, these philosophers as yet were not interested to question the inherent value of money because credit money is not widespread yet.

In the modern time, Adam Smith, the Scottish philosopher, who was well known as political economist, he developed the theory of the free market which he claimed it as the most adventageous and useful to human society. However, his book, *An Inquiry into the Nature and Causes of the Wealth of Nations* (known as The Wealth of Nations) was recognized as the first work of economics. He presented his economic idea according to the Industrial Revolution, therefore Smith was considered as the father of the modern economics, his concept was influenced to many thinkers in the economic field.

Smith described his concept of money from the explanation of labour. In his book, *The Wealth of Nations*, he revealed the nature and cause of a nation's prosperity, he explained that the nation's productivity was increased from the increaseing of division of labour. The workers are more productive if they are focused only their specific task rather than tried to do all duties in produceing one product. Therefore, in order to increase productivity in the production of product, nation need to increase the division of the labour in the production. By increasing productivity, "the division of labour also increases the opulence of a particular society, increasing the standard of living even of the most poor" (Wasmany, 2016, p. 3).

As in "Of the Origin and Use of Money" In Chapter IV, He wrote:

> "It is but a very small part of a man's wants which the produce of his own labour can supply. He supplies the far greater part of them by exchanging that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for. Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society" (Smith, 1776).

Smith emphasized when man produces only a part of his need, then through exchange he can attain all that he want. "Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society" (Smith, 1776, p. 37). Furthermore, Smith analyzed a problem of the barter system and explained that when man has a commodity more than he can use, he would want to dispose of excess. Then, the other would be glad to buy it. "But if this latter chance to have that the former stands in need of, no exchange can be made between them" (Smith, 1776, p. 37). Consequencly, money is needed for exchange and means of storing wealth. Smith illustrated that money “must be something doesn’t spoil, example an ounce of gold, today, will still be an ounce of gold next year and next century” (Wasmany, 2016, pp.5). Therefore, real money necessary to be something that does not easily perish.

Moreover, Smith mentioned that money stimulates a nation’s market. He said that money need to be accepted as standardized and universally, if not people would search for partners that had to offer exactly what they needed. Money, for Smith, makes man more industrious because it does not perish or depreciate in value, then man would work to keep it for trading. In summarize, money is necessary in society because it makes people hard work, over-production profits and a prosperous society. Therefore, without money, society would suffer economic degradion, diminished profits and declining prosperity.

Beised that Hegel who utilized the idea of Adam Smith, analyzed economic life by explaining that products of labour require the division of labour. “Activities become increasingly differentiated, labour is no longer intended to satisfy the individual needs of the producer but takes on a general character in order to satisfy the needs of others” (Caboret, 1999, p. 68). Therefore, labour has the aim to produce goods for exchanging which it acquires something universal character in the process. Furethermore, this exchange emerged the process of consumption, when a producer produces anything he does not consume, then he has to consume the product which is produced by other. Accordingly, “Hegel describes exchange as the act that makes possible the circulation of the surpluses” (Gerard, 1982, p. 220) produced by the various producers and the satisfaction of their respective needs.

For Hegel, the exchange of this surplus proposed to monetary exchange. It was an activity that makes trade possible. Therefore, monetary exchange and trade are the component principles of an economic sphere:

> "The surplus set into indifference, as something universal and the possibility of [satisfying] all needs, is money…Just as money is the universal, and the abstraction of these needs, and mediates them all, so trade is this mediation posited as activity, where surplus is exchanged for surplus" (Hegel, 1979, p. 125).

Hegel clarified the function of merchants developed with the monetary exchange. It is a movement to the universal. Merchants mediate between supply and demand, supply of products and demand of consumer's need. Therefore, merchant work as the representative of the universality money and function as the agent of monetary exchange. They allow the social unification of the market economy:

> "The universality of labour or the indifference of all labour is money. So too the active universal exchange, the activity which adjusts particular need to particular surplus is the commercial class. What is produces is to take over the surplus available in particular activities and thereby make it into a universal and what it exchanges is likewise money or the universal" (Hegel, 1979, p. 154).

Money, for Hegel, represent the general wealth, it shown the relation between the desire for money and money itself. "Money is desired for itself and no longer expresses that unity of the need that individuals have of each other, then it introduces that affliction of unlimited accumulation into the economy" (Tortajada, 1999, p. 67). Through the chaning desire of money, the monetary exchange is the agent, merchants turn money's characteristics into abstractions.

> "Thus the mentality of the commercial estate is this understanding of the unity of the esence and the thing itself – a person is real to the extent that he has money;… the esence of the thing is the thing itself – value is hard cash… this money… is the

> abstraction of all particularities, or all individual characteristics etc., of all recognition of singularity; the mentality (of the merchant) is this hardness of mind, in which the particular, not completely eliminated, no longer has any value – strict right – the bill of exchange has to be honoured, irrespective of what is sacrificed, family, well-being, life, etc.- totel absence of pity- the very existence of manufactured goods is based on the misery of a class" (Hegel, 1984, p. 273).

Obviously, the philosophers completely developed their concept of money under economic system. John Stuart Mill, also mentioned about money in his political economics. In his book, *Principles of Political Economy*, he explained the political economic based on society, production, together with the distribution of goods, exchange, the effect of social progress on production and distribution, and the role of government in economic affairs.

His concept of money is clear and simple, for Mill, money is a commodity in the market which determined its value and other commodities in the market. "It is not fixable but depend on supply and demand, permanently and on the average by cost of production" (Mill, 1871, p. 488). Mill described that commodity was determined value from supply and demand, in short time, but in long run, the value resulted from the cost of production. Obviously, he supported the theory of money supply. "The supply theory or money given by Mill was the first theory to identify the public's demand to hold gold in non-monetary forms" (Durani & Qureshi, 2016, p. 74).

The economic system, Mill explained that "there can never be an insufficiency of aggregate demand in a barter economy, for a decision to supply commodities presupposes a demand for commodities" (W, 2018, p. 1), which a barter system, people produce and exchange what they want for other goods. Money is a commodity with the function of a medium of exchange, however, "money, with the function of a store of value, then a seller may not immediately return to the market to buy, and although sufficient aggregate purchasing power is generated to give full employment" (W, 2018, p. 1). Mill predicted that when credit money exists, the oversupply of commodities may exist.

Mill was the first philosopher who mentioned the value of money. Mostly, cost of the commodity was depend on labour and material of the commodity. However, "in that case the cost of money would be the cost of labour and material expended in producing goods that are exchanged against it" (Mill, 1871, p. 499). Mill though that gold as money was more useful because it was hoarder as a store of value "as a store of value; therefore the stock of gold could be affected either by melting or exporting it" (Durani & Qureshi, 2016, p. 75). In short term, the value of money will be increased but gold and other material were melted down and turn them to the monetary stocks of gold.

Mill also explained money from the point of view of utilitarianism and virtue. He justified that a relationship to pleasure and virtue is the relationship between pleasure and money. "Money is an example of an end which is not in itself valuable to bringing about pleasure, it is valuable only for the relationships it has to other items which are part of pleasure" (Jones, 2018, p.6). Money does not has an inherent value. Mill claimed that people have ability to make things which satisfy their basic need become themselves desirable. Mill believed that people do not value money solely as a means to other ends, that the desire for money is so strong that it becomes an end unto itself, as virtue can. Those things which are desired originally as a means to happiness can be desired so strongly that they become an ingredient in happiness, in its complex and various parts.

One of the most significance philosopher who deeply explained money in his theory is Karl Marx. He explained his theory of money by labour value. "In Capital, Vol. I, starts with the analysis of the commodity as the comodity as the elementary form of wealth in Bourgeois society" (Marx, Capital, Volum I, 1867a, p. 43-75). According to the labour value theory, the value of a commodity is the labour invested in it. For Marx, workers in capitalism do not receive their payment for the commodities they produce, however they receive their wage only as socially necessary labour. Therefore "value is the embodiment of socially necessary labour, commodities exchange with each other in proportion to the labour quanta they contain" (Mandel, 2016, p. 393).

According to Marx, money must be a commodity which contains a labour value, additionally with a function as a universal medium of exchange. He breifly explained the defenition of money as follows:

> "Money…the universal commodity – must itself exist as a particular commodity alongside the others…." (Marx, 1939, p. 165).
>
> "The universal equivalent form becomes identified with the bodily form of a particular commodity, and thus crystallised into the money-form… commodities find their own value already completely represented, without any initiative on their part, in another commodity existing in company with them" (Marx, 1867a, p. 42).

Marx explained in his theory that money is a commodity which is produced with a necessary labour value in society which is similar to other commodities. It is a commodity with labour value and including the function of exchange. All exchanged commodities are based on this foundation. For Marx, "as commodity exchange becomes developed and people produce things specifically for exchange, socially necessary labour time comes to determine exchange value" (Marx, 1990, p 183-184). Therefore, Marx illustrated that the real value of money occures from human labour and not the process of exchange.

In the capitalist economy, to be exchangeable, commodity needs to compare their relative value, therefore if there are many commodity exchanges, there will have the different standards of exchange value. Then, in society, it is necessary to have one commodity which has a function of the measurement of all the rest, that is money. The gradual dominance of the money as a commodity in the capitalist economy makes 'exchange value' the measure rather than the utility or use value of individual items. Marx described that money develop into the necessary commodity of the commerce. As Marx put in his book, the Capital:

> "The historical progress and extension of exchange develops the contrast, latent in commodities, between use value and value. The necessity of a giving external expression to this contrast for the purposes of commercial intercourse, urges on the establishment of an independent form of value, and finds no rest until it is once and for all satisfied by the differentiation of commodities into commodities and money. At the same rate, then, as the conversion of products into commodities is being accomplished, so also is the conversion of one special commodity into money" (Marx, 1967, p 86 – 87).

In modern monetary economics, money serves all the functions which economists require as a medium of exchange, a store of value, and a unit of account. This is proof by the explanation from Carl Menger, an Austrian philosopher and economist, he described in his classic essay, "On the Origins of Money," which he presented the foundation of modern monetary economics. He based his theory on "the concept of subjectivism, by treating money's evolution as the unintended consequence of individuals pursuing their own self-interest" (O'Driscoll, 1986, p. 601-616). Menger started with the problem of barter, by explained that individual willing to accept goods in exchanging goods which he produces. "The individuals might also be willing to accept some other goods if they believe it will enable them to trade for their consumption goods more easily" (Luther, 2006, p. 4). For Menger, this refers to money which is quite similar to the notion of exchangeability which he names "saleableness" (Menger 1892b: p. 242). Therefore, individuals willing to accept that goods in exchange and thereby increases its saleability for others. This process is accepted to everyone in the society, it is the emergence of a commonly accepted medium of exchange.

Younkins writes, "His theory of money began with the idea that valuation arises from subjective perceptions of individuals and ends with money as an emerged social institution" (Younkins, 2001, p. 1). He explained that in the process of barter, direct exchange, transform to indirect exchange therefore the medium of exchange was established. According to Menger, money is a product of a social process, it is an institutional form.

Menger considered money as a medium of exchange with the purpose to help economic transactions. He justified that money is the standardization of bilateral barter which work for lubricating the wheels of trade. Money can be a coin, paper money or card, or anything depend on the historical and geographical set of reference. Such conception of money corresponds in turn to a reification of the subjects using such commodified money with the ever pending risk to inter-subjectively refer among us to bodies rather than persons in our day-by-day socio-economic interactions.

There are many sociologists who also interest in studying the concept of money, Max Weber provided the argument in his sociology, economics, and political science. He was fascinated by capitalism all his life, and one may argue that it constitutes the central theme of his work (Swedberg & Agevall, 2005, p. 25). Weber described capitalism as the essential factor in modern life and he more interested in "mapping out different types of capitalism than in defining capitalism in general" (Weber, 1904, p. 17). Weber, himself, interested in modern rational capitalism, he investigated capitalism in many dimensions such as economic, social and culture.

Weber explained that capitalism is a peaceful free exchange, the acquisition by force is not part of capitalism. "The impulse to acquisition, pursuit of gain, of money, of the greatest possible amount of money, has in itself nothing to do with capitalism" (Weber, 1904, p. 7). He acknowledged that capitalism is a logical way of constructing economic life and it is also the product of material conditions, conscious decisions, and cultural changes. Therefore, "capitalism is identical with the pursuit of profit, and forever renewed profit, by means of continuous, rational, capitalistic enterprise" (Weber, 1904, p. 17). Weber said that rationality is the foundation of the development of a monetary system. Therefore, acquisition means the balance organization in using goods and services.

"Weber did not directly offer an essay on monetary theory. However, he is quite clear that money has real economic effects" (Weber, 1978, p. 188ff). According to Weber, money promotes calculation amongst and between individuals that constitutes the heart of economies. As he introduced exchange:

> "Anything which may in any way be transferred from the control of one person to that of another and for which another is willing to give compensation, may be an object of exchange. It is not restricted to goods and services, but includes all kinds of potential economic advantages; for instance, good will . . . Thus objects of exchange are not necessarily presently existing utilities" (Weber 1978, p. 73).

Weber explained that money is a medium of exchange, it is "indirect exchange" which aim to satisfy what consumer wants of exchange so called as he wrote that;

> "All of these consequences are dependent upon what is, in principle, the most important fact of all, the possibility of monetary calculation; that is, the possibility of assigning money values to all goods and services which in any way might enter into transactions of purchase and sale" (Weber, 1978, p. 81).

In economic system, all goods and services are included in transactions, therefore, money makes calculation possible from providing a common unit of value. Thus, Weber assigned the calculation aspect of money as the most important of all. It is possible to mention that money can act as a unit of account, rather than as a medium of exchange.

> "Money is most important as unit of account, and the efficiencies of a monetary economy arise… from the whole complex of transactions and financial services

> that use the monetary unit as their principal means of keeping score: “Men count, and they do, and this is what makes them have money” (Pressman, 1996, p. 212).

The last sociologist and economist who clearly shown the interesting in explain the monetary concept is Viviana Zelizer. She explored her theory in the field of new economic sociology because she attempted to analyse the relation between economics and sociology. Her concept of money relates to the activities in human lives. “Zelizer bridges culture and structure by investigating values and meaning structures which are at the core of economic phenomena, and in doing so she discovers the interplay of economic, cultural and social structural forces” (Swedberg, 2003, p. 247). Zelizer studied money from the cultural content within social ties, by “explaining that symbols, rituals and practices mark distinct social relations and forms of monetary transfers” (Zelizer, The Purchase of Intimacy, 2005, p. 55).

In her book, *The Social Meaning of Money* (1994), Zelizer justified that money is not transformed value and it is not dependent on market utility, however, the transformation of money depends on social meaning. She described more that people do not justified money from its value, but they establish new forms of money which make them have more choices. Therefore, new forms of money represent the complexity in society. However, people create new forms of money based on social meaning and specific values. So, instead of money homogenizing social relationships, people multiply money is response to heterogeneity of social relations.

Moreover, Zelizer’s point is that “fungibility of money is granted or suspended based on changed in social values and meaning, not based on market utility” (Zelizer, 2005, p. 98). According to Zelizer, it is the social which determines the fungibility of money. Money and its evolution emerges from the complexity of the social, because it is people's nature to discover a way to express their value. “This money can be physically distinct, or categorically distinct but the common feature is that it expresses particular social values" (Evans, 2009, p. 1029). In sum, money, for Zelizer, always response to social value.

3. Conclusion

Obviously, many philosophers have perspectives on the theory of money, some remain unanswered and they explored the essence of money in many aspects both in the regularities of market and social development. However, for the philosophical explanation, philosophers always considered money as a product of civilization and an instrument which of development.

In conclusion, to study money from the philosophical perspective is the study money from the essence of a social phenomenon and how it influences and is influenced by the world of things. Furthermore, money is considered as the both society and the inner world of the individual. It is not empty theorizing. Philosophers study the role of money and its essence as a basic theoretical issue which human use to plan the market economies, socialism and capitalism. Money also the important factor in order to determine human freedom and equality of people in a society. The philosophy of money can make a certain contributions to educating humanity and help people to remember that the measure of all things must always be the human being.

CHAPTER THREE

Simmel's Philosophy of Money

Introduction

Georg Simmel, a German Neo-Kantian philosopher, was known as a microsociologist and a philosophy of "relationism". The fundamental method of his philosophy can be described as "methodological relationism" because the principle of his idea based on the conception that everything was seen in relation to everything else. He proposed a picture of the world in which everything was part of the whole. Therefore, Simmel was not focus his philosophy into a particular topic but his idea was characterized by the totality of being. Thus, he presented his philosophy by including various aspects such as money, social, culture, gender, religion and art.

Simmel published his book *Philosophie des Geldes*, or *The Philosophy of Money*, originally in 1900, and republished in 1907 by expanding into 700 pages. This book, approached the essence of money from the perspective of philosophy, psychology and sociology, Simmel claims that he will discuss money from a philosophical not an economic perspective as he wrote at the beginning of the book, *The Philosophy of Money*, that; "not a single line of these investigations is meant to be a statement about economics" (Simmel, 1900, p. 54).

Simmel organized his book, *The Philosophy of Money*, into two main parts, analytic part and synthetic part. The analytic part has the objective to investigate the being of money and its meaning as a phenomenon. It is the fundamental part which analyses money not by focusing on the market but by connecting it to the cultural and the social. Furthermore, he also described money from "valuations and currents of psychological, yes, even metaphysical presuppositions" (Simmel, 1900, p. 6). In the second part, it is the part which develops life out from money. This part implicated the first part to other aspects of social life and especially of modern existence. However, both parts of the book are connected and necessary to each other, Simmel used both analytic and synthetic in presenting his perception.

In this chapter, the researcher would like to present the concept of money and value according to Simmel's point of view by mainly focusing on the first part of his book. Since his idea of money and value was considered as a metaphysical foundation.

1. The Being of Money

Money was created as an accepted commodity to perform its duty as a medium of exchange to replace in the barter system. Generally, money can be any commodity or token that is admitted in a community as a mean of payment. It is socially constructed to "facilitate the fulfilment of an immediate need or desire, or saving for a future need or desire, or provide a means for transferring means of fulfilment, whether present or future, to another, or many others, as in a gift, settlement, long term contract, trust or inheritance" (J., 2009, p. 2). The significance and functioning of money can never be understood separately from the transaction, and indeed the kind of society, in which it is used.

To answer the question "What is Money?", although Simmel did not formally define it in his book, however he summarized the conceptualization of money as an institution. He described money as an instrument which has no other purpose than to facilitate the exchange of goods and services. "It is a link, an element intervening in interindividual exchanges" (Poggi, 1993, p. 135). Money is a precisely instrument, Simmel explained, it has a specific feature in which earlier objects of barter can never be. Simmel (1900) mentioned that money is the purest form of tool for human utilisation, "money is the purest reification of means, a concrete instrument which is absolutely identical with its abstract concept: it is a pure instrument"

(Simmel, 1900, p. 211). Therefore, money perform its duty without bias and specificity of any particular system of value. Because of money, people are able to transfer objects value into quantified monetary system and also built the exchange between the two values systems.

Money presents a symbolic phenomenon, the capacity to let something stand for something else. Money is a symbol as anything else in society, but with the characteristic of pure and colorless medium for exchange, which Simmel emphasized many times on this point, especially in the chapter of "Money in the Succession of Purposes", that:

> "Money is the purest form of the tool,.. it is an institution through which the individual concentrates his activity and possessions in order to attain goals that he could not attain directly. The fact that everyone works with it makes its character as a tool more evident…The nature and effectiveness of money is not to be found simply in the coin that I hold in my hand; its qualities are invested in the social organizations and the supra – subjective norms that make this coin a tool of endlessly diverse and extensive uses despite its material limitations, its insignificance and rigidity" (Simmel, 1900, p. 210).

In sum, Simmel considered money as an institution which stands above all other objects. It is not related to any specific purpose but related to all purposes. "Money is the tool with the greatest number of unpredictable uses and so possesses the maximum value attainable in this respect" (Simmel, 1900, p. 212). The willingness of people to trade things which they possess objectifies money. Money has the characteristic in relating to everything in order to fulfill its purposes.

Furthermore, Simmel viewed money as a developmental process which does not depend on any substance. "In the past, money has often taken substantial, material forms, and did so in the time of Simmel in the form of paper money" (Coeckelbergh, 2015, p. 362). However, he proposed that paper money manifested a development from substantial to functional value. This development will continue, until money becomes entirely functional, but it was not yet feasible in his time. This concept is equivalent to a Platonic idea, and as such can only be approached incrementally, but never attained. Simmel notified that from this development, people in society become attached to think about the world more increasingly in abstract terms.

For Simmel, money evolved from the most concrete kinds of goods to increasingly abstract forms. Since the very moment of the introduction of a medium of exchange is society, the use of money has been an evolutionary process. In this process, it is possible to identify, since the first steps, a tendency towards the dissociation between the direct utility of some goods and their indirect utility:

> "If money has its origin in barter, it begins to develop only when a single object is exchanged not against another single object but against several others" (Simmel, 1900, p. 126)

Money is the instrument to foster indirect exchanges which evolves as required by an increasing complexity of the indirect transactions. One of the key steps in its evolution is to become divisible to infinitesimal amounts, what allows the traders to nominate the price of their merchandise in monetary terms with great precision. This role as a unit of account is obviously a step towards abstraction. Money as an instrument for indirect exchanges performs the role that the abstract concepts of meters and centimetres perform in measuring a room, for example.

For Simmel, value is an emotion, it is something that can only be felt at a subjective level; still, it is something that the economic agents grade when attributing economic value to the different goods and in its function either as a unit of account or as a medium of exchange, money is at the same time the gauge and the instrument to the satisfaction of the desire for external goods. The performance of these functions puts money, as an instrument, in a perfectly abstract position according to Simmel:

> "Because money is simply the means to acquire objects, it stands by its very nature at an insurmountable distance from the Ego which craves and enjoys; and in so far as it is the indispensable means between the Ego and the objects, it places the objects, too, at a distance. To be sure, money abolishes the distance again; but by doing so, by transferring the objects to subjective use, it removes them from the objective economic cosmos" (Simmel, 1900, p. 126).

"Money can perform various exchange functions because it has some distinctive properties" (Poggi, 1993, p. 136). Simmel classified the properties of money into 4 aspects; first, "the instrumentality of money"; as mentioned earlier, Simmel clearly cited many times that "money is the purest form of the tool" (Simmel, 1900, pp. 210; 263). Money with the property of the instrument has the quality of transportability therefore, the amounts of value can be expressed and conveyed in money form. "Money acquiring the strong instrumental nature then, it is not the possession of objects, but it exchanges for one another" (Simmel, 1900, p. 261). Simmel wrote that;

> "On the one hand [the tool] is an external object which operates mechanically, on the other it is also something we operate not merely upon but also with… The tool is an intensified instrument, for its form and existence are determined by the goal (of action)…. It is not itself a goal" (Simmel, 1900, p. 209; 216).

Concerning the second property; "the impersonality of money", Simmel distinguished this into three different meanings; first, money transcends the individual; it acquires validity not for individuals but for broadly defined collectivity. "Therefore, the quality of money as impersonality is accepted by everyone from everyone" (Simmel, 1900, p. 223). Second, money is impersonal because it is an instrumental facility as a means rather than a commitment to an end. Third, "money is impersonal because its possession affects, shapes, and limits the whole person to a much lesser extent than does the possession of other goods" (Poggi, 1993, p. 63). Obviously, money loosens the relationship because it does not confront with the possessors. People only possess money and merges entirely with function which assign to it.

The third property; “the quantitative nature of money”. “Money is quantitative in its essence, for it expresses numerically the interchangeability of things” (Poggi, 1993, p. 142). “Money attaches itself to things as their price, and it exists in the numerically amount. Its quality consists exclusively in its quantity” (Simmel, 1900, p. 261). This property generates money’s quantity to deal with the question how much not what and how. Hence, money becomes the object of calculation with excellence in the sphere of economic life. The last property; “The knowability of money”. According to Simmel, money is the important factor in developing society, it’s role in society is in the progressive expansion especially in modern society. Then, “money is associated with a growing intellectualization of experience, a tendency to orient action reflexively on the basis of cognitive rather than normative expectations” (Poggi, 1993, p. 143).

Altogether, Simmel considered money as the institution which has the purpose as a medium in human society. Money was created to solve the problem of barter, it is a substance with abstract value. Simmel explained more that money is the evolution process, it will develop since it is fully abstract. It does not have function because it is a function.

2. Perfect Money

> “Through all the discussions of the nature of money there runs the question as to whether money, in order to carry out its services of measurement, exchange and representation of values, is or ought to be a value itself; or whether it is enough if money is simply a token and a symbol without intrinsic value, like an accounting sum which stands for a value without being one” (Simmel, 1900, p. 129).

Simmel discussed and answered the question that, wheater money should has instrinct value or not, based on the characteristic of money that it is a purely symbolic, therefore, money cannot be inherently valuable; “Since it stands between individual objects and in equal relation to each of them, it has to be completely neutral" (Simmel, 1900, p. 121). Whilst other objects receive value from scarce and inherently useful, but money takes on a veil of value. "Since money is nothing but the indifferent means for concrete and infinite purposes, its quantity is its only important determination as far as we are concerned. With money, we do not ask what and how, but how much" (Simmel, 1900, p. 260).

Abovementioned is the explanation of perfect money, for Simmel. "Money is detached from every substantial value" (Simmel, 1900, p. 163). It was clear that not just to money's intrinsic value but "money also retains its value unchanged" (Simmel, 1900, p. 190), money is stable. Perfection is the property of stable money, no matter how form of money develops, therefore in the book, Simmel also used "stable money" to express the same meaning. He explained perfect money in order to inform the understanding of all monetary form.

However, Simmel focused into two aspects in the meaning of the perfect money; "First, it means that all prices must be constant relative to each other, even when the overall totals change" (Dodd, 2012, p. 150), all changes which occur in money will have an effect to all prices equally. Second, Simmel (1900) described that perfect money must based on the equation of each side which all changes would affect all prices and all person equally. As he quoted:

> "The possibility that an increases in the volume of money, distributed proportionately, extends objective culture and also the cultural content of the individual life in absolute terms, while the relations among individuals remain the same, deserves examination. On closer scrutiny, however, it appears that real success can be achieved only by an unequal distribution of the increased supply of money, at least in the first instance. Money, which is entirely a social institution and quite meaningless if restricted to one individual, can bring about a change in general conditions only by changing the relations between individuals" (Simmel, 1900, p. 161).

If people use wealth as medium for their exchange in society, any changes which occur in money supply, it would affect society. However, if the focus on money supply, this problem would not be happen. According to this argument, Simmel emphasized that perfect money or stable money would happen only in an ideal society as mentioned.

> "although money with no intrinsic value would be the best means of exchange in an ideal social order, until that point is reached the most satisfactory form of money be that which is bound to a material substance" (Simmel, 1900, p. 191)"

To introduce the concept of an ideal social or perfect society, "Simmel associates ethical perfection with a form of absolute equality whereby individuals are treated as identical" (Dodd, 2012, p. 153). He explains that, "society is a construct of unlike parts" (Simmel, 2009, p. 49) which individual in society are different, therefore based on the concept of perfection in sociology, each individual is relative based on this difference. This relation refers to complete equality, as he justifies that "value lies in human beings merely because they are human beings… the absolute value of all men is the same" (Simmel, 1900, p. 364) however, "the differences between individuals and their qualitative peculiarities" (Simmel, 1900, p. 365). Naturally, individuals are unequal in their qualities, however, they are equal in the sense of a form of relative, not absolute, equality. Therefore, in order to understand the social ideal in Simmel, Dodd writes, "it would be premature to suggest that Simmel is promoting economic liberalism through his remarks about conceptually correct money" (Dodd, 2012, p. 155).

3. Exchange and Money

According to Simmel, exchange is the purest and most significant form of human interaction. He based the explanation of "exchange" from a demand of people to goods. Simmel (1990) described that the world has been sold and all goods has been possessed, therefore there are two suggested solutions in solving the problem; first, people have to transform their demand to unused resources, or second, they need to transfer ownership of the goods. However, Simmel considered exchange is the preferable way for the ownership transfer because it is advantageous for both parties of a transaction.

In order to make the exchange easier, people had created the habit of using "currency" which was not only used in exchange of goods but also to express value. This is the introduction of money, as a currency, in economic system which based on consumerism and individual choice. Simmel (1900) believed that money mainly acted as a means of exchange, but it is also reflects value which relates between things. Money measures the value of everything. The more developed the monetary economy, the more able money is to integrate the actors of society and economy into one.

> "If the economic value of objects is constituted by their mutual relationship of exchangeability, then money is the autonomous expression of this relationship. Money is the representative of abstract value" (Simmel, 1900, p. 118)

Simmel indicated two basic benefits of using money in exchange process; first, money contributed people to self-sufficiency and individual freedom, "money's importance is gaining individual freedom serves to illustrate a very far-reaching definition of the concept of freedom" (Simmel, 1900, p. 403). For Simmel, money in exchanging process decreases individual dependency on others, it changed and interact more impersonal. He gave the example of the wage labourer because people has more freedom than the peasant. Second, money extended the number of social interactions, it located long distance between individual more clearly. Simmel argued that money make the development in social groups, it enlarge individuality connection.

> "Money is simply that which is valuable, and economic value means to be exchangeable for something else. All other objects have a specific content from which they derive their value. Money derives its content from its value; it is value turned into a substance, the value of things without the things themselves" (Simmel, 1900, p. 119).

Above shown that money, for Simmel, is a means of exchange. It is not value, but the expression of value. Simmel explained money close to the metaphysical spectrum of values in a physical way. “Money as abstract value expresses nothing but the relativity of things that constitute value” (Simmel, 1900, p. 119).

Simmel considered economy from the demand side and emphasized upon the consumption, “the world of value is my demand” (Simmel, 1900, p. 66). Difference from other philosophers at his time, the emphasis is upon consumption, he grounded economy from exchange of goods which consumed by individuals not production or labour, he wrote; “exchange, i.e. the economy, is the source of economic values, because exchange is the representative of the distance between subject and object which transforms subjective feelings into objective valuation” (Simmel, 1900, p. 87). Simmel described more that not only economy which was based on the exchange but it was human socialization that also grounded on exchange, exchange is also “the purest and most developed kind of interaction which shapes human life” (Simmel, 1900, p. 79). The interaction of people in social mean an exchange, for Simmel, “every interaction has to be regarded as an exchange” (Simmel, 1900, p. 79). Therefore, Simmel considered exchange as an important factor for both economy and social interaction, it is the reciprocal exchange of energies.

In sum, money is the object of the exchange process in economic system. However, it is the expression of how things are determined by each other that is the mutuality of relations determines their being, and their being as they are. Therefore, money becomes separated from all other goods, and become as the symbol of relativity, or better, exchangeability beings to be more and more nothing but a symbol. Simmel (1900) considered exchange as the highest forms of being which becomes the symbol of the world. It shown that things are determined by the other is the basis of human realities.

4. Value and Money

Generally, value is defined in various ways because there are many factors to consider. Sometimes, it is determined by individuality but sometimes ethics and tradition are brought in. However, people basically remember value as a dual concept which includes both a monetary and an ethical meaning. In the most original sense, people acknowledged value according to an ethical term such as honesty, generosity, justice, etc. This concept of value was called "intrinsic value" which rely on the spectrum of ethic. It, mostly, connected to human character or human. This is the non-economic approach of the notion of value. It is the value in itself. This value is not for sale, things do not depend on other objects or situations to be good. It is the thing in itself and for itself.

> "That which is intrinsically good is non-derivatively good; it is good for its own sake. That which is not intrinsically good but extrinsically good is derivatively good; it is good, not (insofar as its extrinsic value is concerned) for its own sake, but for the sake of something else that is good and to which it is related in some way. Intrinsic value thus has a certain priority over extrinsic value. The latter is derivative from or reflective of the former and is to be explained in terms of the former" (Zimmerman, 2015, Para. 6)

On the other side is the instrumental value; the value of the pleasure it provides. The instrumental value is not a quality of an object but it indicates something's value for instrumental reasons. This value can be acquired through economic transactions, it is valued because we derive things from it.

According to Simmel, "to answer the question "what value really is", like the question as to what being is, is unanswerable" (Simmel, 1900, p. 59). He described the concept of value from a metaphysical system. Value, for Simmel, is not something that is found in objects since it is not awarded by nature, like colour or light, but it is located between subject and object.

Value is relative which occur in a process of comparison. Simmel referred this relativity to a certain relation to each other not the relativity of truth and falsity. "Value does not come into existence through human doing, but it is something between subject and the object" (Postel, 2002, p. 4).

Simmel (1900), explained that value belongs to both subjects and objects that locate in the third world. Besides, nature is completely indifferent to the value humans attach to certain objects. He wrote;

> "The relation between these series is completely accidental. With the same indifference, nature at one time offers us objects that we value highly at another time withholds them. The occasional harmony between the series, the realization through the reality series of demands derived from the value series, shows the absence of any logical relationship between them just as strikingly as does the opposite case" (Simmel, 1900, p. 59-60).

> "Reality and value are, as it were, two different languages by which the logically related contents of the world, valid in their ideal unity, are made comprehensible to the unitary soul, or the languages in which the soul can express the pure image of these contents which lies beyond their differentiation and opposition" (Simmel, 1900, p. 62).

Therefore, "being valuable" is not a quality that an object has, "value is never a quality of the objects, but a judgement upon them which remains inherent in the subject" (Simmel, 1900, p. 60). Simmel's idea of value was different from the philosophers at that time. His opinion seems to be based upon of the effects of capitalism and consumerism which realized that "value" cannot be a quality, nor a property in a market-based world where value is a fluctuating phenomenon.

Simmel explained more that, in the physical reality does not have any function in allocation value to object. Objects are not determined solely from their function, but are determined from the relations of exchangeability. Generally, people acquire things they value by exchange, thus, exchangeability is the important factor in economic. Simmel based the economic system upon the relation, people exchange valuable things they have for different valuable things they desire; he wrote:

> "Thus there may be, indeed, a just price for a commodity, but only as the expression of a definite, well-adjusted exchange relationship between this commodity and all others, and not as a consequence of the nature of the commodity itself or the amount of money itself, which stand in no relation to each other and have no reference to the just or the unjust" (Simmel, 1900, p. 127).

An object becomes an object of value from exchange. "Exchange drives production, it exists as an objective action between values, but its execution is still subjective and its mode and quantities depend exclusively upon a relation between personal qualities" (Simmel, 1900, p. 96). Before the Simmel's time, the value of a goods are based on their scarcity. However, for Simmel, "scarcity must be added as a second determining factor if the object is to acquire a specific value" (Simmel, 1900, p. 91). It is the desire or demand for the object is the starting point.

Generally, the history of philosophy did not consider value in the way Simmel had. They, normally, discussed value in philosophical-anthropology which found consent in what an intrinsic good is. For being valuable, it normally considered from a quality or property which difference from Simmel. However, Simmel and the modern-day economy had the effects of capitalism and consumerism is exactly the realization that value cannot be a quality, nor a property in a market-based world where value is a fluctuating phenomenon.

Simmel (1900), value is not contained in an individual object, but it is a process of comparison, the content of which does not lie within these things themselves. Value is relative and exists only within a dynamic of comparison. Value, according to Simmel, is not rooted in human labour or does derive its existence from larger social system. It arises from exchange.

Therefore, it is purely an effect of individual desire. The value of an object is the degree to which a buyer wants it. It is measured by how much that person is willing to give up in order to get it.

5. **Economic Value**

In the context of economics, “value is the price that people want to pay for a product of which they derive a certain pleasure” (Postel, 2002, p. 9). Value, from an economic perspective, is normally objectified from the relation between people and their demand of product. The increasing of market price occur when economic agents value something highly, and therefore the objective value rises. It is directly clear that economic value is wholly different from intrinsic value. It is the value which people consider to be the worth they assign to something or the price tag that people attach to something.

> “It may be said, therefore, that the value of an object does indeed depend upon the demand for it, but upon a demand that is no longer purely instinctive. On the other hand, if the object to remain is an economic value, its value must not be raised so greatly that it becomes an absolute. The distance between the self and the object of demand could become so large – through the difficulties of procuring it, through its exorbitant price, through moral or other misgivings that counter the striving after it – that the act of volition does not develop, and the desire is extinguished or becomes only a vague wish” (Simmel, 1900, p. 69).

> “The distance between subject and object that establishes value, at least in an economic sense, has a lower and an upper limit; the formula that the amount of value equals the degree of resistance to the acquisition of objects, in relations to natural, productive and social opportunities, is not correct” (Simmel, 1900, p. 69)

In the metaphysical approach to value, Simmel (1900) also described value from the concept of supply and demand. People value objects if they have the distance to perceive the specific qualities of an object, to value an object, the subject cannot coincide with the object.

He said that value was created after people make object and then separate themselves from objects, and try to overcome the “distance, obstacles, difficulties” (Simmel, 1900, p. 66).

> “These are derivatives, modifications and hybrids of the basic fact that value does not originate from the unbroken unity of the moment of enjoyment, but from the separation between the subject and the content of enjoyment as an object that stands opposed to the subject as something desired and only to be attained by the conquest of distance, obstacles and difficulties” (Simmel, 1900, pp. 63-64)

“Objects are not difficult to acquire because they are valuable, but we call those objects valuable that resist our desire to possess them”. Simmel (1900) put some detail that the more difficulty in obtaining an object, the more value it is. However, it has the limit for the difficulty, if it is too difficult to obtain it, then it became valueless. The value of thing also comes from the distance between people and objects. If objects are too close or easily to obtain then objects are not consider very valuable. However, if things are too far or too difficult for people to obtain, then things are also not very valuable. It became only a vague wish. At the same time, things that defy most, if not all, of our efforts to obtain are also not very valuable to us. Therefore, things which are considered valuable would neither too far nor too close. This is where we find the supply and demand, if the price is too high, then people will fade their desire and that things become vague wish. Simmel put some detail that there is an upper limit to the price which people would like to pay. For these reason, although the metaphysical system of value consists of relations, they are always consistent. In other words, if scare goods become unsellable because there is no demand for them, price will drop to the level where there is demand.

> This dual significance of desire – that it can arise only at a distance from objects, a distance that it attempts to overcome, and yet that it presupposes a closeness between the objects and ourselves in order that the distance should be experienced at all – has been beautifully expressed by Plato in the statement that love is an intermediate state between possession and deprivation. (Simmel, 1900, p. 73)

It is obvious that different value can be attached to one and the same object. People possess a desired object through a monetary exchange. Therefore, trade or exchange is very important factor to make money value, it allows object become exchangeable and can be expressed in monetary system. Simmel described that the economic value emerge from the distance between individual and commodities, however this distance can be overcome through exchange. Money, for Simmel, work as the instrument which establish value. "If the economic value of objects is constituted by their mutual relationship of exchangeability, then money is the autonomous expression of this relationship" (Simmel, 1900, p. 118).

6. Exchange and Sacrifice

It is obvious that when people want something, they need to exchange, especially in modern society, what people desires are rarely fulfilled for free, it is deeply economic. Value leads to the explanation that "we give up things we value for other things that we desire more" (Papilloud, 2003, p. 170-171). For Simmel (1900), value and sacrifice are closely linked because people are willing to sacrifice something in order to fulfil their desire and appropriate something they value. However, there are still "upper price limit" as explained in the previous topic. For example, people may not want to sacrifice all their time to work three jobs in order to be able to afford something they desire.

As mentioned above, value is not a quality but it is an effect of qualities that exists in relations. Therefore, if people want something they value, they trade. "It is in this trading that the sacrifice will be experienced and that value will be objectified" (Postel, 2002, p. 11). Therefore, trade or exchange make an economy and an objective value will be established.

According to an economy of trade, value is not experienced as subjective, even supply and demand is the factor of the price but individual does not have any influence on the value or price of a certain product, it never purely subjective. In establishing an economy a certain market value is set and therefore the objective value becomes known to man. However, in exchanging goods and striving to fulfil ones desires, a subject can subjectify the objectified values. People can choose to exchange a certain amount of time for a certain amount of money by working a certain job and they can choose to exchange this money for certain things they value. Although they do not set the value of an object themselves, they have the power to "make the values their own and adjust their attitude towards these values" (Papilloud, 2003, p. 170-171).

7. Conclusion

Simmel clarified that nature or reality does not provide any value to object, value exists between object and subject. It is the relative which exist within the dynamic of comparison. Furthermore, he believed that value and money are connected via exchangeability. In the process of exchange, money works as an instrument for exchange which make value objectified. People in society always offer objects they consider useless and accepts what they consider necessary for them. Therefore, he explained clearly that money has the characteristic in facilitating exchange, and it also provides a compelling impetus to economic activity.

Then economic value is the value which determined from the relationship between objects which is not a value of the object itself. However, economic value is determined into a scale of number which relate to other objects. It is the relative between exchangeable things, therefore money becomes a symbolic of economic value. Money, then, comes to be an independent object which can be used to purchase goods at a stable price. It solves the problem of barter system. It has the concept of money from its value and value of money is turned into substance.

Exchange is considered to be the important factor of people in society, for Simmel. It presents the interaction of people in society. It is the beginning of all social formations. Simmel explained that most relationships between people can be interpreted as forms of exchange.

> "The concept of exchange is often misconceived, as though it were a relationship existing outside the elements to which it refers. But it signifies only a condition or change within the related subjects, not something that exists between them in the sense in which an object might be spatially located between two other objects" (Simmel, 1990, p.80)

Exchange equalizes humans in society, for Simmel, all exchange have come to be in form of money. In exchange, money become money, in other situation money is just representation of the value. People's subjective value of an object is made into a concrete thing. The value is quantified.

There is a connection between money and value but not directly, the more value can be objectified via money. In exchange, Simmel considered money as the perfect instrument, it embodies the objective value, whilst it retains its subjectively imposed value origins. "Since everybody offers for exchange 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, 1900, p. 292). Money with the character to facilitate the exchange process provides a compelling impetus to economic activity.

Whilst money might appear directly comparable with subjective value judgements at a superficial level, this is not case.

> "The equation between the value of a commodity and the value of a definite money does not signify an equation between simple factors but a proportion, that is an equation between two factors, the denominator of which, within a

> given economic area, is on one side the sum total of all commodities and on the other the total amount of money" (Simmel, 1900, p. 136, 120, 147).

Furthermore, Simmel justified that objects or commodities don't have value in themselves but they have value because of the relation with other things. Therefore, "value can only be realized through exchange" (Canto, 2005). Money is the same as other objects, it gains value from this process but it is unique with the "measuring rod" (Simmel, 1900, p. 217) for all other values which make all commodities can be compared and exchanged. In sum, money composed of the relation, however its value is not change so as to fulfil this rold.

In current monetary system, many advantages and problems relate in the system of values. Money is valuable because it is the physical embodiment of value. Basically, "value in money is treated as a quality, and this gives man the power to create value" (Dodd, 2012, p. 15). However, value is not a quality in object therefore money or a bank note does not have any value qualities besides "being valueable", it is not add a quality to an object.

Simmel discussed money as a phenomenon which he beileved that it cannot be understood outside the social. He described how money as a medium makes possible in modern society and explained it will be moved from substantial to functional value, as he mentioned "money with no intrinsic value would be the best means of exchange" (Simmel, 1900, p. 191), however, he argued this would be only a concept, "money becomes entirely insubstantial and immaterial, this is not yet feasible" (Coeckelbergh, 2015, p. 363).

Nowaday, with the global finance and modern monetary system, human society seems to come closer to his idea. The increasing of electronic money, especially electronic currency, make money free itself from material substance, no cash is needed. It makes possible exchange among people who do not know each other. This modern system seem to present a concept of perfect money, since their non-material nature makes them extremely flexible. However, there are many questions arise especially for electronic currency, does it really pure tool or do we ready to use it now? Therefore, the next chapter the researcher would like to present the concept of modern society and how money work in social, according to Simmel idea. In the last chapter, the research focusing to analyse Simmel concept with electronic currency, Bitcoin.

CHAPTER FOUR

Money and Modern Society

Introduction

Money is the most important variable which integrates us into contemporary society. It holds a strong power over everyone, and it would be difficult to imagine living without it. Since pre-modern times, money has changed and the effects on society has changed along with it. Simmel also discussed this point in *The Philosophy of Money*. He mainly focused in explaining on a nature of money in modern society and how it effects social life. For him, money plays an important role in human society, it is an object which facilitate people to understand their role in society.

Besides being a philosopher, Simmel was also considered a sociologist. His philosophical approach to money is therefore based on three fundamental concepts: relationalism, sociation and social forms. First, relationalism; Simmel believed that all elements in human society are related, thus "none can be understood in isolation, but only in terms of its interrelatedness with the totality" (Turner, 1999, p. 148). Second, sociation; Simmel interested in the interaction among individual in society which created form of individual interactions. Thus, he believed that society is a combination of the interaction among individual. As he wrote:

> "Society is a mere collection of individuals. Society is not an absolute entity which must first exist so that all the individual relations of its member … can develop within its framework or be represented by it; it is only the synthesis or the general term of the totality of these interactions" (Simmel, 1900, p. 174).

For Simmel, in society interactions among individuals form a kind of reciprocal exchange.

> "It is the purest and most developed kind of interaction, which shapes human life when it seeks to acquire substance and content. … every interactions has to be regarded as an exchange: every conversation, every affection (even if it is rejected), every game, every glance at another person" (Simmel, 1900, p. 79).

Third, social forms; Simmel explained "forms" as modes of interaction in which people pursue in order to satisfy their desires. Form of the interaction of people in society can be characterized by either conflict or cooperation.

Simmel was the first sociologist who was interested in study social essence of modernity. "He presented the experience of modernity as flux, as intense, unremitting consciousness of diverse, forms in motion" (Edwards, 2007, p. 37). Simmel studied the concept of modernity in connection with revolutionary movements in Germany which transformed urban and cultural life in the late nineteenth century. At that time, money economy and metropolis were irresistibly considered to be a central metaphors of modernity. It came with the character of urban life because people believed that modernity represented as an opportunity for everyone who initiate and ambitious to be success. "Modernity, Simmel inferred, presented the conditions for an auspicious environment in which an individual could become a member through socialization yet withhold uniqueness of the inner self from being terribly altered" (Simmel, 1950, p. 411).

Simmel analysed modernity against the phenomena of pre-modern society which was different from other sociologists at his time. At first, the study of modernity was rooted from the culture of capitalism or industrial society such as the idea of Marx and Weber, they studied modernity from the idea of production which relied on the economic structure, and however Simmel examined the character of modernity from consumption in social structure. "Consumption, for Simmel, lies at the heart of the process through which people become cultivated that is, grow to become participating, reflective members of society" (Holt & Searls, 1994, p. 66). Simmel understood modernity from “a material and mental universe of contingent relations, cultural relativism and breaking boundaries” (Edwards, 2007, p. 37).

It is obvious that Simmel developed one of the important understandings of modernity but he is hardly referred to in most recent works. Therefore, in this chapter, the researcher would like to present the idea of Simmel on the understanding of the social effects of modernity, cosmopolitan, and predominantly urban life. Besides drawing from his famous book, *The Philosophy of Money*, it is also important to look deeper his writings about modernity in his best-known essays “The Metropolis and Mental Life”.

Noticeable, Simmel studied the concept of money and modernity since the late nineteenth century, but many of his ideas are related and could bring to understanding and of the current situation.

1. Consumption and Modernity

As mentioned, Simmel explained that “consumption” is the process where individuals participate, reflect and are cultivated in society. “This is because consumption provides a site, par excellence, for what Simmel believed to be the key to cultivation the interaction between subject and object” (Holt & Searls, 1994, p. 66). The interaction between subjective and objective culture[1] was emerged from consumption, people has a chance to fulfil their demand though the interaction with objects in the world. Simmel (1978) believed that consumption helps people to realize their potential, and member in society became well-socialized because

[1] Simmel borrowed the concept of subjective and objective culture from Hegel; he described that the subjective culture is the ability to overcome, use and feel culture, in order to interact and express culture. He explained it as an individuals or group of people that connect within form of the social which make them feel and connect to each other. Objective culture does not only the object but it is the elements of culture which was created by people or group of people. However, after it was created then it separated from the creators and has a life of it’s own.

they have chance to confront, adapt and integrate with the world. Therefore, consumption is an activity which contributes to the personality and the well-being of society.

Both pre-modern and modern society had the impact on the demands of people which led to differences in consumptions. Therefore, Simmel (1950) justified the difference of the characteristics of pre-modern and modern society in order to explain the structure of consumption.

The exchange system in the pre-modern time depended on wage and payment in labour, Simmel described two difficulties which the exchange in pre-modern time made, first "the overdetermined network of social constraints in pre-modernity left little room for the pursuit of individuality through consumption" (Holt & Searls, 1994, p. 67). It could explain more that, in pre-modern times, social relations were limited and isolated. Therefore, the relationship of people at that time relied on tradition, kinship, and social obligations. Thus, the consumption in pre-modern time did not support individual development, but it focused to propriety and tradition. Second, "since most production was local, driven by historical needs and regionally specific resources, there were a relatively limited array of goods available for consumption" (Holt & Searls, 1994, p. 68). Hence, the economic and social system did not have intense interaction between subject and object because there were not much focus on the consumption of objects in society. Furthermore, the product in pre-modern times was normally locally produced and in low quantity, so the objects were rapidly consumed and not widely distributed to different areas.

2. The concept of modernity

Generally, modernity refers to a transformation which changes society in every levels. It always include the changes which were created from the metropolitan and capitalist money economy. In modernity, people are related by “cultural creations such as money, urban life, ideas of spatial demarcations such as proximity and distance, ideas of fashion, commodification, travel, leisure, style, religion and new expressions of spiritualism” (Yengoyan, 2002, p. 621). People in modernity are different, they express themselves in new forms of circulation, exchange and consumption which follow monetary developments. “Individuals move towards one another in the metropolis and the engagement is sensory, which is critical in all social interactions, but within the metropolis new forms of cultural differentiation emerge in accordance with class, gender, locations and forms of embodiment” (Mackonyte, 2010, p. 6).

According to Simmel, modernity is a cultural system which is based on capitalist monetary economy. The character of modernity is considered from the increasing of abstraction and objectification of social life. In modernity, the production and industry were expanded from pre-modern times which presented distance and impersonality in society which money is a symbol of this new relationship. Simmel (1978) described that money removed any content and became itself an abstract and impersonal. “Money is the reification of the general form of existence according to which things derive their significance from their relationship to each other” (Simmel, 1900, p. 128). It had been changed the entire exchange system and all social relations. “It supports the disinterested stance of the rational actor by replacing diffuse interpersonal ties with an abstract, emotionally distant, quantifiable value” (Coser, 1977, p. 193-194). Therefore, the new system of economic was changed according to the emergence of money, including the relation of people in society.

However, Simmel did not explain clearly what modern society is, but he conceived and evaluated modern society into three principle ways.

Modernity as Epiphany

Simmel acknowledged modernity as an epiphany which manifested some unrevealed valuable of human potentialities. Through the process of modernization, Simmel explained, the undeveloped capacity of human species or the undiscovered truth were expressed and became understood and possible established. More generally, Raymond Boundon (1986) suggested that "Simmel saw the typical modern understanding of the nature of knowledge and of its production as superior to earlier understandings" (Boudon, 1986, p. 30).

> "On the one hand, the legality of nature, the material order of things, the objective necessity of events become more and more clear and compelling; on the other, the emphasis upon the independent personality, upon personal freedom, upon autonomy becomes sharper and stronger" (Simmel, 1900, p. 303).

Simmel analysed all elements in society through the concept of relativism, therefore he explained that modern condition shows that nothing stands by itself but everything are "presuppose, complement, converge with, contend with, accommodate, subvert, and posit one another" (Poggi, 1993, p. 172). Therefore, modernity has a powerful effect on our understanding of all reality.

The Impact of an Advanced Money Economy

Money became central in modern society, it changed society through intensification and acceleration. Simmel explained that "modern society is the intellectualization of existence, and is connected with the instrumental nature of money" (Poggi, 1993, p. 177). Since money involved in the process of evaluations with the feeling in order to focus on objectivity, therefore, money directly becomes prevalent in modern society because it is the central significance "means par excellence," (Simmel, 1900, p. 212).

Money, in modernity, is presented as the symbol which emphasizes a quantitative orientation to reality. It is clearly shown that modernity associated with the increasing dominance of money. Simmel (1900), modern society increase the quantitative reality in many aspects until society has idea that "the greatest happiness for the greatest number". As he wrote:

> "The penchant for measuring, weighing, exactly calculating characteristic of modern times . . . seems to me causally connected with the money economy, which makes continuous mathematical operations necessary in the course of everyday existence" (Simmel, 1900, p. 449)
>
> "The mathematical character of money imbues the relationship of the elements of life with precision, a reliability in determination of parity and disparity, an unambiguousness in agreements and arrangements in the same ways as the general use of pocket watches has brought about a similar effect in daily life." (Simmel, 1900, p. 450)

Modern society, especially in advanced monetary economy, increases the symbolic character of money. The system creates new habits of giving and receiving money, so money affect the individual intensely.

Simmel (1900) sees money as an integral element of life that enables us to appreciate the totality of life. "He treated money as a specific phenomenon linked with a variety of other components of life, including exchange, ownership, greed, extravagance, cynicism, individual freedom, the style of life, the value of the personality, etc." (Ritzer & Stepniskey, 2018, p. 173). It seems everything in money economy can be bought or sold, then money, as a medium of exchange, expand people access to many desires, social networks and other commodities. Therefore, people in money economy tend to depend more on money rather than others people. People in modern society became more cultivated which in barter system they were not. In barter system it did not give a room for the pursuit of individuality and individual freedom. Money expand the network of the social, people connect to each other beyond geographically isolated areas, traditions and kinship.

The Phenomenon of Alienation

Simmel (1900) saw modern society as a complex process which together constitute the phenomenon of alienation. In modern society, he explained, varieties of products are increased, both in quality and quantity, because knowledge is accumulated and there are also many developments in capability, technical resources and the invention of new machinery. Then, individuals in modern society are automatically introduced into these variety of products, however they only a few have a chance to master them. As individuals become dependent on them and mostly addicted to objects, materials and cultural forms without understanding and them. The phenomenon of alienation occurs under this modern condition, it begins from the processes of the material and cultural objects. There are "two overlapping aspects of those processes make it very difficult for their protagonists to recognize themselves in their products, to sense that their own powers are embodied in them" (Poggi, 2005, p. 197).

The first aspect is concerning to the labour characteristic in the modern production. As Simmel mentioned that:

> "Where the work is based on a marked division of labour and achieved with an awareness of this division it thrusts itself inherently towards the category of objectivity. It becomes more and more plausible for the worker to consider his work and its effect as purely objective and anonymous, because it no longer touches the roots of his whole life – system" (Simmel, 1900, p. 455).

From this point, the production process become very complex and individual was obstructed into narrow working roles. Mostly, the machines operated directly in their production, therefore individual attend indirectly to a complex productive unit they cannot survey or understand.

The second aspect is concerning to the capitalistic structure of modern industry. As Simmel said,

> "The process that is characterized as the separation of the worker from the means of production and which is itself also a kind of division of labour clearly operates in the same direction. In that it is the function of the capitalist to acquire, organize and allocate the means of production; these means acquire a very different objectivity for the worker than for whose work with their own material and their own tools" (Simmel, 1900, p. 455).

Under the modern conditions, mostly individuals consume objects which are not produced for them but for the market. "A growing estrangement between the subject and its products ultimately invades even the more intimate aspect of our daily life" (Simmel, 1900, p. 459). This new condition leads people to a complex system as Simmel said "subjectivity is destroyed and transposed into cool reserve and anonymous objectivity once so many intermediate stages are introduced between the producer and the customer that they lose sight of each other" (Simmel, 1900, p. 457). Besides, in the modern market, the individual rarely has a chance to acquire the objects because they are numerous and changeable all the time, such as fashion which always change and increasing present themselves to the market.

The feeling of alienation happened under the modern condition, individual consumes objects overwhelmed with feelings they cannot easily assimilate as Simmel suggested that:

> "I refer to the multitude of styles that confronts us when we view the objects that surround us, from the construction of buildings to the format of books, from sculptures to gardens and furniture with their juxtaposition of Renaissance and Japanese styles, Baroque and Empire, the style of the Pre – Raphaelites and realistic functionalism. This is the result of the enlargement of our historical knowledge, which in turn is associated with modern man's penchant for change mentioned earlier" (Simmel, 1900, p. 462).

In sum, Simmel characterizes the whole development of modern culture as manifesting the preponderance of what he called “the objective culture” over “the subjective culture.” “Because of this preponderance it becomes increasingly difficult for the individual to know himself as himself; he sees himself increasingly as a mere part of the external, objective culture” (Nisbet, 2004, p. 311). According to Simmel, in modern society, goods are more isolated from their producer and they became made to order. Individual’s labour serves objective purposes, therefore, the native of objective relation is that individual works for somebody else.

The characteristics of pre-modern and modern society can be illustrated in the table below. But we can also add to this 'post-modern society' to allow the application of Simmel to the phenomena of cryptocurrencies.

Pre-modern	**Modern**	**Post-modern**
payment in labour	consumption monetary exchange	consumption investment
dependence	independence	independence & alienate
social relations were limited & isolated	freedom & expand social relationship	freedom & Self-conceptualization
tradition, kinship, social obligation	open to the new world	multicultural and incoherent
local product & low quantity	international market & high quantity	world wild market & high quantity & high quality

Table 1: The Characteristic of pre-modern society, modern society and post-modern society.

It is obvious that in the post-modern time, many of the products are launched to the market both in quantity and quality, thus people has more chance to choose and consume products to satisfy their needs and desires. However, the products in the market seem never enough to fulfil their demand. People, in post-modern society, have the potential to buy products but they do not have control over it. The research of Khanintha (2017) which studied about the nature of society after the emerge of e-banking in Bangkok, describes that people in society enjoy themselves in consuming products in the market until they become obsessed and trap to the monetary market. Furthermore, she explained that people in e-commerce society have many opportunities to purchase goods and invest money in the stock market, and are likely to follow the motto “work less but get more impact”. But, Khanintha explained, while they have the independence to spend on their life-style, they are alienated from the community at the same time.

This is similar to what Simmel explained concerning modernism, but the current post-modern situation is beyond what he expected. People in post-modern times seems to have more freedom but at the same time they trap themselves to the games which they created. Khanintha also mentioned that people have many contradictions in themselves, their world is more open because of new technologies but they become more focused on their own self and ignore the benefit of their community. People become more self-centred. Simmel, often focuses on the positive aspects of modernity, but did not anticipate the traps that modernity leads to.

3. God and Money Equation

Simmel (1900) justified that the functioning of the money economy necessary to have trust between members in community even when the currency is the precious metals. “Money entails a claim to the performances of others, to function properly, it requires everybody’s willingness to accept it from everybody” (Poggi, 1993, p. 148). Money, for Simmel, is a symbol which express the mutual exchangeability of objects in order to satisfy people’s desires. Therefore the attitude of trust and awareness of money’s value is necessary to make use of money. He noted that money which depends on trust is well convey, it is not from the substance but the trust.

> "In the same way that society would fall apart without men's trust in one another – for very few relations actually rest on what one partner knows for a fact about the other, and few would endure at all without a trust at least as strong as, and often stronger than, rational proof and visible evidence-in the same manner without such trust the traffic in money would collapse" (Simmel, 1900, p. 178).

Simmel related the characteristic of money to the concept of God by starting to explain that "God conceived of as the unity of existence can be nothing other than the agent of interaction between things" (Simmel, 1967, p. 201). Then, he demonstrated the homology between the idea of God and the idea of money by using two classical theological ideas in order to support his formulations. The first one, he used the term "unmoved mover" which was first formulated by Aristotle and later by Thomas Aquinas.

Firstly, to introduce the God-money homology was from his essay "On the Psychology of Money," where money was described as the "unmoved mover" (Simmel, 1967, p. 243). "Just as God in the form of faith, so money in the form of the concrete object is the highest abstraction to which practical reason has risen" (Simmel, 1967, p. 243). In the same manner, money is to circulate, and thus to mobilize economic values; but to do so effectively it must be a kind of "unmoved mover," it must constitute a fixed pivot around which other values may revolve. Money moves economics, but money, itself, remains immobile. Moreover, he compared both of the concept "in the feeling of peace and security, the trust in omnipotence of the highest principle which is provided by the possession of money and which corresponds psychologically to the emotional state of the pious person who places his or her faith in God" (Mckinnon & Trzebigtow, 2014, p. 255). Thus, Simmel described the idea of God as a "tranquilizing force" (Simmel, 1900, p. 168).

Secondly, in *The Philosophy of Money*, Simmel (1900) explained this comparison that money produces complex powers which effect through its material value, however it is also related to hope and fear, the desire and anxiety that are associated with it:

> "It radiates these economically important sentiments, as heaven and hell also radiate them, but as pure ideas. The idea of the availability or shortage of money at a given time produces effort or paralysis; and the gold reserves that lie in the bank vaults as cover for their notes demonstrate clearly that the merely psychological representation of money is fully effective. In this instance, money can truly be described as the "unmoved mover". It is obvious that the effect of this merely potential money depends upon the refinement and stability of the economic organization" (Simmel, 1900, p. 170).

This is also similar to the concept of God, basically God is an absolute object, God unifies all the divergent elements of reality, "the unity of contradictions" from the theological formulation of Nicholas Cusanus[2]. Simmel (1900) had the similar idea on this point, he mentioned that all conflicts of existence find their unity and equalisation in God "there arises the feeling of peace and security", and continues:

> "Money evokes similar feelings. As money becomes an absolutely adequate expression and equivalent of all values, it rises to abstract heights above the whole diversity of objects. It becomes the centre in which the most opposed, the most estranged and most distant things find their common denominator and come into contact with one another. Thus, money provides a confidence in its omnipotence" (Simmel, 1900, p. 236).

The comparison between the concept of God and the concept of money, for Simmel, is relevant. Since in barter system, money has been evolved and be increasingly detached from substance, however any kind of substance is only possible practicable only on the basis of trust.

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[2] Nicholas Cusanus, a German thinker, described "the unity of contradictions" as the explanation of the concept of God. For Cusanus, God is the eternal power with many diversities. "God is the contradiction of the contradictions and the opposition of the opposites" (Floss, 2007, p. 55). He gave the explanation of the contradictions that God is maximum and minimum. God is maximum because he is the greatest being, however He is also minimum because he cannot be less than he is.

If people in community had an anxiety concerning the value of money, they would not accept it as payment, then, the exchange would be unable to occur or trading partners would have to resort back to barter. Therefore, there is the coincidence between God and money, both of the concept have shared the intermingled relationship. “Simmel maintains that the functioning of the money economy always requires trust, even when the currency is tied to precious metals” (Rosemann, 2018, p. 67). Even a gold coin need less trust than a banknote, but it is also guaranteed the stability of the currency absolutely because Gold can gain and lose itself value.

However, Simmel’s idea was supported from the idea of God of Luther’s comment of the First Commandment from his Large Catechism of 1529.

> "The confidence and faith of the heart alone make both God and an idol money a one thinks that he had God and everything in abundance when he has money and possessions… such a man also has a god, Mammon by name, on which he sets all his heart, and which is also the most common idol on earth. He who has money and possessions feels secure, and is joyful and undismayed as though he were sitting in the midst of Paradise" (Luther, 1529, Para. 5).

Likewise, Simmel explained that, money is “common, because it is the equivalent for everything and anything; and that which is equivalent to many things is equivalent to the least among them and therefore pulls even the highest thing down to the level of the lowest” (Simmel, 1967, p. 240). He insisted that the functioning of the money economy always requires trust, even when the currency is tied to precious metals. To be sure, a gold coin requires less trust from the user than a banknote, but even gold cannot guarantee the stability of the currency absolutely. Secondly, “in everyday transactions an examination of the metallic substance of the coin is feasible only in exceptional cases.” Rulers and governments of all ages haves exploited this fact to debase their coinage.

4. Money and the Political Sphere

In *The Philosophy of Money*, Simmel also revealed the significance associated between money and the political sphere. “Money is by nature a basically democratic levelling social form that excludes any specific individual relationship” (Simmel, 1900, p. 447). However, Simmel analysed the character of democratic as the increasing of the products in the cultural industry which are marketed in the mass and it is open to everyone as long as they can monetarize their interest in them.

Simmel (1978) said that normally the development of money economy correlate to centralized state which required to secure trust in an environment that can be entertained by the public. It has some significant aspects; first the growth of money economy is associated with the development of public bureaucracies. Second, “money’s emancipatory effects is the development of direct taxation” (Simmel, 1900, p. 316), and the revenue from the development of a system of offices. Third, a monetary economy is best function in the environment which based on state-made and positive law which is systematic, concept-based, and rationally controlled. Finally, “there is a close correlation between a liberal constitution and the money economy” (Simmel, 1900, p. 501). Simmel explained on the last point that:

> “Political despotism has been found to be accompanied by a licentious private libertinism. For its own benefit, despotism will restrict its demands to what is essential for it and will make its measure and kind endurable by granting the greatest possible freedom for everything else. The demand for money payments unites the two viewpoints in the most practical way possible. The freedom that is granted in purely private affairs in no way prohibits the disfranchisement in the political sphere which it has so often achieved” (Simmel, 1900, p. 401).

Therefore, Simmel classified that money economy is incompatible with despotism and democracy concern with equality rather than with freedom and tends therefore to “levelling,” for which in turn despotism also has a penchant.

Simmel gave two reasons why money economy related to liberalism:

First, money was associated with freedom, Simmel explained, with its develop forms, money allows people free themselves from groups which heavily their freedom. Therefore, people have chance to involve to other group of different nature, membership in which controls their energies to a much lesser extent. Furthermore, money also allows people free from their obligation toward one another or toward groups, it preserved individual autonomy. Simmel noted, the freedom imparted by the possession of money is “negative freedom but

> “Freedom would be without meaning and value if the casting off of commitments were not, at the same time, supplemented by a gain in possessions or power: freedom from something implies, at the same time, freedom to do something” (Simmel, 1900, p. 403).

Second, money is associated in individualization, the ability to refer primarily to their own beliefs, values, and preferences in conducting their own existence, and indeed to themselves fashion those ideas. He noted:

> “Whereas the technical difficulty of transporting the values of a barter economy over long distances already restricts it to a relatively small number of individual economics spheres, money, by virtue of its perfect mobility, forms the bond that combines the largest extension of the economic sphere with the growing independence of persons” (Simmel, 1900, p. 350)

Simmel (1978) explained that money free people from other objects of possession. It constitutes the character of private property which possess to the notion of choice or elective conduct.

The sum up, then, we may divide the institutional environment of a developed monetary economy into two parts. The first comprises those conditions that make possible the development and the sound operation of the money economy; and these are chiefly a diffuse sense of trust and those arrangements that can sustain that sense, that is, a public authority which effectively backs up and sanctions money with its own distinctive resources, and the stability of the value of money itself. The second part comprises institutional arrangements that present, so to speak, an affinity with a developed money economy: chiefly, a democratic public order culminating in a centralized state with a liberal constitution, a sophisticated legal system, and arrangements reflecting and protecting the values of freedom and of individualism.

5. Money, Culture, and Urban Life

The economic exchange in modern time required the object measurement and a new network of social institutions structuring which provided the stability necessary for exchange to occur[3]. Therefore, Simmel (1978) "demonstrated that money is an essential catalyst for the emergence of rational forms of sociation, and that money and the market mechanism serve as a means of social control" (Carruthers, 2005, p. 355). However, even money has the major purpose as the exchange instrument but it also related with the transformation of the individual and is inextricably linked to individualization. Money is the measurement of the value of the object which presents through the concept of "exchangeability", it is "the value of things without the things themselves" (Simmel, 1900, p. 121). Moreover, form of the interaction of people in a capitalist economy were derivative from relationality embodied in money; the indication is that "social exchange is for Simmel a social phenomenon *sui generis*" (Simmel, 1900, p. 93).

[3] "The emergence of a legal framework, dispute-settlement bodies, and the nation state as a single power-monopoly, the predictability of interactions, rational calculation, the repression of aggressive behaviour" (Karalus, 2018, p. 433).

For Simmel, money is the representation of a civilizational process. It enables people to satisfy their needs in the form of exchange. He summarized that: "money enables individuality to blossom and supports personal freedom and autonomy" (Simmel, 1991, p. 20). As mentioned, the economic in pre-modern time was mostly relied on tradition and autocratic societies which was the major problem in developing the individual, because people need to follow their obligations which were tangible, concrete, and specific. Moreover, individuals in pre-modern times were undistinguishable from local interest groups and they depended on properties of the group. They pursued their economic interests, but this occurred in a "living community in occupational, social, religious, political and many other respects" (Simmel, 1900, p. 345).

The transition to modernity has money as a main factor of depersonalization and objectivization, which effectively dissolves the power of previous communal relations. Simmel explained that, in modern times, the character of money eliminates people from the domination of organizations, people were liberated and rendering them independent. "The negative freedom of the former subordinates can be eventuated only in a mature monetary economy, since monetary exchange possesses emancipatory potential and does not impose such limitations when compared with traditional barter" (Simmel, 1991, p. 22). Simmel described that money is the way for personal freedom and produces "an insulating layer" (Simmel, 1991, pp. 18-19) between the individual and the objective social being and released the individual from burdensome personal investment in the act of exchange itself.

Moreover, Simmel justified that money, as a medium of exchange, created social interactions between people in society which enabled people to distinguish their personality from the group association. Through monetary-mediated consumption, Simmel (1900) explained that people expanded their connection, money increased specialization of labour, social differentiation, and personal interdependence. The modern freedom is constituted more clearly through the medium of things. He said money is the important factor which allows the expression of individuals. “possession enables us to imprint our mark on things and the more we possess the more our freedom is magnified and our life energy finds a host of possible existential outlets” (Karalus, 2018, p. 436). According to Simmel, in order to possess object implies an accretion of freedom, therefore accelerating the process of individuation.

However, in modernity, people confronted with the weariness, restlessness, and indifference to each other because of the increasing pressure of sensuous stimuli attacking the nervous system. He wrote in his article “The Metropolis and Mental Life” (Simmel, 1950, p 409-427) that:

> “Man currently competes for independence, sovereignty, and individuality not with the overpowering forces of nature but with the overwhelming richness of objective culture and with ever-growing functional specialization, stemming from occupational differentiation” (Simmel, 1950, p. 412).

For Simmel, the consequence of modernity and money exchange also produced an urban people with mental fatigue and the absolute domination of the intellect over other mental faculties. “Since intellect possesses the highest degree of adaptation, it has to maintain a constant high level of intensity in order to repress affections and emotive signals” (Karalus, 2018, p. 435). However, normally people in modern society spend life by computing reason, then it is hard for them to develop psychological toughness, which serves as an emotional carapace, leaving little room for the maintenance of non-reified relations with fellow-citizens. Furthermore, the objectifying function of money effect a lot to people’s idea and life in society. Simmel said that modern mind create the social reality based on calculation, therefore people in modern society represents the internal system of a monetary economy. As he wrote:

> "The calculative exactness of practical life which the money economy has brought about corresponds to the ideal of natural science: to transform the world into an arithmetic problem, to fix every part of the world by mathematical formulas. Through the calculative nature of money a new precision, a certainty in the definition of identities and differences, an unambiguousness in agreements and arrangements has been brought about in the relations of life-elements just as externally this precision has been effected by the universal diffusion of pocket watches" (Simmel, 1950, p. 412).

In conclusion, for Simmel, traditional society is a society of substance, but modern society is a society of function, and money is the important factor which help people understand the life process as whole. Money makes it impossible to derive any "tangible purposiveness from the activities of everyday existence" (Goodstein, 2005, p. 259), it reduces a feeling of loose and lack of emotional connectivity. However, the atrophy of individual in modernity times is the "hypertrophy of objective culture," (Goodstein, 2005, p. 276) which was growth in the proportion to the relative impoverishment of the modern personality. Simmel explained the relation between subjective experience decline to the functioning of a monetary economy, where money is both the medium of sociation and of a progressive rationalization of social life, and where "all higher culture depends on lengthening and differentiating the processes by which human needs are fulfilled" (Goodstein, 2005, p. 258). Simmel explained the change of social by using the monetary economy to shape new type of sociation, new subjectivity, and a distinctly modern sensitivity.

CHAPTER V

Bitcoin

Introduction

Since internet was created, it revolutionized the world in many ways, not only in terms of information and social communication but also with regard to monetary systems. The potential of a digital network could enable money transactions without an approval of a third party, therefore, this new monetary systems gradually began to displace traditional financial institutions. The Internet began to impact business world-wide and constituted a long-term effect on organizations, markets, and societies. One of the significant systems which developed is called digital currency which is based on blockchain technology. There are many digital currencies in the market but Bitcoin is the most discussed. It is considered as the latest innovation of a movement which begs people to consider many ethical and philosophical questions.

Traditionally, cash transactions exchange cash directly for goods and services to each other, a peer-to-peer system, however when online transaction is developed, third parties are needed to establish the security of the payment process. Therefore, the payment starts from one party through financial institutions, banks or monetary institutions, in order to confirm the payment. This online transaction seems to replace peer-to-peer system and makes many unsatisfied to some users. Thus, the digital currency was developed with the purpose to return to a form of "peer-to-peer electronic cash system" (Nakamoto, 2009, Para. 5). In sum, digital currency is an abstract form of money which does not need for the approval of traditional financial institution, a third party.

"Satoshi Nakamoto", named of the mysterious founder of Bitcoin clearly explained his motivations in innovating Bitcoin in the P2P foundation forum that:

> "The root problem with conventional currency is all the trust that's required to make it work. The central bank must be trusted not to debase the currency, but the history of fiat currencies is full of breaches of that trust. Banks must be trusted to hold our money and transfer it electronically, but they lend it out in waves of credit bubbles with barely a fraction in reserve. We have to trust them with our privacy, trust them not to let identity thieves drain our accounts… (unitl) strong encryption became available to the masses, and trust was no longer required. Data could be secured in a way that was physically impossible for others to access, no matter for what reason, no matter how good the excuse, no matter what. It's time we had the same thing for money" (Nakamoto, 2009, Para. 2) .

Moreover, he also quoted the objective of Bitcoin that:

> "Lot of people automatically dismiss e-currency as a lost cause because of all the companies that failed since the 1990's. I hope it's obvious it was only the centrally controlled nature of those systems that doomed them. I think this is the first time we're trying a decentralized, non-trust-based system" (Nakamoto, 2009, Para. 2) .

Nakamoto (2009) explained that he created Bitcoin with the purpose to decentralize the monetary system. After the news of Bitcoin was spread, some people shown the positive feedback, but mostly interested in the capability of Bitcoin's method on the token price stability. However, Nakamoto admitted that "there is nobody [in Bitcoin] to act as Central Bank or Federal Reserve to adjust the money supply" (Nakamoto, 2009, Para. 6), Bitcoin would still require "a trusted party to determine the value, because I don't know a way for a software to know the real world value of things" (Nakamoto, 2009, Para. 6).

Bitcoin based its own system on "Blockchain protocol, which assures transaction authenticity, integrity, and ordering" (Folkinshteyn, 2015, p. 8). "Blockchain" is similar to a book to keep all transaction's information within the system, "blocks are records containing the most recent transactions that are cryptographically signed and added to the chain in a designated sequence, in a linear, chronological manner" (Coeckelbergh, 2015, p. 172). The working process of the blockchain is not anonymous transactions, but it has "the capacity to track transactions within a systems and therefore fully exclude counterfeiting" (Kostakis and Giotitsas, 2015, p. 29). Bitcoin has the ability to decentralise authority and make transactions on a peer-to-peer. The transaction is free from government or banking institutions to authenticate and validate transactions. It is delegated to the technology. Thus, it is a "weapons in the new control society"

Generally, computer ethics treats the ethics "of finance which concerned with values such as privacy, democracy, autonomy, and with the behaviour of humans such as bankers, money traders, etc. and the fairness of financial institutions" (Coeckelbergh, 2015, p. 175). Boatright (2010), considered "finance ethics as being concerned with the fairness of markets and the duties and rights of the participants in those markets" (Boatright, 2010, p. 32). However, after the evolution of internet and a digital network, it raises many new questions. Now people start to ask: "do cryptocurrencies enable fraud?" "Do miners act responsibly?" "Do cryptocurrencies lead to more democratic economic and political systems?". All these questions are interesting, but it is important to understand how human react to this new technology.

Therefore, in this chapter, the researcher would like to present the study of digital currency, Bitcoin, in term of philosophical and ethical concept by using Simmel to frame the analysis.

Advantages and Disadvantages of Bitcoin

To understand the consequence of Bitcoin in human society, it is necessary to consider both of the advantage and disadvantages when it was used in the payment network. According to the Stanford University (2010), Bitcoin provides three advantages as: no appropriation of funds, privacy and anonymity, and no transaction cost.

Firstly, Bitcoin does not need any funds in its system. As mentioned, one of the characteristics of Bitcoin is a decentralised digital currency, then "when transactions are conducted using Bitcoin, a government cannot seize or freeze any Bitcoin wallets of funds" (Stanford University, 2010, Para. 4). Bitcoin is uncontrolled from the third party, "it is free from government intrusion and users of Bitcoin who want to send large amounts of money, for example, internationally, can accept Bitcoin as a payment method" (Plassaras, 2013, p. 377). Secondly, the transaction of Bitcoin is private, then it can be transferred any time and everywhere without going through a banking institution. Thus, the users of Bitcoin are anonymous to each other. However, the users of Bitcoin still report themselves to the system by a Bitcoin address. Thirdly, there are not transaction costs in transferring Bitcoin, "because Bitcoin, as a digital currency, is decentralised with no involvement of a third party, such as banking institutions charging high fees for customer transactions" (Westhuizen, 2017, p. 57). The network in transferring is free to use, and many private organization and even the World Bank uses digital currencies for their own benefit.

The study from Stanford University (2010) presented not only on the positive side of Bitcoin but also the disadvantages of Bitcoin which effect to human society. They listed the disadvantages in using Bitcoins as: instability, ebb and flow cycle of value, irreversible transactions and criminal activities.

First, Bitcoin is unstable. Obviously, people or business start to use Bitcoin in their payment, however the government does not accept it as legal transaction. Bitcoin is not accepted trusted from everybody in society, which makes it an unstable currency. “The main issue with acceptability of Bitcoin is that the identity of the users are not made known, which means that traditional banking institutions still remain the most preferred avenue through which banking transactions are conducted” (Westhuizen, 2017, p. 58). Second, the value of Bitcoin is changed all the times because there does not has any set currency value to assign its payment system. The rate of Bitcoin is ebb and flow cycle. “This potentially becomes difficult when a person wants to store Bitcoins, as the exchange rate will not stay the same” (Westhuizen, 2017, p. 59). Third, the transaction of Bitcoin is unchanged because it does not has any banking institution to guarantee the transaction. Westhuizen (2017) explained that “irrevocability makes any Bitcoin transaction involving one or more intermediaries subject to added risk, such as if the intermediary becomes insolvent or absconds with customer deposits” (Westhuizen, 2017, p. 60). Lastly, criminal activities such as theft, money laundering, terrorist and tax evasion are more easily when using Bitcoin. Because Bitcoin has the anonymous and decentralised characteristic, then it is difficult for law to tract these illegal activities. Thus, many nations and international institution disagree and try to against to these digital transaction.

As abovementioned, likes other human’s innovation, Bitcoin has both positive and negative effect to human society. People may raise many questions such as “whether Bitcoin can and should be considered a medium of exchange?” or “Does it has a definition to explain themselves as money?”. There are many theories try to show the argument against Bitcoin as money but in this research, the researcher would like to use Simmel to show how Bitcoin can consider as money even it is not legally accepted currency.

Bitcoin as Money

In order to explain how Bitcoin can be considered as money, first, it is necessary to understand the concept of money. Generally, economists consider money as an instrument which serves into three functions; a medium of exchange, a unit of account, and a store of value. According to the economic concept, money has the main duty to be a medium in exchanging process. Money has the purpose to facilitate trading in order to help buyers and sellers reach agreement. Money was created to replace a bartering system. Furthermore, money also functions as a store of value, because money is a property that maintain its value all the time without depreciating. Lastly, in its accounting function, money provides a standard measurement of the value for all commodities being exchanged.

Therefore, Bitcoin can be considered as money, it need to analyse how it can completely fulfil these three functions of money. The Bank of England also observes that;

> "From the perspective of economic theory, whether a digital currency maybe considered to be money depends on the extent to which it acts as a store of value, a medium of exchange and a unit of account" (Barrdear, 2014, p. 98).

According to a medium of exchange function, it is explained that; Bitcoin, in modern society, works as a medium of exchange but it is still limited. Since Bitcoin was launched, it has grown and become widely used as an alternative money in society. "Bitpay, world's largest Bitcoin payment processor, reported 100,000 transactions in 2015. Bitcoin has slightly over 50% market share of the Bitcoin payment market, if we extrapolate the volume, roughly 200,000 Bitcoin transactions were completed in 2015" (Nigel, 2017, p. 145). However, Bitcoin is not acceptable in any government but it is an increasing medium for payment among businesses.

Bitcoin, apparently works as a medium of exchange. These two functions always come together. However, the price of Bitcoin is very sensitive, thus, shops which accept Bitcoin as payment tend to post their commodity's price in state money such as Yen, Euros and Dollars. "To the extent that customers incur a psychological cost when they see the posted price (in dollars) of a typical good fluctuate rapidly, Bitcoin's extreme volatility renders it less, or not at all, suitable as a unit of account" (Lo and Wang, 2014, p. 3). The supporter of Bitcoin also accept that Bitcoin is diminished its ability for exchange because it's price is very sensitive, leading to uncertainty concerning the amount of Bitcoin needed for transactions. From the last function, a store of value, nowadays, Bitcoin was considered to be a main vehicle for the investment. There are many online markets which serve in trading Bitcoin for various investors, not just only Bitcoin but also including other cryptocurrencies.

In sum, if considered Bitcoin from a perspective of economic theory, Bitcoin can clearly claim to be money because it coincides with all the functions of money as abovementioned. However, it is still not widespread over the global economic but it still presents itself in the position of money in society.

But to consider the status of Bitcoin as money, we need to move beyond a mere economic perspective, to a philosophical point of view. At the time of Simmel, there was no such things as computers or digital transactions, yet Simmel's reflections on money's substance and value, are still very helpful in understanding the status of a digital currency such as Bitcoin.

As mentioned in the Chapter III, money, for Simmel, is an instrument which does not has an intrinsic value and can take various forms. "Money is really that form of property that most effectively liberates the individual from the unifying bonds that extend from other objects of possession" (Simmel, 1900, p. 356). Money is independent from the particularities of commodites in order to make all transactions and all commodities commensurable. In addition, money, for Simmel, is an instrument which creates relationships between humans and human to the world.

Simmel described more that money has a development process and it does not rely on any substance. “In the past, money has often taken substantial, material forms, and did so in the time of Simmel in the form of paper money” (Coekelbergh and Reijers, 2015, p. 356)[1]. Simmel saw that the development of paper money, signifies a move from substantial to functional value. The evolution of money will not be finished until money becomes fully functional, however, this was far from being realized in Simmel's time. Therefore, this evolution of money make people in society become concerned about the world more in abstract terms. Money is pure symbol and function which he considered this qualification as the idea of “Perfect Money”, “money is detached from every substantial value” (Simmel, 1900, p. 163). Money in this case would not have an intrinsic value, “money also retains its value unchanged” (Simmel, 1900, p. 190). The stable money necessary to have this perfection as its property.

Simmel also mentions many times in his book about money as a perfect tool. People in society use it to reach their ends and “it is a special kind of tool since a tool of endlessly diverse and extensive uses; highly flexible and liquid. As Simmel describes “money is the purest form of the tool and as a pure means and a perfect tool” (Simmel, 1900, p. 210). He writes:

> “A tool continues to exist apart from its particular application and is capable of a variety of other uses that cannot be foreseen. Money as the means par excellence fulfils this conditions perfectly; Money is the tool that has the greatest possible number of unpredictable uses” (Simmel, 1900, p. 212).
>
> “Money’s flexibility is only that of an extremely liquid body which takes on any form, and does not shape itself but receives any form it may possess only from the surrounding body” (Simmel, 1900, p. 329).

[1]Coekelbergh and Reijers (2015), the researchers who analyse cryptocurrency with the idea of Simmel, wrote many interesting points in their research, Cryptocurrencies as Narrative Technologies. They explored the affinity of money and modern society in order to understand the contemporary financial information and communication technologies. According to their research, Simmel is considered as a philosopher of technology whose view money as a pure tool and a social institution. Coekelbergh and Reijers (2015) said “this help us to understand about contemporary financial media and technologies” (Coekelbergh and Reijers, 2015, p. 174). Therefore, in this dissertation, the researcher uses some point of their research to support the idea.

Therefore, money, as a means, is a perfect tool or a pure means becomes an end or a final purpose.

Simmel also cited that “money has been defined as abstract value. As a visible object, money is the substance that embodies abstract economic value” (Simmel, 1900, p. 191). It is an instrument in comparing value of objects in exchange, or an objects worth in terms of other objects. To use coins and paper money, requires trust in a state which represents the interests of the people in a community. The state has the authorities to guarantee the currency payment of each party in their exchange process. Therefore, people in a community conduct their exchanges without worry.

The material form of money, Simmel classified, is one of the obstacles in transferring money in long distances or large quantities. The state need to guarantee the substance value of the material. “The circulation of state money is confined to the geopolitical borders of that state, since the state cannot guarantee international traders will accept the domestic currency” (Barber, 2015, p. 14). Therefore, initially, the state needs to use material of high intrinsic value, such as gold and silver, in order to be accepted in international trading. If the state would further wish to facilitate global trading which is needs trust and interdependencies, it would require a “diminishing intrinsic value of money and its replacement by functional value” (Simmel, 1900, p. 181). This is the reason that money evolved to paper notes, checks, cards (debit or credit) and online payment systems respectively.

Simmel explains further this evolution of money to an abstract form. He writes that money, in society, become more than a medium of exchange but it also represents as a symbol of membership in economic society. “This development eliminates all individualistic and isolating elements from the nature of money, and makes the centralizing forces of the most inclusive social circle the representatives of money" (Simmel, 1900, p. 183). Thus, it is necessary for money to become more abstract so it can be accepted by all members of society. Furthermore, with the ability to transcend distances or international trading, money requires "perfect form or abstract form" for both parties, buyers and sellers, to be accepted in their trade, while state money is still restricted by geopolitical borders.

State money, for Simmel, needs a third party to organize its transactions and therefore the size of economic and financial institutions are limited. However, "the digital currency community reveals a preference for a more coherent and inclusive economic society, mediated instead by the relationship of each transacting member to one another under such a society" (Barber, 2015, p. 14). But if money is issued by the state, then society cannot become fully global.

According to Simmel, the development of monetary forms contributes to the development of international economics, then Bitcoin is the next step of money's evolution. "Continuing along Simmel's logic, as money approaches a purely abstract form, further abstraction promotes growth of the economic societies by including a more vast population" (Barber, 2015, p. 14). Normally, the currency in circulation comes from states, however, to support global economic, "monetary evolution would be an attempt to transcend states. "Nakamoto's White Paper" indicates an intent to establish an autonomous payment system that eliminates the need for third-party mediation and relying on financial institutions and states to ensure online transactions to purely peer-to-peer online exchange" (Barber, 2015, p. 14).

Hence, following Simmel, Bitcoin would be one of the stages of money's evolution. It is money without substance. Bitcoin uses the global internet to communicate and trade which reduces the possibilities of counterfeit and double spending. Moreover, the highest purpose of Bitcoin is to eliminate the need for institutions of trust. Generally, digital currencies is an abstract money which does not need an institution or state, however it uses state money function to design these kind of currencies system. In sum, Bitcoin, digital currency, can be considered as money if considered from the perspective of Simmel.

However, many states still not accept digital currencies and treats it as commodities because unlike state money, it is uncontrollable. However, states give reasons to deny digital currency such as, “if Bitcoin is truly meant to be a payment instrument that transcends the binds of the state in the name of creating one global economic society, then it appears to have already failed in practice” (Barber, 2015, p. 14). The main reason to deny Bitcoin as money is that Bitcoin cannot pay taxes as is the case with state money.

The phenomena of cryptocurrency and Bitcoin, therefore, can be understood from Simmel’s evolutionary understanding of money. It offers an alternative payment systems in society from the traditional currencies. However, this new phenomena also calls attention to the traditional national currency, fiat money[2]. Simmel (1900) described that the symbolic medium of exchange emerged first in the substantial form of gold. However with complex societies, fiat currency was sanctioned by the authority of the state, and so fiat money possessed a symbolic function “which associates the current holder of the money with the anonymous third parties who will accept the medium in payment for material goods in the future, or in other spatial locations beyond” (Kemple, 2016, p. 61).

[2] Fiat currency is different from a commodity money. It has no intrinsic value which mostly established from a government or central bank in order to be exchanged for its value in goods. Therefore, fiat money has value only when the government maintains its value or the two parties engaging in exchange agree on its value.

In order to clarify the relation among Simmel's concept of money, fiat money and Bitcoin, it could be better shown in the table below;

	Simmel's concept of money	**Fiat money**	**Bitcoin**
Form	material form	material form	formless
Controllable	controllable by trust in community	controllable by government or central bank	uncontrollable from government or central bank
Created by	the agreement of people in community	government or central bank	programmer
Made from	anything (if accepted and agreed in community)	material and Paper	computer language
Quantity	-	unlimited	limited
Online Security	-	able to intervene	difficult to intervene

Table 2: The relation among Simmel's concept of money, fiat money and Bitcoin

In his book, Simmel mentioned that money can be any material but that material has to be trusted by the people in community. However, fiat money is not only a material that accepted in community but it needs to be printed or created from the central bank in that state. People trust fiat currency because they trust in the government (or central bank), but Bitcoin is different. If compared with fiat money, Bticoin is more convenient because it is easy for everyone to decentralize. Bitcoin does not need any approval from a government or central bank, then people can directly transfer money to their trader. However, even as the use of Bitcoin is increasing, but it is still not enough for people to use in their daily life especially in the local shop or supermarket. Therefore, fiat money is still necessary and more convenience in practical.

One of the important characters of Bitcoin is its decentralized nature which seems to support democracy and the equality of people in society. Fiat currency is different. It is centralized, all the monetary power is controlled by government or central bank which has negative associations. However, even though decentralization is freedom, centralization of fiat money is stability and security. Moreover, the controlling from the government can also guarantee the value of fiat money, then it served the function of the unit of account better than Bitcoin. Therefore, it is difficult for cryptocurrencies like Bitcoin to be used at the international level because there has nothing to guarantee and it could bring damage at the macroeconomic level.

In some situations, Bitcoin can works as money which offers an alternative payment systems in society. However, after we can clarify its position, the next question we need to ask ourselves is whether it should be completely accepted? Because even if it has the status of perfect money according to Simmel's criteria, the society which uses it is still not perfect. There are many cases shown that some people use Bitcoin in illegal Business such as drag and corruption. Therefore, we need to consider Bitcoin in relation to society and ethics.

The Ethics of Bitcoin

The ethical concept of monetary systems is one of the most complicated and contentious topic. Normally, people determine this concept from the characteristic of people who perform or control the system, however, when digital currency was invented, the explanation of monetary system ethics has been placed on the global financial structure. It moves to rely on the global economic and political narratives which consider the ethical dimension from the structures that surround money as a technology. Coeckelbergh (2015) acknowledged two features of the ethical concept of digital currency as: "the decentralisation of power and the delegation of trust from legal authorities to the authority of the blockchain protocol" (Coeckelbergh, 2015, p. 175). This is similar to what Adam Smith (1759) presented in his theory, he emphasized that people necessary to construct the development of trust in economic. "Trustworthiness is a highly valued human quality" (Özler, 2015, p. 31). Smith wrote in his famous book, The Theory of Moral Sentiments, that:

> "Humanity does not desire to be great, but to be beloved. It is not in being rich that truth and justice would rejoice, but in being trusted and believed, recompenses which those virtues must almost always acquire." (Smith, 1900, p. 194).
>
> "Frankness and openness conciliate confidence. We trust the man who seems willing to trust us. We see clearly, we think, the road by which he means to conduct us, and we abandon ourselves with pleasure to his guidance and direction." (Simmel, 1900, p. 398-99).

However, to understand the ethical conception of Bitcoin, it is necessary to perceive the conception of transaction first. According to Simmel, transaction is grounded on exchange which he defined as a configuration of human action. Simmel (1978) explained that "the development of money has transformed transactions from more direct forms to less direct, abstract forms" (Coeckelbergh, 2015, p. 175). At the beginning of history, human economics depended on a direct exchange through people in society, therefore, the transaction has a character in handing over goods between the merchant and buyer. However, the system was changed when money involved, for Simmel, money, as a medium and as a mediation, makes the transaction indirect. In modern times, the interaction between people in society is through money. Money creates the structure of exchange, people organise their activity through the use of technology. Therefore, people change according to these new constructs of transaction.

The transaction through technique of blockchain has created a more distance between people in the structure of economic exchange. As Simmel (1978) had already explained the processes of abstraction and distancing entailed in the development of modern money. Through the development of Bitcoin, these processes of abstracting and distancing, is now increased. Moreover, in modern society, mediated by the blockchain technology, economic exchanges and financial transactions seem to be even more abstracted from concrete people and events.

The monetary system has been evolved so far, but the ethical concept still emphasized on the notion of "trust" which is used in establishing the transaction process of Bitcoin. "The trust between the first-order entities in the miners, the traders and the cryptocurrency, Bitcoin, users, is substituted by the systemic rigidity of the technology, that is, by a second-order entity" (Coeckelbergh, 2015, p. 176). In order to use Bitcoin, people understand that they deal with reliable and trustable transactions not because they trust people in the network, but they trust in the system. Therefore, trust cannot removed, it is still needed. However, rather than trusting the people in the system, people need to trust the system itself.

In modern times, the more abstract forms of the monetary system need more trust by people in society. "As money dematerialized, trust also already depended increasingly on what was written down and recorded" (Coeckelbergh, 2015, p. 78). Cryptocurrency and it's technology changed trust between people into the trust of technology and system. However, people still need to trust the people who control that system.

> "Although there is "trust in the algorithm (or not), the technology still requires "trust between people": if no-one trusted and used Bitcoin, for instance, then it would not work: trust now also depends on whether our peers use it – revealing that transactions and trust in the financial sphere and elsewhere where always already a social matter" (Coeckelbergh, 2015, p. 165).

For Simmel, the consequence of the abstracting capacity of cryptocurrency can be both positive and negative. In the positive effects, Bitcoin can be emancipate and empower people. If social relations become less personal, then this also creates more equality and freedom. They have more choices in their relationships, then "money becomes a guarantee of inclusion in the realm of economic exchange, regardless of your personal, racial, or cultural background and status" (Simmel, 1900, p. 234).

Moreover, Bitcoin also destroys the boundary of the physical-geographic with an abstract form of cryptocurrency, it help people to communicate and transact with anyone, anywhere on earth. "These effects are in line with the predominantly cosmopolitan and libertarian ideology most present in the narratives offered by cryptocurrency communities" (Karlstrom, 2014, p. 27). The transaction system of Bitcoin can be performed without people involved, thus people need to trust people who you are totally irrelevant. Therefore, people from any background can engage in transaction without an authority preventing them to do. It is said that "cryptocurrencies could empower people to gain the benefits from financial services in developing countries that have so far been secluded from access to banking services" (Clegg, 2014, p. 78). Considering from these points, cryptocurrency seems to present positive and optimistic ethical and political concept.

However, Simmel (1978) also suggest that "the abstraction from the narrative of inter-human exchange comes with a cost" (Coeckelbergh, 2015, p. 177). First, the transaction of cryptocurrency rely on trust in the system, then no one take the responsibilities of the acting of that transaction as long as the system allows it. This means no matter reason of the transaction is (legally or illegally), it is still transfer if the system accept it. Therefore, "these technological loopholes have to be countered by legal measures and as yet it is unsure how this can be dealt with in the future" (Coeckelbergh, 2015, p. 177).

Furthermore, Bitcoin has a significant effects on the power relations between people and institutions. There are several countries that prohibit cryptocurrency such as Iceland and China because if "trust" was delegated to unauthorized people, power struggles might arise. However, this problem is still uncertain because sometimes banks or money institution also invest money in the system and "cryptocurrencies might be viable forms of state currencies" (Coeckelbergh, 2015, p. 177). Therefore, it is uncertain that the decentralised features of the technology will also result in the decentralisation of institutional power. Since, the one who controls the system still remain unknown, the ethical and political consequences of Bitcoin also remain uncertain. We still need to know who controls the system of real characters interacting through an organisation of events.

In sum, technology is not only a part of human life but it is also shapes life. Especially economic and financial technologies which have a close relationship to everyday life. The financial system and abstract transactions re-shape human and society in significant ways. It is obvious that cryptocurrency require human to adapt their ethical and political perspectives. It changes people the nature of trust, power and the way human think about these concepts. If humans want to discuss the ethics and politics of finance, therefore, it is important to take into consideration these financial technologies and its capacities.

With the blockchain technology, as explained, Bitcoin seems to serve society very well, however a recent report by World Bank (2017), illustrated that globally more than 1.7 billion adults remain unbanked which means they are currently lack of the basic financial services and live without an account at a financial institution or mobile money provider. It is undeniable that financial products and services such as deposit account, debit or credit card, and life insurance could help the world reduce poverty in community but there are many people still do not have a chance become a part of the system. Therefore, this shown that cryptocurrency could not provide the effective currency for everyone in the world yet. From the book, The New System and Society, wrote by Phanapat and Supasin (2018) explained how the new technology especially the internet banking affect to the rural community. They described that mostly people in the rural community are not familiar with the internet banking, they are easily deceived and exploited by the technology and financial officer. Therefore, local community mostly feel against with the new financial technology and internet banking.

In conclusion, even cryptocurrency try very hard to promote "decentralize" and "freedom" to their users, but there are still a big gap between people in society. The development of new technology, sometimes, is appropriate and useful for some group of people, but it still be the limitation for people who are not ready to use it. Therefore, cryptocurrency may not be ready for the current situation, they need to wait until the whole system of economic and people in local community is ready to use it.

Money, Religion and Bitcoin

Simmel (1978) explained that money is the combination of faith and consumption. "From a shared belief in the stock market prices, the value of gold as money, or believing in national currencies as a method of payment, money operates on the virtue of keeping faith" (Graeber, 2014, p. 172). Consumption and religion have shared and uneasy but intermingled relationship. It is easily to understand through the behaviour of the consumer in society. For example, following the financial crisis of 2008, money's fundamental value is being redefined. The financial crisis has shaken faith in the citadels of banking and monetary authority, many of alternative money began to emerge.

Moreover, Bitcoin has the similarity concept as religion. In the article of "Money's unholy trinity: Devil, trickster, fool. Culture and Organization", Cameron (2015) shows the coincidence between the abstract financial process and religion. She explains that the abstract transaction system of Bitcoin was organised based upon strong ethical considerations. She writes that Bitcoin was created "by presenting an alternative based on the decentralisation of power and the delegation of trust from legal authorities to the authority of the blockchain protocol" (Coekelbergh and Reijers, 2015, p. 174). Therefore, the appeal of cryptocurrencies can be explained through ethical considerations.

Furthermore, in general, value or function of money is based on trust and belief, Bitcoin is similar but in different ways. Normally, money has its value from the acceptance of people in society, paper money has a financial or monetary value because people believe it does. "Money demands faith and belief which is shared by a community" (Humayum and Blek, 2017, p. 677). Similarly Bitcoin's value is raised based on how much people trust and believe in it.

Since it was introduced, Bitcoin has been predicted to soon die, but it continues to live on and gradually widens its global influence and use. Bitcoin is completely abstract, it is not based upon anything of material value, such as gold or state banks, "it represents a rare intersection of technology, ideology and religiosity" (Nobel, 1997, p. 78). Furthermore, "with faith, it brings people together, it makes them believe in something strong and emerge as a strong person" (Kumar, 2019, Para. 6). For Bitcoin, involves not only people trying to invest in cryptocurrency, but also has the potential to change society or the way people understand it. This is how Bitcoin can be explained in a religious sense. Simmel (1978) also mentioned this point in his book about the coincidence between faith and consumption in society. "From a shared belief in the stock market prices, the value of gold as money, or believing in national currencies as a method of payment, money operates on the virtue of keeping faith" (Graeber, 2014, p. 172). Consumption and religion have shared an uneasy but intermingled relationship.

Bitcoin use technology of blockchain to conduct and safeguard its transactions which has the aim to bring all transaction to the same standard and then create the equality to the world. It can be said that Bitcoin is a kind of vehicle which is bringing new transformations in the wold. It is considered one of the revolutions in social innovation. This new technology of Bitcoin shows the relatedness between networks of computers and internet, and it helps to maintain and share data in business. It is obvious that Bitcoin's system allows people connect through the network, interconnection between people globally based upon common trust.

Or as Sharma writes "hence, it would not be wrong to claim that Bitcoin is a religious belief of people which is brought people from across the globe on one platform" (Kumar, 2019, Para. 4). It becomes a revolutionary development in both the economic system and global interaction.

The Future of Bitcoin

Nowadays, people try to predict what will be happen to cryptocurrency in the future. However, many states and central banks start considering in using cryptocurrency, for example, Ripple, one of the famous cryptocurrencies which was created by Ripple Labs, "has become an instrument for interbank payments that facilitates international transfers between commercial institutions in France" (Desmedt and Lakomski, 2018, p. 7). This shows that some states and central banks are now experimenting with the cryptocurrency system. Therefore, people begin to accept and discuss how cryptocurrency could become future modes of payment or what conditions it could help them replacing a monetary payment to arise.

The economists (Aglietta, Orlean, 1998; Alary, Blanc, Desmedt, Theret, 2016) suggested if cryptocurrency could replace the older monetary system, it need to improve two form of trust: hierarchical trust and ethical trust. Firstly, the hierarchical trust; it is the trust which refer to the trust of someone or institution who responsible for the process of cryptocurrency, as wrote that:

> "Hierarchical trust refers to an acknowledged relationship of subordination to a superior authority, which defines the rules according to which this currency will be used (and has the power to change them) and guarantees the means of payment and value of monetary signs, while also protecting users against possible failure" (Desmedt and Lakomski, 2018, p. 6).

This trust has the purposed to someone or some institution to guarantee the quality of cryptocurrency payments. The trust relates to everyone using the system such as miners, developers and exchange platforms. However, this concept contrast to what Nakamoto explained why he invented Bitcoin but it is necessary if Bitcoin want to increase its use. Ripple is one of the good example. Ripple is one of the digital currencies which is managed by private companies, thus it was used in some states or central banks. "The Bitcoin community necessary to find the protection of the integrity of actions, the governance of the ecosystem" (Desmedt and Lakomski, 2018, p. 6).

Second, the ethical trust; Theret (2016) explained that most cryptocurrencies based its network on libertarian values and tried to free itself from the political decisions. Therefore anonymity and decentralization are at the heart of the ethical and commercial model of cryptographic currencies. With regard to "Anonymity", Bitcoin has the reputation of a scandal-ridden currency because although the transactions of Bitcoin is used for good – "to fight the censorship of dissident positions, to seek protection from abuses of power and control" (Desmedt and Lakomski, 2018, p. 6) – it is also used for things fraudulent, illicit, and criminal. Therefore, the illicit transactions of Bitcoin can have an unfavourable impact on community trust.

Consequently, the European Commission (2016) decided to include digital currency exchange platforms in its directive and to "subject them to the requirements relating to identification and identity verification provided for by European regulation" (Desmedt and Lakomski, 2018, p. 7). Thus, from this requirement, Bitcoin would become a less anonymous currency. According to this requirement, some of forms of cryptocurrency, Zcash and Monero, are growing increasingly popular because they are guarantee anonymity.

"Decentralization"; this is the key system of Bitcoin's innovation and one of main reason why people choose this kind of instrument. People use Bitcoin because they avoid a control or power concentrations from organizations or governments. However, the concept of decentralization seems more theoretical than actual. In order to make it practical, the economist try to force "the centralization and concentration of intermediaries at different levels of the ecosystem" (Desmedt and Lakomski, 2018, p. 7), at least to guarantee three important categories of intermediaries as miners, exchange platforms and digital portfolio services companies. However, this request "tends to distort the original ethical model, which was unique to peer-to-peer groups and favoured cooperative approach" (Desmedt and Lakomski, 2018, p. 7). However, this concentration can prove to solve the problem for price evolution mechanisms, since the market price is not atomistic, but it depend on the operations of a small group of actors who have a significant impact on prices.

In sum, the status of Bitcoin in modern society is difficult to fully comprehend, however, there are many example shown that states and central banks are also interesting in this system. Many project of cryptocurrencies are under developed to apply in legal structure such as "the Petro, launched in Venezuela amidst debilitating inflation, is not likely to have staying power, but could give the country access to foreign financing" (Desmedt and Lakomski, 2018, p. 8). Furthermore, many countries such as Estonia and other are working on viable protocols. In these ways, the origin of cryptocurrencies, has now been called into question and seems to be a movement toward a hybridization of debt networks.

Conclusion

Typically, Simmel was known as a sociologist, however, when he is read as a philosopher, the reader can learn many philosophical aspects about the social, culture, and technology. His work reveals the relevance of his theory in understanding the monetary system and financial technology, thus, if anyone want a better understand in the monetary system and financial technology, they necessary to study Simmel as a philosopher of money and technology, not only as a sociologist. Lehtonen and Pyyhtinen (2008) noticed that Simmel could also be considered as a phenomenologist because he analyses money as the experience and structures which cannot understand outside the social, “he theorizes the social, cultural world, and how money shapes that world and is shaped by it” (Lehtonen and Pyyhtinen, 2008, p. 311).

Money, as a medium of exchange, connects and creates distance of people in society at the same time. Money, for Simmel, mediates the exchange between objects and people, it makes a long distance trade possible, however, it also creates distance and alienates because people are replaced by impersonal exchange. This shows that Simmel has a modern way of thinking, after world was takeover by the digital operation, society become distant and impersonal from the electronic money. As mentioned in Coeckelbergh (2015) and Holt and Searls (1994) works, they explained that money facilitate the exchange of people in society, therefore people has a freedom to consume any commodities, however they do not feel attach to anything even with the people in society.

In modern society, money become the symbol of impersonal relationships, it has a power in daily experiences of exchange. Simmel explained that money itself becomes relations, then, by means of money, life in modern are more personal and less relationships. As he writes:

> "If money itself were a specific object, it could never balance every single object or be the bridge between disparate objects. Money can enter adequately into the relations that form the continuity of the economy only because, as a concrete value, it is nothing but the relation between economic values themselves, embodied in a tangible substance" (Simmel, 1900, p. 125).

The abstraction and the distance from money makes possible in human relations, in modern society, money become the symbol of impersonal relationships. Coekelbergh (2015) wrote a strong conclusion in this point that:

> "The abstraction of money and the distance it makes possible in human relations, the phenomenology of which Simmel sketches so convincingly, derives from its functions as a medium-whatever other functions and roles money may have. When and in so far as money functions in the exchange relations, money itself becomes a relations" (Coekelbergh and Reijers, 2015, p. 362)

Moreover, on the concept of perfect money, Simmel (1900) mentioned many times that money is a perfect tool which was used to reach people need. He believed that money will be developed from material to become fully functional, which he called a "perfect money", but he described it is only a concept, it is not feasible (at least in his time). However, nowadays, with the global finance and new monetary technology, money seems to be reached what Simmel expect, especially the electronic currencies, Bitcoin. It presented in society with no material substance, traded from computer to computer. If consider from Simmel's idea, Bitcoins seem to reach the highest form of money, a pure quantity in non-material form. It can now fully act as "pure tools", Coekelbergh (2015) wrote that since "Bitcoin has non-material nature, it makes them extremely versatile and flexible" (Coekelbergh and Reijers, 2015, p. 367). This shown that the digital currency seems to be close to function as perfect tools, but many people have a question does society getting ready to use this perfect money?

As mentioned in the advantages and disadvantages of Bitcoin above, there are many people in society try to use Bitcoin for their criminal benefit, because Bitcoin does not need to reveal the financial information and personal details to complete its payment, therefore it is easy for them to satisfy their criminal activities. This crypto-criminals are issued in society all over the world and it is considered to be one of the international problem. Janual (2016) raised this question about our society, he explained that if there are many illegal criminals perform by using Bitcoin, therefore, the society might not be ready for using it.

Even Simmel described the meaning of perfect money, but he does not emphasize what kind of society that is appropriated for using it. To help Simmel solve this problem, the researcher would like to use the idea of Adam Smith on the ethical economics to offer the society that Bitcoin could be fit. Adam Smith is a famous philosopher in ethical economics, he considered economic as a branch of moral philosophy, especially in his famous books, Theory of Moral Sentiments (1759) and The Wealth of Nation (1776).

Adam Smith proposed many concepts in order to understand the marketing system. However, the researcher would like to use his explanation of economic freedom in applying the situation of social in modern marketing. According to Smith (1759), an economic freedom serves for the effective use of resources and it is the opportunities for human to fulfil their personal need from their self-interest. He described that "freedom consists in the fact that human freedom does not have to be realized through participation in politics; freedom may be obtained through the practice of economic activity" (Edwards, 2011, p. 102). However, he explained society still need the institutions to conduct and function the state, the honest and thoughtful behaviour of individuals is necessary. Smith (1759) explained that just only personal interest does not always promote universal good but it is only does so in the right institutional conditions which he refers as invisible hand[3].

Janual (2016) wrote that Smith's idea is practically use in the modern time. With the concept of digital currencies, people have a freedom in their payment, they do not need the authority from the third party to prove it, however, as mentioned, their online payment still recorded in the computer. Thus, the payment could be tracked if someone want to. Therefore, if refer to Smith's idea, in modern society, people have an opportunities to fulfil their need by using Bitcoin in the free market, but they still need to control from the institution (or society itself) to protect themselves from their own activities or even from other people too. The invisible hand, for Smith, is not the institution but it is the people in society who control and examine the operation in the system.

Undeniable, human is a technological beings, therefore it is importance to acknowledge the impact of technologies to our lives. Today, technology is not only a part of our communities, societies, and cultures but it is also shapes how we live our life. From the study, it could be summarized that financial technologies are one of the part which configure human understanding, they reshape human and social reality in normatively significant ways. Therefore, to understand the ethics of finance, it is important to examine the financial technologies and their narrative capacities.

For cryptocurrency, it starts to be the alternative transaction for human in modern time, therefore it requires us to consider its ethical and political implications as financial

[3] Smith described "the invisible hand" as a symbol of unseen forces that move behind the free market. Everyone in society, Smith mentioned, have their self-interest and freedom in consuming the best product to fulfil their need, however they are all need to base it on sympathy. "The invisible hand is part of *laissez-faire*, meaning "let do/let go," approach to the market. In other words, the approach holds that the market will find its equilibrium without government or other interventions forcing it into unnatural patterns" (Wells 2014, 92).

technologies. It has been clearly shown that "cryptocurrency do and might change transactions, trust, and power and indeed the very way people think about financial concept" (Coeckelbergh, 2015, p. 177). Thus, the discussion of cryptocurrency is more than the understanding in technical but it also concerns on the ethical issues. Cryptocurrency could be reimagine and redesign the social, it could be a better society if human consider more in ethically and politically responsible. Ethics and Finance is about human.

Recommendations for Further Research

This research has led to some observations on the usefulness of using Simmel to reflect on the nature of cryptocurrencies like Bitcoin. However, it has also uncovered many areas that need additional study, therefore the researcher would like to identify and discuss the need for further research. Firstly, Simmel claimed that his explanation and study of money and its concept is based on the philosophical perspective, but he does not give a clear definition of money and its relationship to value. In this dissertation, the researcher mainly explored the explanation from the philosophical point of view, however some part of Simmel explanation is also relevant to economics. Therefore, the researcher would like to suggest that further research discuss and compare his concept of money with the economist perspective especially Adam Smith. Such a comparative study can clarify and present how "money" of Simmel different from economics. Furthermore, even though he avoids economic theory, economists still find value in his discussions concerning money.

Secondly, at present, cryptocurrency become a very interesting topic in academic research, there are many researchers trying to study and promote cryptocurrency in order to expand its market. They prefer to replace fiat money with digital currency. However, with the situation of unbanked from the report of World Bank (2017), the researcher would suggest the further research is necessary to understand how cryptocurrency can benefit the local community or how cryptocurrency could bring change to modern society, especially for the new generation. Many research currently focuses on how cryptocurrency can replace fiat money, but not the effect digital currency has on society, and especially the least advantaged, which is very important topic.

Lastly, with the explanation of Simmel (1900), money is the instrument which was created to facilitate trade in human society. It has evolved from a material to formless state. Therefore, with the recent situation of Coronavirus-19, people necessary to live with a 'new normal', they need to adjust themselves in many aspects including how they spend their money in trading. The researcher would like to recommend the further research to study and develop any kind of material or system which can be served as money in this 'new normal'. Obviously, pandemics will continue to be threats to global economic systems, therefore, the cooperation between philosophers, economists, and sociologists is necessary in order to a "perfect money" which can be serve best in this situation.

In conclusion, it is difficult to explain the deep importance of money in human society. People may say it is just a tool in helping people obtain what they want, but, in fact, money is a very important matter in people lives. Money has been studied throughout history, but we seem still far from completely understanding it.

As money developed into electronic systems, credit cards, electronic money and digital currency, it seems to express more abstract conditions of value. Electronic money and digital currencies, seem to have dramatically increased the nature of interpersonal relationships or the trust between users. These new kinds of money are widely discussed across the world. Some people predict it will end the traditional banking system, but some believe it can integrate into our traditional economic framework. However, it is undeniable that new forms of money change the way people think and the way people spend their life in modern society.

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