

JUSTUS-LIEBIG UNIVERSITY OF GIESSEN  
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**Imitation, consumption, and imaginary credit-debt relations:  
The case of Greece**

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I hereby declare that I have completed the submitted doctoral thesis independently, without any unauthorized outside help and only with the help referred to in the thesis. All texts that have been quoted verbatim or by analogy from published writings and all details based on verbal information have been identified as such. In the analyses that I have conducted and to which I refer in this thesis, I have followed the principles of good scientific practice, as stated in the Statute of Justus Liebig University Giessen for Ensuring Good Scientific Practice.

## Abstract

In a referendum on July 5, 2015, a majority of 61% voted against continued austerity in Greece. On September 20 of that year, Syriza, a radical left-wing party that previously ran on an anti-austerity platform, won the elections despite announcing the adoption of a new memorandum and the continuation of austerity. This study aims to shift the question from what happened to Syriza's radical left program to what caused the part of Greek society that initially supported this program to, in what seemed like a heel turn, passively accept the continuation of austerity measures. This question is answered through the construction of a subjectification theory (based on the concepts of *imaginary credit* and *imaginary debt*) which brings together Louis Althusser's notions of *Unique Subject* and *interpellation*, the sociology of imitation of Gabriel Tarde, and the social imaginary of Charles Taylor. The social and political response of individuals during periods of political-economic crisis can be better understood by investigating how they create and expand their social and moral bonds, which in turn provides insight into their polity (social becoming) during the pre-crisis period. This study analyzes people's self-governing and the reproduction of the consumption sphere, as a modern space of social becoming, through the social mechanism of imaginary credit and debt. The individuals' desire to conform, based on an imaginary credit which allows them to freely imitate higher-status members of society and thus socially ascend, constructs an imaginary of social mobility which is then 'paid back' through conformity, that is, following the practices necessary for the conformist subject to close the social and the moral distance between them and the Unique Subject. This imaginary debt – that is, the desire to conform – is facilitated through political and economic channels, such as mass credit expansion and political strategies that foster the social becoming of individuals within the consumption sphere. When this moral order and social structure comes into crisis, individuals, even if they cannot repay their real debts, will still desire to pay back their imaginary debt and defend their moral order because it mediates their social coherence – the moral viability of their polity. Social and political protest and passivity during periods of crisis should thus be approached through the question of whether any of these (in)actions facilitate the established self-governing order and belonging of individuals. The case of Greece and its transition from social protest against the austerity measures to sociopolitical passivity offers a contemporary example of this process.

**Key words:** imaginary credit, imaginary debt, social imaginary, crisis, leftist movement, protest, passivity, consumption, imitation, Marxism, Greece, Syriza.

## Table of Contents

<b>Introduction: Why is this project relevant?.....</b>	<b>8</b>
<b>PART ONE: THE TWILIGHT OF THE ANTI-AUSTERITY PROGRAM.....</b>	<b>13</b>
<b>Chapter 1: Syriza and the implementation of the austerity measures.....</b>	<b>13</b>
1.1 Syriza as a left coalition: The programmatic goals and the Thessaloniki program.....	13
1.2 The strategy of the re-negotiation of the austerity measures .....	16
1.3 The political adjustment of Syriza.....	18
1.4 The sociopolitical passivity of the Greek citizens.....	23
<b>PART TWO: A THEORY OF IMAGINARY CREDIT AND DEBT .....</b>	<b>31</b>
<b>Chapter 2: The conformist subject in the consumption sphere .....</b>	<b>31</b>
2.1 The alienation of the species-becoming and the consumption sphere.....	31
2.2 The concept of species-being .....	32
2.3 The consumption sphere and consumption-induced sociality .....	35
2.4 Instead of “the firm”: “Working Environment” .....	38
2.5 The consumption sphere and the Ideological State Apparatuses.....	41
2.6 Instead of “working class”: The “conformist subject” .....	43
2.7 Who interpellates the conformist subject? .....	44
<b>Chapter 3: Hell is- other people! What drives individuals to improve their consumption? .....</b>	<b>49</b>
3.1 Expectations and Consumption: Keynes, Fisher and Friedman .....	50
3.2 From Milton Friedman to James Duesenberry .....	52
3.3 The demonstration effect.....	55
3.4 Thorstein Veblen and James Duesenberry.....	58
<b>Chapter 4: Sociology of imitation: Gabriel Tarde.....</b>	<b>63</b>
4.1 The materialism of Marx and Tarde.....	63
4.2 The theoretical meeting of Marx and Tarde.....	68
4.3 From heredity imitation to free imitation.....	72
4.4 Bourdieu’s contribution: The pretention of the middle class.....	76
<b>Chapter 5: The social imaginary and sociology of imitation.....</b>	<b>80</b>
5.1 Taylor’s social imaginary.....	80
5.2 The new moral order.....	83
5.3 Definitions of imaginary credit and debt.....	86
5.4 The imaginary credit as a gift.....	89
5.5 The moralization of credit and debt .....	91
5.6 Be careful creditor! The moral resistance of the debtor.....	94
5.7 The consumption sphere as a moral system.....	95
<b>PART THREE: IMAGINARY CREDIT AND DEBT IN GREECE .....</b>	<b>99</b>

<b>Chapter 6: Mass credit expansion in Greece .....</b>	<b>99</b>
6.1 Credit expansion in Greece .....	99
6.2 How much credit did Greeks really take on?.....	104
6.3 Future expectations and credit expansion .....	112
<b>Chapter 7: The economic and political expansion of imaginary credit and debt.....</b>	<b>114</b>
7.1 The economic environment of the Greek households .....	114
7.2 Income and consumption inequality in Greek society: Myths and reality .....	117
7.3 Were Greeks living beyond their means? .....	119
7.4 The political construction of imaginary credit.....	122
7.5 The ‘European’ Unique Subject and the Greek conformist subject.....	131
<b>Conclusion .....</b>	<b>135</b>
<b>Bibliography .....</b>	<b>144</b>

## List of graphs

Graph 1: Total turnout in Greek legislative elections (including the 2015 Referendum), 1996–2015.....	24
Graph 2: Large protest events in Athens, 2010–2012 .....	25
Graph 3: Number of demonstrations in Athens, 2011–2015.....	27
Graph 4: Growth of consumer credit, 1993–1999.....	104
Graph 5: Growth of housing loans, 1993–1999.....	105
Graph 6: Growth of consumer credit, 1993–2015.....	106
Graph 7: Growth of housing loans, 1993–2015.....	108
Graph 8: Credit to domestic private sector (enterprises and households), 1999–2015.....	109
Graph 9: Composition of consumer credit, 1999–2015.....	110
Graph 10: Total household saving as percentage of household disposable income, 1995–2015.....	116
Graph 11: Growth of real minimum wage, 1994–2016.....	117
Graph 12: Housing cost overburden, Greece and EU (27), 2005–2015 .....	119
Graph 13: Annual growth of Greek household disposable income and spending, 1996–2008 .....	121

## **List of abbreviations**

ANEL: Independent Greeks

APRC: Annual Percentage Rate of Charge

EC: European Commission

ECB: European Central Bank

EMU: European Monetary Union

ERM: European Exchange Rate Mechanism

ESM: European Stability Mechanism

EU: European Union

GDP: Gross Domestic Product

HBA: Hellenic Bank Association

HBS: Household Budget Surveys

HCC: Hellenic Competition Commission

HICP: Harmonized Index of Consumer Prices

IME GSEVEE (in Greek): Institute of Small Enterprises of the Hellenic Confederation of Professionals, Craftsmen, and Merchants

IMF: International Monetary Fund

ISA: Ideological State Apparatus

NATO: North Atlantic Treaty Organization

NBG: National Bank of Greece

NPL: Non-Performing Loan

NSM: New Social Movement

OECD: Organization for Economic Co-operation and Development

PASOK (in Greek): Panhellenic Socialist Movement

PSID: Panel Study of Income Dynamics

RSA: Repressive State Apparatus

SME: Small and medium-sized enterprise

SPD (in German): Social Democratic Party of Germany

SYRIZA (in Greek): Coalition of the Radical Left

## Introduction: Why is this project relevant?

In 2010, Greece received 250 billion euros, “the biggest financial assistance package in history to a country of just 11 million people and with a GDP in 2010 of EUR 220 billion,”<sup>1</sup> as part of a bailout agreement or ‘rescue package’ under the supervision of the ‘Troika (the International Monetary Fund [IMF], the European Commission [EC], and the European Central Bank [ECB]). The austerity measures that were part of this agreement contributed to the further rise of Greek public debt, unemployment, and GDP reduction. In the United States, during the period from 1929–1934, GDP fell around 20% before the start of the economic recovery<sup>2</sup>. In Greece from 2008 to 2013, by comparison, GDP fell more than 20% and continued its downward trajectory<sup>3</sup> until it reached 32% by the end of 2015<sup>4</sup>.

In 2011, half of the Greek population could not meet its tax and loan obligations, and was forced to buy low-quality goods<sup>5</sup>. Unemployment rose from 10.46% in the fourth quarter of 2009 to 20.64% in the fourth quarter of 2011<sup>6</sup>. The constant deterioration in the standard of living brought hundreds of thousands of people into the streets to protest against the austerity measures. In 2011, more than one-third of the population took part in such demonstrations. Syriza, a radical left-wing Greek party that had around 4%–5% of the vote at the time, became increasingly popular thanks to its anti-austerity rhetoric. Between 2010 and 2013, Greek households experienced around a 40% reduction in their income<sup>7</sup>. In 2013, one-third of the 28.1% of households that had acquired their first residence with a mortgage were afraid that they would lose their homes, as they could not afford the payments<sup>8</sup>. In 2011, 42.6% of Greek households relied on pensions as their main source

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<sup>1</sup> Nicholas Kyriazis and Emmanouel Economou, “The Memornada [sic] Trap and Almost Fall of the Greek Economy,” *University Library of Munich*, no. 76404, Germany (April 2016): 3.

<sup>2</sup> Dimitri B. Papadimitriou, Michalis Nikiforos, and Gennaro Zezza, “The Greek Economic Crisis and the Experience of Austerity: A Strategic Analysis,” *The Levy Economics Institute of Bard College* (2013): 1–25.

<sup>3</sup> Ibid.

<sup>4</sup> Kyriazis and Economou, “The Memornada Trap,” 4.

<sup>5</sup> IME GSEVEE Surveys, “Income - Expenses of Households - December 2012,” accessed February 2, 2018, <http://www.imegsevee.gr/imesurveys/602-income-expenses-of-households-december-2012>

<sup>6</sup> OECD, “Unemployment Rate (Indicator),” 2017, accessed December 12, 2017, <https://data.oecd.org/unemp/unemployment-rate.htm>

<sup>7</sup> IME GSEVEE Surveys, “Households Income – Expenditure,” accessed December 12, 2017, <http://www.imegsevee.gr/imesurveys/796-households-income-expediture>

<sup>8</sup> Ibid.

of income; in 2014, this number reached 52%<sup>9</sup>. In January 2015, youth unemployment<sup>10</sup> was at 50.1% and total unemployment at around 25%, the highest in the EU<sup>11</sup>.

During January 2015, amidst this economic environment, Syriza became the first radical left-wing European party to form a government touting an anti-austerity program. On June 27, 2015, after an unsuccessful attempt to negotiate an alternative agreement, Prime Minister Alexis Tsipras (Syriza) announced a referendum on the continuation of the austerity measures proposed to Greece. On July 5, 2015, a majority of 61% voted no to continued austerity. On September 20, 2015, Syriza won the elections, despite announcing the adoption of a new memorandum and the continuation of austerity measures<sup>12</sup>.

Most of the literature, especially from the leftist perspective, has covered this phenomenon which was characterized by two ostensibly contradictory events (a referendum against austerity and elections in favor of it), by focusing on Syriza's strategy. Syriza has been viewed in several ways: as a defeated inclusionary left-wing populist party, as a party which followed the social-democratic path and betrayed its radical leftist origins, or as a heroic, truly radical left-wing party which lost the class war. As Slavoj Žižek argues, "Syriza exemplified this true tragedy: one day they win, and the next day they surrender. It is not a 'betrayal', but a genuine tragedy – a radical dead end."<sup>13</sup> There is also the argument of the strategic compromise, supported by Syriza's leadership, which states that though the battle may have been lost against the neoliberal establishment of the European Union (EU), the class war goes on. There are also other, more radical explanations, such as Johannes Agnoli's, which claim that the radical left lost, the moment it became part of the state within the context of parliamentary democracy:

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<sup>9</sup> IME GSEVEE Surveys, "More Than 1/3 of the Population Double-Trapped by Poverty and Debt," accessed December 12, 2017, <http://www.imegsevee.gr/imesurveys/1002-more-than-13-of-the-population-double-trapped-by-poverty-and-debt>

<sup>10</sup> Susanne Kraatz, "Youth Unemployment in Greece: Situation Before the Government Change," *Policy Department A: Economy and Scientific Policy, European Parliament*, June 22, 2015, [http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/542220/IPOL\\_BRI%282015%29542220\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/542220/IPOL_BRI%282015%29542220_EN.pdf)

<sup>11</sup> OECD, "Unemployment Rate (Indicator)."

<sup>12</sup> For a description of the austerity measures, see Kyriazis and Economou, "The Memoranda Trap," 18–19.

<sup>13</sup> Slavoj Žižek and Benjamin Ramm, "Slavoj Žižek on Brexit, the Crisis of the Left, and the Future of Europe," *openDemocracy*, June 30, 2016, <https://www.opendemocracy.net/can-europe-make-it/slavoj-zizek-benjamin-ramm/slavoj-i-ek-on-brexit-crisis-of-left-and-future-of-eur>

“Pressure from the street” is the legitimate means of an extra-parliamentary opposition whose petitions that play by the rules of social order always end up in the wastebasket of parliament and the government.<sup>14</sup>

There is one problem with all of the above approaches: They neglect the Greek citizens who first protested and then accepted or tolerated the austerity measures. There has been no research as of yet investigating how the people themselves moved from protest and support of a radical left-wing party to passivity. The popular leftist narrative of the reproduction of austerity as a power relation between an enforcer and a victim is one of the main misleading starting points. The question here is: *What social and cultural structures mediated the individual understanding of the “social,” of the polity, and reproduced a form of political passivity which fostered the acceptance of the austerity measures?* This shift in focus is the first reason why this study is relevant.

The second reason is its epistemological approach to answering this question. Greek society – not least as a consequence of deepening European integration – has been characterized by profound normative pressure on its (especially middle-class) citizens with respect to upward social mobility. In many cases, this has led to a kind of “conspicuous consumption” (a term borrowed from Thorstein Veblen, see chapter three) based on consumer credit, through which citizens ostentatiously demonstrate their dedication to increasing their social status. Taking out private loans thus enables individuals to conform to societal expectations: They pay back an “imaginary debt” to society by taking on economic debt. This study investigates how this normative obedience to the promise of upward mobility corresponds to a political passivity that has prevented opposition to austerity from becoming sustainable. It examines *how* the social imaginary of social mobility actually functions within the consumption sphere, but also at the social-cultural and national levels, which explains the fetishized value that the single European currency has acquired for the majority of Greeks. This *how* is answered through the construction of a theoretical model (based on the concepts of imaginary credit and debt) that brings together the sociology of imitation of Gabriel Tarde and the social imaginary of Charles Taylor. This theoretical model makes up the second contribution of this study.

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<sup>14</sup> Johannes Agnoli, “Theses on the Transformation of Democracy and on the Extra-Parliamentary Opposition,” trans. Michael Shane Boyle and Daniel Spaulding, *View Point Magazine*, October 12, 2014, <https://www.viewpointmag.com/2014/10/12/theses-on-the-transformation-of-democracy-and-on-the-extra-parliamentary-opposition/>

The thesis is composed of seven chapters. Chapter one discusses the rise of Syriza and its shift from an anti-austerity political and economic strategy to the full adoption and reproduction of austerity measures. Its aim is to highlight the analytical limitations of attempting to account for the social transition from protest to passivity through Syriza's political swing. The last section of chapter one presents different aspects of the sociopolitical passivity and practices of protest of Greek households, which will later be incorporated into the social mechanism of imaginary credit and debt.

Chapters two to five establish the study's theoretical foundations, while chapters six to seven focus on the construction of desirable subjectivities through political-economic processes (such as mass credit expansion) and in political discourse. More specifically, chapter two lays out the initial theoretical framework for the later construction of the social mechanism of imaginary credit and debt. It discusses Karl Marx's view on *social becoming* and the establishment of the consumption sphere as a modern space of the individual's understanding of the social and political. The theoretical starting point begins with Marx because the concept of social becoming is central to this research. Through Marx's theory of historical materialism, this chapter begins an initial investigation of how a consumption-induced sociality replaces the labor-induced sociality. The second reason Marx is important here is the need to highlight the necessity for a transition to Louis Althusser's conceptual tools of *Unique Subject* and *interpellation* in order to further explore how the consumption-induced sociality actually functions. This theoretical transition consists of the first component of subjectification (interpellation and Unique Subject). The third reason to use Marx as a theoretical departure point is a parallel analysis of Tarde's and Marx's materialism concerning the *social* as a productive force. The social organization of individuals and their cooperation as a productive force could be explained through different streams of imitation. At the same time, the blockages and the reproduction of different streams of imitation could also be explained through Marx's conceptualization of the relations between productive forces and property structures.

Chapter two introduces the concept of the *conformist subject*, which is used in combination with the work of Althusser to produce some conceptual tools for the later analysis of how individuals reproduce their social becoming within the consumption sphere. This chapter also introduces the sociological abstract scheme of the relation between the conformist and the Unique Subject.

Chapter three explores how the relation between the conformist subject and the Unique Subject functions within the consumption sphere, that is, how one individual socially influences another towards certain consumer practices. Starting from some elementary economic literature (John

Maynard Keynes, Irving Fisher, Milton Friedman), the chapter highlights the need for a sociological analytical framework (James Duesenberry and Veblen) through which to investigate why individuals increase their consumption.

Chapter four introduces Tarde's sociology of imitation, which supplies an answer to the sociological challenges of chapter three's discussion of why individuals follow certain consumer practices. It highlights the social function of *imitation* between the conformist subject and the Unique Subject and undertakes a general comparative examination of Marx's and Tarde's materialism. It also presents Pierre Bourdieu's concepts of pretention (when an individual pretends that s/he belongs to a higher social class by cultivating a certain lifestyle) and distinction (when an individual creates a distance between her-/himself and another individual) together with Tarde's concept of free imitation.

Chapter five provides the theoretical backbone of the study. The social mechanism of *imaginary credit* and *imaginary debt*, the culmination of this study's theoretical work, is constructed. Tarde's sociology of imitation and Taylor's imaginary are combined in order to demonstrate how the imaginary of social mobility functions through imitation within the consumption sphere. Here, the social reproduction of the relations between the conformist subject and the Unique Subject is fully explained. This is the second component of subjectification (imitation and social imaginary).

Chapter six marks the beginning of the third part of the study and offers the initial data sets that will be interpreted through the lens of imaginary social credit and debt. It mainly focuses on the mass credit expansion in Greece and the strategies of the banking sector.

Chapter seven explores the construction of the future expectations of Greek households by examining their economic conditions and political environment, and investigates the subjectification process through which individuals were led towards housing loans and consumer credit, with a focus on the role of future expectations as related to imaginary credit.

# PART ONE: THE TWILIGHT OF THE ANTI-AUSTERITY PROGRAM

## Chapter 1: Syriza and the implementation of the austerity measures

### 1.1 Syriza as a left coalition: The programmatic goals and the Thessaloniki program

Syriza is a radical left political party which came into power during the Greek elections on January 25, 2015. Syriza won the elections based on its leftist, anti-austerity program and formed a coalition government with the right-wing party Anel (Independent Greeks). The urgency of a sustainable anti-austerity strategy to break out of the severe economic recession overrode the ideological differences between Syriza and Anel. Six months later, on July 5, 2015 the Greek government held a referendum on the bailout conditions (austerity measures) for the management of the public-debt crisis by the so-called “institutions” (the EC, the ECB, and the IMF). Voters rejected them by a majority of 61%, but a week later, on July 12, 2015, the government agreed with the institutions to a prolongation of austerity measures in return for a three-year extension to the bailout agreement. On August 14, 2015, the night the agreement came before the Greek parliament for a vote, forty-three MPs voted against the bailout, and this triggered new elections on September 20, 2015. Syriza won the elections and again formed a coalition government with Anel. Chapter one briefly discusses the twilight of Syriza’s leftist, anti-austerity program. This discussion does not aim to highlight the Greek political and economic historical context that led to the Greek crisis and austerity measures or the European monetary and fiscal developments of this period. The purpose of the first chapter is to follow Syriza’s strategies, in order to decouple them from the contradiction between sociopolitical protest and political inertia and tolerance of austerity among the Greek citizens themselves.

Syriza formed in 2004 as a complex electoral alliance of many political and social organizations from different leftist traditions (old members of the Greek Communist Party, Maoists, Trotskyists, other groups with communist backgrounds, and social democrats).<sup>15</sup> This coalition was formed by the strongest party of the alliance, Synaspismos, and twelve other political groups, five of whom belonged to the revolutionary extra-parliamentary Left.<sup>16</sup>

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<sup>15</sup> Stathis Kouvelakis, “Greece: Phase One,” *Jacobin*, January 22, 2015, <https://www.jacobinmag.com/2015/01/phase-one/>.

<sup>16</sup> John Milios, “The Greek Left Tradition and SYRIZA: From ‘Subversion’ to the new Austerity Memorandum,” (2016): 9, accessed July 7, 2017,

“The radical left no longer exists as a *movement* in the pre-1989 sense, with (albeit in few European countries) strongly institutionalised parties embedded in subcultures with a panoply of affiliated social organisations.”<sup>17</sup> However, as Stathis Kouvelakis writes, “the formation of Syriza was based on the conception of the political process oriented toward activism.”<sup>18</sup>

In 2012, when anti-austerity movements in Greece were in their highest peak, “Tsipras very strongly emphasized at that time that the perspective was not just a Syriza government, but a government of the whole of the anti-austerity left [...] and of the social movements.”<sup>19</sup>

At that time, Tsipras referred specifically to the experience of Bolivia, and one of the most significant initiatives taken by Syriza, between the May and June 2012 elections, was to call a kind of general assembly of the movements in a dialogue with the leadership of Syriza. It was an absolutely extraordinary event. The participation of leaders of campaigns, of trade unions, of things of that type in a dialogue with Tsipras and some other members of the leadership gave a very strong image of the type of political and social perspective that Syriza at the time was defending.<sup>20</sup>

### The programmatic goals

The first congress of Syriza took place from July 10–14, 2013. Syriza’s main declared goal was to take the “historic responsibility to deliver the Greek people from the catastrophic neoliberal memoranda policies that have turned our country into a debt colony and led its creative, social, and productive forces to marginalization.”<sup>21</sup>

The party’s programmatic goals were presented as the basis of a future Government of the Left which would seek to unite the different left political and social forces<sup>22</sup>:

1. Cancellation of the Memoranda.

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[https://www.researchgate.net/publication/299687508\\_The\\_Greek\\_Left\\_Tradition\\_and\\_SYRIZA\\_From\\_Subversion\\_to\\_the\\_new\\_Austerity\\_Memorandum](https://www.researchgate.net/publication/299687508_The_Greek_Left_Tradition_and_SYRIZA_From_Subversion_to_the_new_Austerity_Memorandum)

<sup>17</sup> Luke March, “Beyond Syriza and Podemos, other radical left parties are threatening to break into the mainstream of European politics,” LSE Blog, March 24, 2015, accessed December 11, 2018, <http://blogs.lse.ac.uk/euoppblog/2015/03/24/beyond-syriza-and-podemos-other-radical-left-parties-are-threatening-to-break-into-the-mainstream-of-european-politics/>

<sup>18</sup> Kouvelakis, “Greece: Phase One.”

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> Left.gr, “The political resolution of the 1st congress of SYRIZA,” August 5, 2013, accessed July 6, 2017, <https://left.gr/news/political-resolution-1st-congress-syriza>

<sup>22</sup> Ibid.

2. Restoration of all working rights (collective bargaining, minimum wage, pensions, unemployment benefits, etc.) and recognition of the suspension of thousands public servants as illegal and unconstitutional.
3. Major tax reforms (high taxation on high incomes, large property, and the Church's property) and, most importantly, cancelation of "the privileges of the oligarchy and multinational corporations."<sup>23</sup>
4. Nationalization of the banking system and creation of public banks to support the agricultural sector, small and medium-sized businesses, and public housing.
5. Cancelation of planned privatizations.
6. Claim of war reparations from Germany: "Repayment of the loan extracted during the German occupation, and the return of the archaeological treasures, as a minimum debt of honor to the thousands of fighters of the Greek Resistance, who paid a heavy toll of blood in the first line of the antifascist war for the liberation of our country and the whole of Europe."<sup>24</sup>
7. Withdrawal from NATO.

The text concludes with the note that these proposals are the party's main priorities and that the overthrow of the memoranda policies is an "uncompromising political struggle"<sup>25</sup> for "the restoration of democracy and popular sovereignty."<sup>26</sup>

### The Thessaloniki program

Around three months before the legislative elections January 25, 2015 (which Syriza won), on September 13, 2014, a more concrete version of Syriza's program was presented to the public in the city of Thessaloniki. This was essentially a milder version of the goals of the 1st Congress, with a parallel effort to present them as a realistic plan based on budget calculations.<sup>27</sup>

Some of its most popular points were:

1. The writing-off of the greater part of the public debt's nominal value, with a growth clause in the repayment of the remaining part.

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<sup>23</sup> Ibid.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> For the complete Thessaloniki program, see <http://www.syriza.gr/article/id/59907/SYRIZA---THE-THESSALONIKI-PROGRAMME.html#.WV5mhYW0IPb> (accessed February 22, 2018).

2. Repayment of the Nazi-occupation forced loan from the Bank of Greece.
3. Reversing the memorandum injustices (restorations of pensions, salaries, and the welfare state) based on an anti-austerity “National Reconstruction Plan” for the restoration of the economy and democracy through major tax reforms.

The Thessaloniki program concludes that the estimated cost of its realization would be €11.382 billion, and the estimated revenue €12 billion.

## 1.2 The strategy of the re-negotiation of the austerity measures

Some of Syriza’s main goals during the 1st Congress in 2013 were the cancelation of the memoranda, the writing-off the greater part of the country’s debt, and a national plan for the reconstruction of the economy. These goals are reiterated in the Thessaloniki program. In addition, claiming war reparations from Germany was often cited as a priority. This served to highlight a paradox in the moralization of the debtor: Why was Greece immoral as debtor, but Germany was not, even though it refuses to recognize its own debt?

The Greek government promoted the war reparations as a moral issue:

‘For the Greeks, the issue of the forced occupation loan and German reparations is not a material issue, but rather a moral one,’ said Tsipras. ‘And I believe both countries have to work together to solve this moral issue, which concerns both the Greek and German people.’<sup>28</sup>

Syriza’s argument for war reparations as a moral issue can be summarized in five points and is directly related with the renegotiation of the Greek public debt and austerity measures:

1. Germany is also indebted and refuses to pay for political reasons.
2. Moral attributions are more complex than the simplistic depictions of the indebted as immoral and irresponsible.

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<sup>28</sup> Sarah Taylor, “Austerity and Reparations: Merkel and Tsipras Agree to Disagree,” *Euronews*, March 23, 2015, <http://www.euronews.com/2015/03/23/austerity-and-reparations-merkel-and-tsipras-agree-to-disagree/>

3. The German occupation loan was forced, and the conditions (austerity measures) under which Greece accepted the bailout loans towards were also forced.
4. In Greece the collective memory and trauma of the enforced loans, during the period of the occupation of Greece by the Axis Powers, is still vivid.
5. Greeks refuse to be portrayed in pejorative cultural terms.

According to Public Issue, one of the leading opinion polling companies in Greece, in April 2015, 64% of Greeks reported feeling informed about the war reparations and 52% about the German forced occupation loan.<sup>29</sup> However, although 92% of Greeks believed that Germany still owes Greece a debt, 75% of Greeks considered repayment unlikely.<sup>30</sup>

The German government ruled out any possibility of renegotiation of the war-reparation<sup>31</sup>.

It becomes evident that the issue of war reparations was less of a direct economic goal for the Greek government than a strategy to open up space for negotiation.

To sum up, the strategy to renegotiate the austerity measures had three dimensions:

1. Direct renegotiation of the bailout conditions with the “Troika,” or as they were later called, the “institutions” (ECB, EC, IMF).
2. Claim to the war reparations from Germany (more of a symbolic tactic than an actual economic goal).
3. Syriza’s national anti-austerity plan for the reconstruction of the economy.

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<sup>29</sup> Public Issue, “Special Issue: Greek public opinion on the issue of German war reparations and the forced occupation loan,” April 2015, <http://www.publicissue.gr/en/2048/pol-bar-143-april-2015-spec-iss/>

<sup>30</sup> Ibid.

<sup>31</sup> Frank-Walter Steinmeier of the SPD stated: “We Germans are fully aware of our political and moral responsibility for the terrible events between 1941 and 1944 in Greece [...] Still, we are firmly convinced that all reparations issues, including forced loans, have been judicially settled once-and-for-all. See Euronews, “Germany Rejects Greek Government Calls for Second World War Reparations,” February 11, 2015, <http://www.euronews.com/2015/02/11/germany-rejects-greek-government-calls-for-second-world-war-reparations/> German Finance Minister Wolfgang Schäuble stated: ‘I deem that such statements are irresponsible. Instead of misleading the people in Greece it would be better to show them the road to reform.’ He is also reported to have said: ‘The issue was settled a long time ago. Paying reparations is out of the question.’ See Euronews, “Schäuble: Greek WWII Reparation Report ‘Irresponsible,’” April 11, 2013, <http://www.euronews.com/2013/04/11/w-schaeuble-greek-wwii-reparation-report-is-irresponsible>. Markus Söder, Bavaria’s conservative finance minister, suggested that the Greek government’s strategy to use this issue as a form of distraction from its own internal problems and obligations was “inappropriate” and “not very clever.” and Vice Chancellor Sigmar Gabriel called the issue of German war reparations to Greece “stupid.” See Euronews, “Germany Dismisses Greece’s Demand for Billions in War Reparations,” April 8, 2015, <http://www.euronews.com/2015/04/08/germany-dismisses-greece-s-demand-for-billions-in-war-reparations/>

The first dimension is clear, and the second was a tactical/symbolic move. How did the last dimension fit into the strategy of renegotiating the bailout agreement? In the Thessaloniki program there was the following plan:

What will happen though until the negotiation is over? We assume responsibility and are accordingly committed to the Greek people for a National Reconstruction Plan that will replace the Memorandum as early as our first days in power, before and regardless of the negotiation outcome.<sup>32</sup>

### 1.3 The political adjustment of Syriza

Syriza's objective, as mentioned previously, was the formation of a left government that would not be separated from social movements and activism, but would rather be a part of them. However, as Syriza's popularity rapidly increased, the party became

clearly a leader-centered party, and this is accentuated by the fact that the internal structures are very numerous, dysfunctional, and they tend less and less to function as real centers of policymaking or of decision making. The whole process of decision making has become actually more centralized, more opaque, with the leader playing a very crucial role, combined with various informal leadership circles, rather than a collective leadership, or even a more restricted group of leaders.<sup>33</sup>

The reason behind this transformation, beyond functional requirements to facilitate faster decision-making, was an effort to control and marginalize the far-left wing of Syriza, also called the "left platform," which was not willing to compromise the party's main programmatic goals.<sup>34</sup>

The economists (Dragasakis and Stathakis) within the Syriza leadership, were distinguishing themselves from the programmatic goals of Syriza's 1st Congress in 2013:

"Dragasakis and Stathakis, for example, made statements that a Syriza government would never move unilaterally on the position of the debt, but the decision of the party congress

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<sup>32</sup> Syriza, "The Thessaloniki program", September 2014, <http://www.syriza.gr/article/id/59907/SYRIZA---THE-THESSALONIKI-PROGRAMME.html#.WV5mhYW0lPb>

<sup>33</sup> Kouvelakis, "Greece: Phase One".

<sup>34</sup> Ibid.

explicitly says that all weapons are on the table and that nothing can be ruled out, if a Syriza government is blackmailed by the creditors.<sup>35</sup>

Gradually, the leadership of Syriza became autonomous from the party.<sup>36</sup>

In June 2014, Syriza won the highest percentage of the vote in the European Parliament elections and it became clear that Syriza would form the next Greek government.<sup>37</sup> In order to secure the electoral result, the leadership of Syriza had attempted to form alliances with established politicians from the center-left and ran an electoral campaign based on “PR techniques and tricks.”<sup>38</sup> This strategy was criticized by the left platform of Syriza for failing to emphasize the main programmatic goals, such as the writing-off of the public debt and the nationalization of banks.<sup>39</sup> In particular:

“The slogan ‘For a Government of the Left’ was gradually replaced by ‘Government of National Salvation’; ‘Redistribution of Power, Wealth and Income to the benefit of the Working Majority’ was being displaced by ‘Productive Reconstruction of the Country.’ All programmatic positions regarding the democratic social control of the society and the economy by the people, the development of self-directed, co-operative productive schemes, non-market ‘social economy’ etc. were put aside; even SYRIZA’s propositions to tax the rich (the Party’s Program on the Reform of the Tax System, presented by the President of the Party himself in March 2013) was cast aside.<sup>40</sup>

From an economic standpoint, the Thessaloniki program was not considered to be a radical leftist program, but rather a Keynesian one to restart the Greek economy; it was seen by many leftist groups within Syriza as a compromise that had to be made, but which should gradually be changed.<sup>41</sup> As the leadership of Syriza slowly distanced itself even from its own “soft” positions, it became evident that the political goal for a leftist government was over.

On October 12, 2013, Yanis Varoufakis, before becoming finance minister during the renegotiation of the bailout agreement between Greece and the institutions, wrote an article titled “Tears, Blood, and Dignity.”<sup>42</sup> He criticized Syriza’s programmatic goals and promises to the Greek people that 1) Greece would exit the Memoranda, 2) thousands of jobs would be created,

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<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> Milios, “From ‘Subversion’ to the New Austerity Memorandum,” 10.

<sup>38</sup> Kouvelakis, “Greece: Phase One.”

<sup>39</sup> Ibid.

<sup>40</sup> Milios, “From ‘Subversion’ to the New Austerity Memorandum,” 10

<sup>41</sup> Ibid.

<sup>42</sup> Yanis Varoufakis, “Δάκρυα, Αίμα, Αξιοπρέπεια” [Tears, blood, and dignity], *Protagon*, October 12, 2013, <http://www.protagon.gr/apopseis/editorial/dakrya-aima-aksioprepeia-2836200000>

and 3) the economic recession would end. The only thing, according to Varoufakis, that Syriza could actually promise to the Greek citizens was “tears and blood.”<sup>43</sup> Varoufakis reiterated this position on September 15, 2014, in a response to Syriza’s Thessaloniki program.<sup>44</sup> In other words, Varoufakis clearly distanced himself from Syriza’s political program<sup>45</sup>.

How did the Greek citizens support Syriza after it had completely abandoned its programmatic goals?

Syriza’s compromise is evidence of the Greek population’s meandering between support for a radical leftist party and disinclination to support radical leftist policies. However, while there is a correlation between the Greek population’s and Syriza’s meandering, Syriza’s meandering is clear and easily explained. What is less clear are the reasons for the population’s swing. Thus, a more interesting and still unexplored question to be researched from an economic-sociological analytical context is why the Greek citizens participated in anti-austerity mass protests and supported a radical leftist program, only to quickly abandon it out of sociopolitical passivity? The answer to this question is crucial to concentrate not on the existing challenges or contradictions of radical leftist programs themselves, but on the contemporary economic, social, and cultural structures in which they are situated.

After winning the legislative elections, the leadership of Syriza circulated its position for the renegotiation of the bailout conditions to the party, arguing that “we should stick to the euro [...] we should prepare ourselves for all kinds of initiatives and objectives.”<sup>46</sup> As discussed in the previous section, the leadership of Syriza had already abandoned the Thessaloniki program, even

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<sup>43</sup> Ibid.

<sup>44</sup> Yanis Varoufakis, “Μια άλλη ΔΕΘ” [Another TIF], *Protagon*, September 15, 2014, <http://www.protagon.gr/apopseis/editorial/mia-alli-deth-3636800000>

<sup>45</sup> In 2017, “In comments during a television interview on the Athens-based Skai television station, Varoufakis said a welfare spending and stimulus package announced by SYRIZA leader Alexis Tsipras in 2014, months before the snap January 2015 election, was ‘nonsense’. Referring to the so-called ‘Thessaloniki program’, named after the city where Tsipras unveiled it, Varoufakis said he received assurances that it would not be implemented once SYRIZA had assumed power.” See Naftemporiki, “Varoufakis: Third bailout spells end of Tsipras govt [sic]; SYRIZA stimulus, spending plan ‘nonsense,’” May 12, 2017, <http://www.naftemporiki.gr/printStory/1234757> Varoufakis was asked during this interview if the leadership of Syriza had known before the elections that the Thessaloniki program would not be implemented and his answer was “Apparently!”. See Lelo CaNA ViDeos, “Ο Γιάννης Βαρουφάκης καλεσμένος της εκπομπής - (ΑΤΑΙΡΙΑΣΤΟΙ)(ΣΚΑΪ 12.5.2017) [Yanis Varoufakis guest of the show Atairiastoi], video, 40:32, see 13:22–13:37, May 12, 2017, <https://www.youtube.com/watch?v=ikmQQ3DC-WY> Varoufakis then also added: ‘But let’s be fair to the leadership of Syriza. Do you know any political party that implemented the economic programmatic goals of its electoral campaign after the elections?’ See Lelo CaNA ViDeos, “Ο Γιάννης Βαρουφάκης καλεσμένος της εκπομπής - (ΑΤΑΙΡΙΑΣΤΟΙ)(ΣΚΑΪ 12.5.2017) [Yanis Varoufakis guest of the show Atairiastoi], video, 40:32, see 13:37–13:46, May 12, 2017, <https://www.youtube.com/watch?v=ikmQQ3DC-WY>

<sup>46</sup> Kouvelakis, “Greece: Phase One.”

before the elections. After the elections, Varoufakis was appointed finance minister, and “repeatedly declared publically that 70 per cent of the Memorandum (the austerity ‘financial stability Program’) is favorable for Greece. However, the SYRIZA government did not come to power supporting 70 per cent of the Memorandum.”<sup>47</sup>

On February 20, 2015 the Greek government agreed to a four-month extension of the existing Memorandum. Afterwards, the government attempted “to get an Agreement that would simply leave intact the existing neoliberal institutional and economic framework, with no further austerity measures to be taken as regards low and medium incomes,”<sup>48</sup> but this proposal was rejected by the institutions, and on June 26, the Greek prime minister announced a referendum on the proposed agreement from the institutions, the so-called “Juncker Plan.”<sup>49</sup> On July 12, 2015, despite that fact that the majority of Greeks voted “no” on the Juncker proposal, the government agreed to “an Agreement with the ‘Institutions’ which practically duplicated the ‘Juncker plan.’”<sup>50</sup>

There is already a rapidly growing body of literature on Syriza’s strategy during the renegotiation of the Memorandum. Costas Lapavistas, a member of the left platform, developed very structured arguments in favor of a Grexit, criticizing Syriza for being “the first example of a government of the left that has not simply failed to deliver on its promises but also adopted the programme of the opposition, wholesale.”<sup>51</sup> John Milios offered Marxist arguments on how the question of currency is of secondary importance and Syriza’s focus should actually have been on the social reorganization of productive class relations in Greece, since the currency itself (whether euro or drachma) does not guarantee the social redistribution of wealth. According to Milios, Syriza’s signing this agreement was not a tactical revolutionary left compromise, as Tsipras argued.<sup>52</sup> On the contrary, the agreement signaled Syriza’s transformation into a social-democratic party<sup>53</sup>.

Varoufakis was from the beginning a proponent of a solution within the Eurozone and he complained that the government, after the referendum on Juncker Plan, essentially did not

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<sup>47</sup> Milios, “From ‘Subversion’ to the new Austerity Memorandum,” 12.

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

<sup>51</sup> Costas Lapavistas, “One year on, Syriza has sold its soul for power,” *The Guardian*, 25 January 2016, <https://www.theguardian.com/commentisfree/2016/jan/25/one-year-on-syriza-radicalism-power-euro-alexis-tsipras>.

<sup>52</sup> Kostas Arvanitis, “Behind the Compromise: An interview with Alexis Tsipras,” *Jacobin*, October 8, 2015,

<https://www.jacobinmag.com/2015/08/greece-memorandum-austerity-coup-tsipras-syriza-interview/>.

<sup>53</sup> “Social-Democracy conceived capitalism as a system that can be politically managed so as to become beneficial to both capital and labour” See Milios, “From ‘Subversion’ to the new Austerity Memorandum,” 17.

negotiate any further. Furthermore, he publicly discussed his proposals which, during his time as minister of finance, were rejected by Syriza's leadership.<sup>54</sup> In contrast to Lapavistas, who argued that Greece could handle a Grexit and that this would be the only sustainable economic strategy for the recovery of Greek economy, Varoufakis doubted whether Greece could actually manage a Grexit, "because managing the collapse of a monetary union takes a great deal of expertise, and I'm not sure we have it here in Greece without the help of outsiders."<sup>55</sup> Varoufakis harshly criticized the conditions of the three-year ESM program,<sup>56</sup> and stated that after this agreement, "there [was] no Greek government"<sup>57</sup> and Greece was now a "slave."<sup>58</sup> He claimed that the government signed an agreement with the institutions whose very first page states (in Varoufakis's words) that "I (the Greek government) am committed to agree with you, but you are not committed to agree with me."<sup>59</sup> Lastly, the leadership of Syriza argued that this agreement was the result of blackmail, but:

If we try to look at this process objectively, we can only be proud to have led this fight. [...] If I [after the Greek referendum] did what my heart wanted to do – to get up, bang my fist on the table, and leave – the foreign branches of Greek banks would collapse on that very day.<sup>60</sup>

Despite the outcome of the renegotiation, Tsipras refers to it as a "moral victory for Greece and its left government."<sup>61</sup> In 2016, the Rosa Luxemburg Stiftung published a work called *Mapping the European Left: Socialist Parties in the EU*<sup>62</sup> by Dominic Heilig. In the introduction, editors Stefanie Ehmsen and Albert Scharenberg describe the re-election of Syriza after the Greek Referendum as a triumph of the left:

In the course of this conflict, Merkel, Schäuble & Co. succeeded in defending the cornerstones of their neoliberal austerity regime against the Greek attack and forcing SYRIZA

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<sup>54</sup> See Harry Lampert, "Yanis Varoufakis full transcript: Our battle to save Greece," *New Statesman*, July 13, 2015, <http://www.newstatesman.com/world-affairs/2015/07/yanis-varoufakis-full-transcript-our-battle-save-greece>

<sup>55</sup> Ibid.

<sup>56</sup> See <https://varoufakis.files.wordpress.com/2015/08/mou-annotated-by-yv.pdf>, accessed July 9, 2017

<sup>57</sup> Holly Ellyatt and Carolin Roth, "Greece like a 'slave' to lenders with little power left: Varoufakis," *CNBC*, September 28, 2016, <https://www.cnbcm.com/2016/09/28/greece-like-a-slave-to-lenders-with-little-power-left-varoufakis.html>

<sup>58</sup> Ibid.

<sup>59</sup> Ibid.

<sup>60</sup> Arvanitis, "Behind the Compromise."

<sup>61</sup> Ibid.

<sup>62</sup> Dominik Heilig, *Mapping the European Left: Socialist Parties in the EU* (New York: Rosa Luxemburg Stiftung, 2016), [http://www.rosalux-nyc.org/wp-content/files\\_mf/theleftineurope\\_eng.pdf](http://www.rosalux-nyc.org/wp-content/files_mf/theleftineurope_eng.pdf)

to accept cornerstones of this regime. At the same time, however, the re-election of the Tsipras government in September 2015 demonstrated that the Troika did not succeed in getting rid of the leftist ‘troublemakers.’<sup>63</sup>

In conclusion, the current literature and discussion in the left camp is focused on what (if anything) went wrong with Syriza’s strategy. Stathis Kouvelakis writes that:

“The whole atmosphere in Greece has changed dramatically since [2012]: there has been a decline in social movements, combined with an atmosphere of relative demoralization and passivity – despite, of course, important sectoral struggles. With qualifications of course, the overall atmosphere in the country is very different than in 2012, marked especially by the decline of social mobilization, so the line of Syriza from that perspective is more one of an adaptation to the dominant trend<sup>64</sup>.

The above mentioned approach relates the decline of social movements and political inertia to Syriza’s adaptation to the dominant trend. The central research question of this project is not about the strategy or the political shortcomings of Syriza, but a reconstruction of a symbolic structure which enables plausible assumptions of how the Greek electorate in its majority behaved with a contradictory way. However, this study cannot explain the political behavior of concrete voters, but offers an interpretive paradigm of how seemingly down-to-earth processes in the political economy wield strong imaginary powers, and how these powers can be put to use in understanding political change and political inertia. Taking this fact into consideration, the aim of the next chapter is to present certain empirical data about the political inertia of Greek citizens, and to highlight the Greek citizens’ support of the Euro currency.

#### 1.4 The sociopolitical passivity of the Greek citizens

At this point, it is important to devote a section to the political inertia of Greek citizens. The first dimension to be highlighted is Greeks’ electoral participation during the rise of Syriza, the Greek Referendum, and the elections that Syriza won, despite later adopting the austerity measures. In the graph below, we can observe that Greeks’ electoral participation declined, and continued to do so in spite of the Greek crisis, the anti-austerity protests, and the rise of Syriza. Secondly, again somewhat surprisingly, 63.94% of people voted in the election that Syriza won; in the Greek

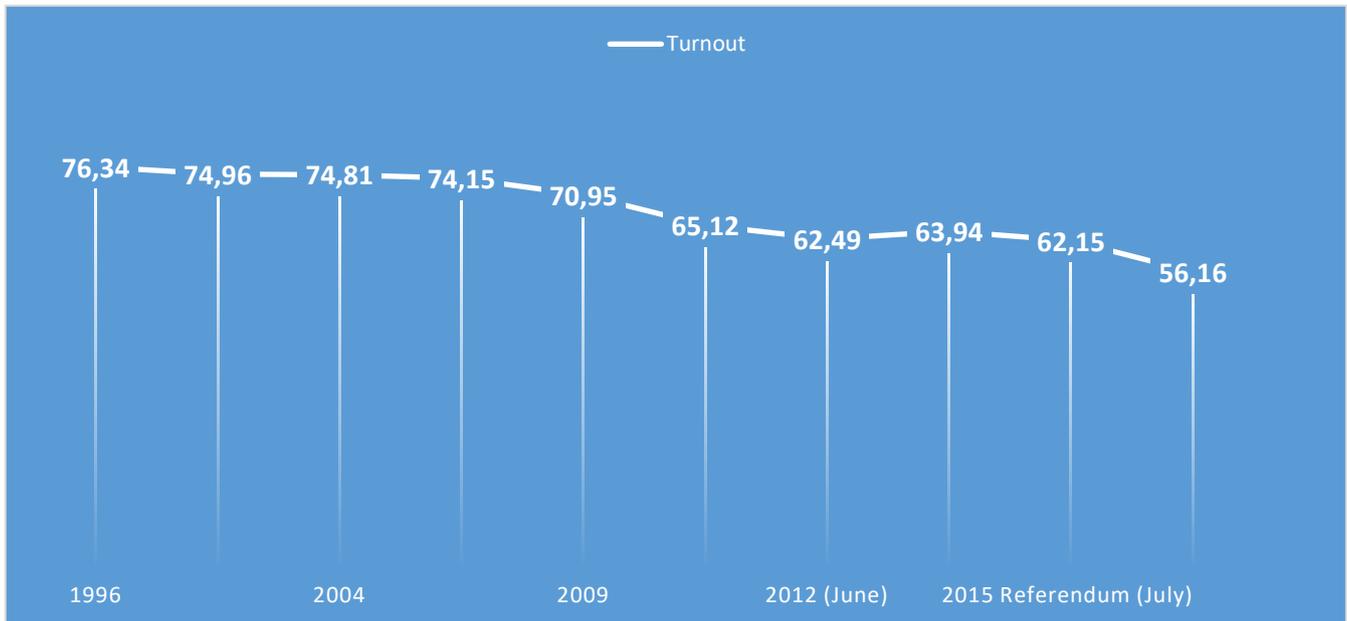
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<sup>63</sup> Ibid., 1.

<sup>64</sup> Kouvelakis, “Greece: Phase One.”

Referendum, which signified a great moment for the future of the country, only 60% voted. In the elections of September 2015, the percentage dropped to a historical low of 56.1%.

Graph 1: Total turnout in Greek legislative elections (including the 2015 Referendum), 1996–2015



Source: Hellenic Ministry of Interior, see <http://www.ypes.gr/en/Elections/NationalElections/Results/>

The next dimension to be examined is participation in anti-austerity protests and the growing political passivity of Greek society. When Syriza adopted the strategy of the austerity measures, firstly, with the February 20, 2015 agreement on the extension of the bailout agreement and later after the referendum on July 5, there was no mobilization equivalent to the protest movements before Syriza had formed a government. However, the passivity of Greek citizens had been evident as early as March 2012. The graph below shows the intensity of large-scale (5,000–500,000 participants) anti-austerity protests in Athens from 2010–2012.



leftists groups, parliamentary left parties).<sup>66</sup> According to their research, “23% of the adult population claimed to have participated in anti-austerity demonstrations earlier in the year.”<sup>67</sup> During the second wave, in 2011, 36% of the adult population took part in demonstrations.<sup>68</sup> This wave included younger people than the first, “but none of the other variables associated with ‘old’ or ‘new’ social movements figure as statistically significant predictors. Once the controls are applied the profile of 2011 demonstrators is rather similar to those from the earlier wave, with the exception of younger age groups coming in as significant predictors.”<sup>69</sup>

In 2011 the “Aganaktismeni” movement took place through the occupation of the public square in front of the Greek parliament<sup>70</sup>.

36% of our sample declared having taken part in anti-austerity demonstrations and 29% in the Aganaktismenoi. A total of 43% claimed to have participated in either demonstrations or Aganaktismeni, representing quite a remarkable mobilization of the Greek population against austerity.<sup>71</sup>

This second wave attracted more middle-class individuals. In 2010, 60% of anti-austerity protesters did not identify with any party, while only 3% were close to Syriza.<sup>72</sup> In 2015, around 25% of demonstrators identified with Syriza and 36% did not feel close to any party.<sup>73</sup> The third wave, after 2012, included educated people under thirty-five and expressed post-materialist positions identified as NSM (New Social Movement),<sup>74</sup> but it was part of the fading anti-austerity mobilization. In Athens, which is the main focus here since it is where large-scale protests are most easily organized, there was a constant decline in the number of demonstrations.

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<sup>66</sup> Ibid., 3.

<sup>67</sup> Ibid.

<sup>68</sup> Ibid., 4.

<sup>69</sup> Ibid.

<sup>70</sup> Ibid.

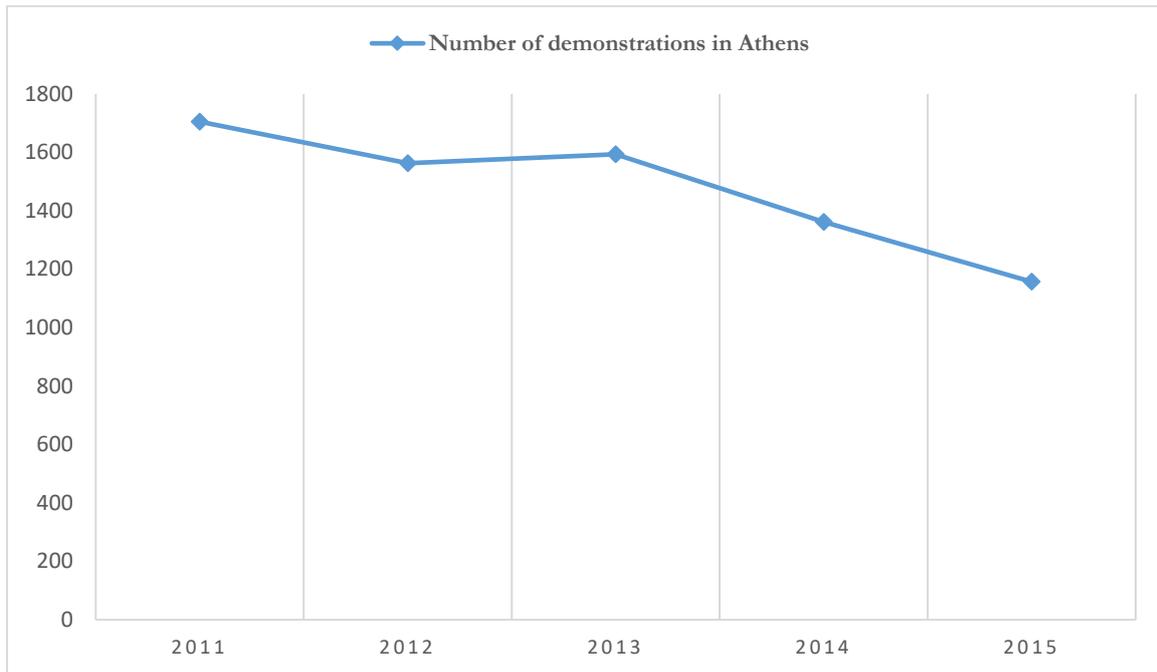
<sup>71</sup> Ibid., 7.

<sup>72</sup> Ibid., 9.

<sup>73</sup> Ibid.

<sup>74</sup> Ibid., 7.

Graph 3: Number of demonstrations in Athens, 2011–2015



Source: Elafros Giannis, “Στις 15 οι κινητοποιήσεις καθημερινά στην πενταετία” [15 protests daily in five years], *Kathimerini*, May 15, 2016, <http://www.kathimerini.gr/859856/article/epikairothta/ellada/stis-15-oi-kinhtopoihseis-ka8hmerina-sthn-pentaetia>.

Sotirios Zartaloudis refers to the already discussed problematic argument which relates the social and political protests to Syriza:

Surprisingly, there has been almost no protest over the new austerity round in Greece, a sign that Greeks have either accepted that there is no alternative or that previous protests were politically motivated by Syriza and ANEL supporters.<sup>75</sup>

This argument focuses again on Syriza’s strategies, but a political party with 4% of the vote cannot organize protests on so large a scale as occurred in 2011 and 2012; moreover, as mentioned above, the first waves of protesters did not even identify with Syriza’s political agenda. The other aspect of the argument – that the majority of the Greek citizens accepted that there was no alternative – has already been discussed. The political inertia cannot be solely explained from Syriza’s concrete political strategies and needs to be analyzed through the socioeconomic structure and moral order of the Greek society prior to the crisis.

Another surprising aspect which cannot also be explained through Syriza’s strategies is the continuous support of the bigger part of the Greek society towards the European single currency.

<sup>75</sup> Sotirios Zartaloudis, “Why Greece’s Syriza Party Is Embracing Austerity Now,” *Fortune*, June 3, 2016, <http://fortune.com/2016/06/03/greece-eurozone/>

The following lists show the percentage of Greek people who were in favor of the European single currency and the image and trust that Greek people had towards the EU, based on polls by Eurobarometer from 2012–2015.

### Greeks and the euro

**2012:** Greeks have one of the highest percentages in the EU-27 in favor of the European single currency (75% for, 21% against); the average support the EU-27 was 52%.<sup>76</sup>

**2013:** Sixty percent of Greeks are for the euro and 36% against.<sup>77</sup> Though the percentage of Greeks in favor of the euro is falling, it is still higher than among the Italians (59%), Spanish (52%), and Portuguese (52%).<sup>78</sup>

**2014:** Sixty-nine percent of Greeks are for the euro and 29% against.<sup>79</sup>

**2015 (year of the Greek Referendum):** In May 2015, Eurobarometer reported that 69% of Greeks supported the single currency and 29% were against.<sup>80</sup>

### Greeks and the EU

From 2012–2015, during the rise of Syriza, the percentage of Greeks who were in favor of the single currency (69–75%) was at its highest since 2003, and had only been surpassed in 2002, when the euro was officially introduced into Greece (support then was 80%). At the same time, throughout this whole period, the Greek people had the worst image of EU within the EU-27/28.

**2012:** Forty percent of Greeks have a negative image of the EU and 26% a positive one (the EU-27 average is 31% positive and 28% negative).

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<sup>76</sup> European Commission, “Standard Eurobarometer 77,” (Spring 2012), T71, [http://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb77/eb77\\_anx\\_en.pdf](http://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb77/eb77_anx_en.pdf)

<sup>77</sup> European Commission, “Standard Eurobarometer 79,” (Spring 2013), T82, [http://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb79/eb79\\_anx\\_en.pdf](http://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb79/eb79_anx_en.pdf)

<sup>78</sup> Ibid.

<sup>79</sup> European Commission, “Standard Eurobarometer 81,” (Spring 2014), T64, [http://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb81/eb81\\_anx\\_en.pdf](http://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb81/eb81_anx_en.pdf)

<sup>80</sup> European Commission, “Standard Eurobarometer 83,” (Spring 2015), T70, [http://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb83/eb83\\_anx\\_en.pdf](http://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb83/eb83_anx_en.pdf)

**2013:** Greece surpasses even the UK: Only 16% of Greeks have a positive image of the EU and 50% have a negative one.<sup>81</sup> At the same time, 80% of Greeks tend not to trust EU, the highest level of distrust in the EU-27.<sup>82</sup>

**2014:** Although almost 70% of Greeks are in favor of euro, only 22% have a positive image of the EU and 44% have a negative image, again the highest percentage in the EU-27.<sup>83</sup> The same tendency was evident in how much Greeks trust the EU, which remained stable as the highest percentage of distrust (75%) in the EU-27.<sup>84</sup>

**2015:** Support for the euro remains high at almost 70%, but Greeks again have the highest levels of distrust in the EU (73% do not trust EU policies, 26% do).<sup>85</sup> The image of the EU has slightly improved, but still Greeks have the second-highest percentage of negative views towards the EU, after Cyprus (25% of Greeks have a positive view, 37% have a negative one).<sup>86</sup> Around 70% of Greeks support the single currency, but 78% do not trust the European Central Bank.<sup>87</sup> Fifty-eight percent of Greeks were unsatisfied with their life in EU-28<sup>88</sup> (when the EU-28 average was 80% satisfaction and 20% dissatisfaction); Greeks were the most pessimistic about their economy (97%) in EU-28, as well as in the worst job situation (one out of two Greeks said their situation was very bad) and worst financial situation overall (73% said that their household finances were in a “very bad situation”).<sup>89</sup> This data was collected in May 2015, very close to the Greek Referendum.

Greeks’ attitudes towards the EU and the euro may seem contradictory. How is it possible that the majority of Greeks were in every way against EU and at the same time fervent supporters of the single currency?

According to Public Issue, in June 2015, 62% of Greeks supported the Greek government’s decision to reject the bailout agreement proposed by the EC, ECB, and IMF for the continuation of austerity measures.<sup>90</sup> During the same time period, regarding a prospective referendum on the euro, 52% of Syriza voters would vote in favor and 43% against,<sup>91</sup> but 57% of Syriza voters stated

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<sup>81</sup> European Commission, “Standard Eurobarometer 79,” T47.

<sup>82</sup> Ibid., T44.

<sup>83</sup> European Commission, “Standard Eurobarometer 81,” T32.

<sup>84</sup> Ibid., T29.

<sup>85</sup> European Commission, “Standard Eurobarometer 83,” T37.

<sup>86</sup> Ibid., T39.

<sup>87</sup> Ibid., T64.

<sup>88</sup> Ibid., T1.

<sup>89</sup> Ibid., T9.

<sup>90</sup> Public Issue, “Πολιτικό βαρόμετρο” [Political barometer], no. 145 (June 2015), 17, <http://www.publicissue.gr/wp-content/uploads/2015/06/var-145-jun-2015.pdf>

<sup>91</sup> Ibid., 23.

that the European Monetary Union (EMU) had no future, against 38% who said that it did.<sup>92</sup> Thus, the same “contradiction” appeared even within Syriza’s electoral base.

The same question arises: If the EU and EMU are seen so negatively, then where does the support for the European single currency come from?

In 2000, only one year before Greece joined the EMU, 69% of Greeks supported the introduction of the euro and 19% were against.<sup>93</sup> It is important to note that the majority’s support for Greece’s participation in the EMU was accompanied by an impressive 75% of people who said that they were not very well informed or not at all informed about the single currency.<sup>94</sup> This was the highest percentage reported in the Eurozone-11 and the EU-15, and was in spite of the fact that 81% of Greeks said that they have received information about it. So, how were seven out of ten Greek people in favor of the euro, while 75% were poorly informed? And, moreover, how did only 49% of Greek people view the EU positively, while only 35% believed that EU membership offered more advantages than disadvantages (with 46% believing that it offers as many advantages as disadvantages and 9% believing it offers more disadvantages), and yet still support joining the EMU?<sup>95</sup> The question here is not whether Greece had a viable future outside of the Eurozone, but how the Greek citizens were socially orientated towards a specific symbolic understanding of their society which dictated the support for euro and mediated the national economic and political public debate. The next part of this study constructs a subjectification theory by bringing together the works of Luis Althusser (Unique Subject and interpellation) with the sociology of imitation by Gabriel Tarde and social imaginary of Charles Taylor. Then, the notions of imaginary credit and imaginary debt aim to offer a new theoretical perspective on looking at seemingly contradictory social phenomena such as sociopolitical protest and passivity.

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<sup>92</sup> Ibid., 25.

<sup>93</sup> European Commission, Eurobarometer 53, (October 2000), 47, [http://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb53/eb53\\_en.pdf](http://ec.europa.eu/commfrontoffice/publicopinion/archives/eb/eb53/eb53_en.pdf)

<sup>94</sup> Ibid., 50.

<sup>95</sup> Ibid., 26.

## PART TWO: A THEORY OF IMAGINARY CREDIT AND DEBT

### Chapter 2: The conformist subject in the consumption sphere

#### 2.1 The alienation of the species-becoming and the consumption sphere

When Foucault was asked about his approach to Nietzsche's work, he answered that instead of trying to define a more or less true or single Nietzscheanism, it is much more fruitful to ask "What serious use can Nietzsche be put to?"<sup>96</sup> This study takes the same approach to Marx's work. Thus, it asks: What serious use can Marx be put to concerning the conceptualization of the consumption sphere? The answer to this question is this dissertation's theoretical points of departure. Marx's main intention is to develop a historical materialistic methodology based on the social relations of production and private property. However, by following the theoretical steps of this construction, a different, parallel reading related to the consumption sphere can emerge.

Marx, in the process of conceptualizing historical materialism, starts with very two basic ontological premises. The first historical, empirical observation is "the existence of living human individuals."<sup>97</sup> It is important to note the plural form here: Marx starts from "human individuals," not *the* individual, not because of a theoretical preference, but because the individual neither exists nor is reproduced as a social unit. Therefore, Marx's first conclusion is that the historical examination of all social phenomena should a priori be approached from a relational, social standpoint. The second premise is that individuals co-operate with each other primarily due to their common necessity of material survival.<sup>98</sup> The social organization and co-operation which develops to ensure subsistence is itself a productive force. The necessity of co-operation develops the language, what Marx calls the "practical consciousness."<sup>99</sup>

Every human activity involves a social relation, even if it is not a directly communal activity.<sup>100</sup> Human existence is itself a social activity, and for Marx a basic methodological error is to imagine

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<sup>96</sup> Michel Foucault, *Aesthetics, Method, and Epistemology*, ed. James D. Faubion and P. Rabinow, trans. R. Hurley and others, vol. 2 (New York: New Press, 1998), 445.

<sup>97</sup> Karl Marx and Friedrich Engels, *The German Ideology*, trans. Tim Delaney, Bob Schwartz, Marx/Engels Internet Archive, 2000, 6, [https://www.marxists.org/archive/marx/works/download/Marx\\_The\\_German\\_Ideology.pdf](https://www.marxists.org/archive/marx/works/download/Marx_The_German_Ideology.pdf).

<sup>98</sup> *Ibid.*, 11.

<sup>99</sup> *Ibid.*

<sup>100</sup> Karl Marx, *Karl Marx: Selected Writings*, ed. D. McLellan (Oxford: Oxford University Press, 2000), 98–99.

an abstract opposition between society and the individual. So how, according to Marx, is it possible that private ownership of the means of production can separate an individual from society?

When the means of production are under private ownership, individual workers exchange their labor for wages. According to Marx, that means:

- 1) that the wage-earner is alienated “from the product of his labour [...] and his own activity as something that is alien and does not belong to him.”<sup>101</sup>
- 2) “the worker [...] appears as a slave of his needs; the purpose of his activity seems to be the maintenance of his individual life and what he actually does is regarded as a means; his life’s activity is in order to gain the means to live.”<sup>102</sup>

Marx argues that the alienation of the worker from the object of her/his production is also an alienation from her/his social recognition as a “species-being,” as s/he cannot “look at his image in a world he has created.”<sup>103</sup> What does Marx mean by “species-being”?

## 2.2 The concept of species-being

Although Marx mainly used the term “species-being” in his early work, the concept is very important, as without it, “Marx’s critique of capitalism would have no ethical basis and his politics would seem directionless and arbitrary [...] Marx’s concept of human essence is expressed through his notion of species-being (*Gattungswesen*).”<sup>104</sup>

Before Marx, the term species-being was used in Feuerbach’s work *The Essence of Christianity* to distinguish humans from animals.<sup>105</sup> The consciousness of a human individual exists as the consciousness of a species-being, and this is what distinguishes that individual from an animal.<sup>106</sup> Because of the individual’s consciousness as species-being, “the essence of man is contained only in the community, in the unity of man with man [...] solitude means being finite and limited, community means being free and infinite.”<sup>107</sup> In other words, the possibilities of an individual

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<sup>101</sup> Ibid., 89–91.

<sup>102</sup> Ibid., 128.

<sup>103</sup> Ibid., 91.

<sup>104</sup> Jacob M. Held, “Marx via Feuerbach: Species-Being Revisited,” *Idealistic Studies* 39, no. 1/3 (2009): 139.

<sup>105</sup> Ibid., 140.

<sup>106</sup> Ibid., 140.

<sup>107</sup> Ludwig Feuerbach, *Principles of the Philosophy of the Future*, trans. Zawar Hanfi, Feuerbach Internet Archive, accessed February 23, 2018, <https://www.marxists.org/reference/archive/feuerbach/works/future/future2.htm>

social becoming, as a species-becoming which is self-determined, are infinite and unlimited. Feuerbach argued that individuals become alienated from their human essence, from their consciousness as a species-being, through religion.<sup>108</sup> Christianity represents the human essence, the self-consciousness, as distinct from the individual.<sup>109</sup>

RELIGION is the relation of man to his own nature, – therein lies its truth and its power of moral amelioration; – but to his nature not recognized as his own, but regarded as another nature, separate, nay, contra-distinguished from his own.<sup>110</sup>

Feuerbach saw the origin of individual alienation in the projection of their “human attributes, desires, and potentialities”<sup>111</sup> to God. Instead of realizing that their eternal nature through the reproduction of their society, people make an eternal God. Instead of realizing that they are capable of benevolence, they create a benevolent God; instead of realizing the infinite potentialities of human beings, they create a God of infinite potentialities. The alienation of species-beings can thus only be abated when individuals realize that God is their society, and that the creation of God alienated them from themselves as species-beings.<sup>112</sup>

Marx criticized Feuerbach for not perceiving the individuals as active, productive beings, but only as conscious beings that alienate themselves from their species-becoming.<sup>113</sup> For Marx, it is through labor that individuals realize their essence as species-being and “labor, as the definite form of human productive activity is, therefore, the medium through which we recognize both others and ourselves.”<sup>114</sup> If the species-being is realized (species-becoming) through labor as “an actualization of latent possibilities,”<sup>115</sup> the question for Marx was how this species-becoming is distorted under capitalism and how these “distorted relationships prohibit the subject from actualizing her essence as a social, active being and in fact pervert her essence into a form of consumerist existence; a passive, not active life.”<sup>116</sup>

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<sup>108</sup> Ludwig Feuerbach, *The Essence of Christianity*, trans. George Eliot (Walnut: MSAC Philosophy Group, Mt. San Antonio College, 2008): 190

<sup>109</sup> Ibid., 186.

<sup>110</sup> Ibid., 155.

<sup>111</sup> Marx, *Selected Writings*, 6.

<sup>112</sup> Ibid.

<sup>113</sup> Held, “Marx via Feuerbach,” 142.

<sup>114</sup> Ibid., 146.

<sup>115</sup> Ibid.

<sup>116</sup> Ibid., 139.

The species-being must therefore be understood as a species-becoming.<sup>117</sup>

‘Species-being’ is neither natural reproductive collectivity, nor a set of biological requirements for food, water, shelter, and sex. As Spivak points out, Marx tends to speak of these as ‘species-life’. Species-being is the fulfillment, alteration and expansion of these life-needs through social activity, rendering ‘life activity itself an object of will and consciousness’.<sup>118</sup>

The species-becoming is the constant collective transformation of the world and the conscious relation of the individual to the species (society) and of the species (society) to the individual.<sup>119</sup> In these terms, “alienation” can be interpreted not as “an issue of estrangement from a normative, natural condition, but rather of who, or what, controls collective self-transformation.”<sup>120</sup> If individuals are alienated from socioeconomic understanding and collective transformation by their work, then the question is: How individuals exert themselves as social beings at an everyday level? If alienated labor is also “alienation of man from man,”<sup>121</sup> and if “instead of humans relating to each other co-operatively, they relate competitively,”<sup>122</sup> how are alienated individuals socially bound to one another, and how is their need for social becoming expressed?

Although Marx’s historical subject is the “industrial proletariat,” a sociological understanding of the Marxian concept of alienation offers some good points from which to begin answering this question. According to Marx, the individual, alienated wage-worker is only “freely active in his animal functions of eating, drinking, and procreating, at most also in his dwelling and dress, and feels himself an animal in his human functions.”<sup>123</sup> If individuals’ social identification is reflected not in their productive, creative work, but only in eating, drinking, etc., then individuals’ social purpose is restricted to the satisfaction of these needs; thus, “they become animal.”<sup>124</sup> Thus, the collective social existence and transformation of the individuals is identified only through the fact that it becomes their means to satisfy their consumption needs<sup>125</sup>. The individual worker cannot look at her/his image in a world s/he has created, as Marx writes, but because of this, s/he looks at her image in a world s/he has consumed. The individual “becoming animal” should be

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<sup>117</sup> Nick Dyer-Witheford, “Species-Beings: For Biocommunity” (“Many Marxisms,” conference on historical materialism, London School of Oriental and African Studies, November 2008, <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.458.8546&rep=rep1&type=pdf>

<sup>118</sup> Nick Dyer-Witheford, “2004/2044: The Return of Species-Being,” *Historical Materialism* 12, no. 4 (2004): 5.

<sup>119</sup> Marx, *Selected Writings*, 90.

<sup>120</sup> Dyer-Witheford, “Species-Beings: For Biocommunity,” 2.

<sup>121</sup> *Ibid.*, 91.

<sup>122</sup> Peter Singer, *Marx: A Very Short Introduction* (Oxford: Oxford University Press, 2000), 36.

<sup>123</sup> Marx, *Selected Writings*, 89.

<sup>124</sup> *Ibid.*, 89.

<sup>125</sup> *Ibid.*, 91.

understood as a social becoming through that individual's consumption activity. The consumption sphere is established as the "social becoming" of the alienated individuals.

### 2.3 The consumption sphere and consumption-induced sociality

The concept of the "consumption sphere" should not be understood strictly through an individual's eating, drinking, dressing, and sexual habits. When Marx writes that collective social existence is defined only through as individuals' means to eat, drink, and procreate,<sup>126</sup> it should be understood that these activities acquire a greater social meaning for the individuals. While the historical context in which Marx developed his ideas must always be taken into account, we might extend his argument into in our own age to include the creation of sub-collective identities of entertainment consumption (television, sports, fashion, etc.). In other words, alienated individuals "come closer" and understand what unites them as "social beings" not through a world that create themselves, but through various forms of mass entertainment and mass consumption which greatly exalt the social meaning of an individual's sexual relations, fashion choices, eating habits, entertainment preferences, etc.

In summary: Marx argues that the alienation of individuals from their species-becoming as a conscious relation of the individuals and the species (society) through transformative working activity leads individuals to an animal-becoming. This animal-becoming is the understanding of the social – of the "species" – solely through the consumption sphere and its development (i.e., constant improvement). Marx's argument is a good starting point for discussing the modern importance of the consumption sphere as the space of "species-becoming."

The alienation of individuals from their species-being in the productive sphere is explored below through Carol Gould's work on Marx's social ontology. The discussion aims to outline the transition from alienated labor to a *consumption-induced sociality*. Carol Gould starts her analysis on Marx's social ontology with the argument that, for Marx, "the fundamental entities that compose society are individuals in social relations."<sup>127</sup> Ontological primacy, she writes, is given to individuals

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<sup>126</sup> Marx, *Selected Writings*, 91.

<sup>127</sup> Carol C. Gould, *Marx's Social Ontology* (Cambridge, MA, and London: MIT Press, 1978), 1.

as the ultimately real beings who constitute their history and society through their activities.<sup>128</sup> Social individuals are characterized through their given mode of activity.<sup>129</sup>

Gould argues that Marx operates with an ontology which does not separate individuals and relations.<sup>130</sup> Relations “exist in and through the individuals related, or as relational properties of these individuals.”<sup>131</sup> What is interesting here is that, according to Marx, “if one abstracts this individual from his or her attributes or from the mode of activity, one has left only an abstract individual, namely, one that is numerically distinct from others but without concrete character.”<sup>132</sup>

Individuals create their history and society through their social, creative labor activities,<sup>133</sup> which also changes their sociality.<sup>134</sup> If, for Marx, “the primary ontological subject is, properly speaking, a social individual,”<sup>135</sup> what happens to this sociality under the capitalist mode of production? According to Marx, the social relations between persons are transformed into an alien form of relations between things.<sup>136</sup>

In pre-capitalist structures, individuals were dependent to one another, and social relations were characterized by the community in which this personal dependence took place.<sup>137</sup> In capitalist societies, individuals are independent from or indifferent to one another, and their sociality is mediated by external relations or objective dependence (external sociality).<sup>138</sup> This objective dependence is expressed during exchanges between individuals of activities and products in the marketplace.<sup>139</sup> The individual as a worker is independent from other individuals, but becomes dependent on the objectivity of capital as s/he exchange her/his labor in order to gain her/his means of subsistence.<sup>140</sup> Therefore, s/he finds him and her/his creative powers in an external objectivity.<sup>141</sup> “Marx sees capitalism as developing the universality and sociality of human capacities, but only in external or objective form.”<sup>142</sup>

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<sup>128</sup> Ibid., 3.

<sup>129</sup> Ibid., 33.

<sup>130</sup> Ibid., 31.

<sup>131</sup> Ibid., 32.

<sup>132</sup> Ibid.

<sup>133</sup> Ibid., 34.

<sup>134</sup> Ibid., 35.

<sup>135</sup> Ibid.

<sup>136</sup> Ibid.

<sup>137</sup> Ibid., 4.

<sup>138</sup> Ibid. 4, 14.

<sup>139</sup> Ibid., 14–15.

<sup>140</sup> Ibid., 17.

<sup>141</sup> Ibid., 18–19.

<sup>142</sup> Ibid., 22.

Marx characterizes the process through which individuals socially become through their labor and their interaction with one another and with nature as *objectification*.<sup>143</sup> Through their labor, individuals produce objects and thereby invest them with meaning and purpose.<sup>144</sup> Individuals create value through their labor, and this value is recognizable in an object.<sup>145</sup> Through this process of objectification, the “world becomes endowed with values.”<sup>146</sup> However, in the capitalist mode of production, the labor through which individuals socially become takes an alienated form, and individuals are separated from their creative powers.<sup>147</sup>

The focus of this research has been on the phenomenon of external sociality under the capitalist mode of production. The concept of species-being as species-becoming is thus essential to understanding how individuals orientate themselves towards their social becoming. In *Economic and Philosophical Manuscripts*, Marx writes that individuals affirm themselves as species-being through their “working over of the objective world.”<sup>148</sup> Thus, “the object of work is [...] the objectification of the species-life of man [...] Therefore when alienated labour tears from man the object of his production, it also tears from him his species-life, the real objectivity of his species.”<sup>149</sup> Understanding the social, collective existence of individuals becomes a means for those individuals’ subsistence. The alienation of “man from man” “is the way in which economic forces have dissolved communal bonds<sup>150</sup> [...] The community seems to be fragmented into a mass of atomic individuals.”<sup>151</sup>

As mentioned above, Marx does not separate individuals from relations. However, within the capitalist mode of production, social coherence is based on an external sociality: Individuals exchange their labor in the marketplace for wages. Individuals are alienated from their species-being, and their understanding of social becoming is reduced to a process of gaining their means of subsistence.

What is interesting here is that Marx offers an initial theoretical context to talk about a consumption-induced sociality although he has no interest to develop this process because that would be an alienated form of sociality. Thus, it follows that the communal bonds are not

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<sup>143</sup> Ibid., 40.

<sup>144</sup> Ibid., 41.

<sup>145</sup> Ibid.

<sup>146</sup> Ibid., 42

<sup>147</sup> Ibid., 40.

<sup>148</sup> Marx, *Selected Writings*, 91.

<sup>149</sup> Ibid., 91.

<sup>150</sup> Sean Sayers, “Alienation as a Critical Concept,” *International Critical Thought* 1, no. 3 (2011): 6.

<sup>151</sup> Ibid., 16.

fragmented but they are transformed. The individuals are not alienated from their species-being, they are not alienated from their fellow individuals, but they are socially identified with them through the sphere of consumption. A consumption-induced sociality replaces the labor-induced sociality which in capitalist mode of production takes an alienating form. The consumption-induced sociality then mediates the activity of labor.

The point of departure from Marx's theory is that alienated labor is not only individuals' means of subsistence, but also their means of social becoming. In other words, alienation in the productive sphere acts as a determining factor in social coherence only when the consumption-induced sociality is questioned. As long as the social becoming of individuals is realized within the consumption sphere, their alienation within the productive sphere is concealed. Therefore, the relevant social-research question for understanding how individuals imagine their social or political being/becoming does not originate in the production sphere, but in how the consumption sphere as a modern space of individual social becoming is reproduced. In order to answer this question, we must move from the Marxist tradition to Gabriel Tarde's sociology of imitation. Before that, however, we first examine the work of Louis Althusser. While Althusser does not offer a model of reproduction of the consumer sphere as the space of the collective and individual understanding of the "social," he does provide certain conceptual tools, such as the "Unique Subject," that are essential to the later construction of the notions of imaginary credit and debt.

#### 2.4 Instead of "the firm": "Working Environment"

Althusser's main argument, as presented in his work *Ideology and Ideological State Apparatuses*, published in 1970, is that the reproduction of labor power takes place not within, but "essentially outside of the firm."<sup>152</sup> In other words, what drives an individual to work under specific terms (wages) and hierarchical structures (property relations of production) within a democratic social and political organization? Althusser's argument is important because it highlights the need to explore the social space beyond the firm in order to understand why individuals accept certain working conditions. The answer seems obvious: Individuals work in order to consume. The question, however, is how this apparently simple logic is incorporated into individuals' everyday understanding of the "social" and "political," or with their social becoming.

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<sup>152</sup> Louis Althusser, *Essays on Ideology* (London: Verso, 1984), 4.

As mentioned above, Althusser does not refer to the consumption sphere, but his work is nevertheless relevant to this study for two reasons. The first is that, with his argument that the social reproduction of labor power takes place outside of the firm, Althusser offers a context in which to ask what the role of the consumption sphere for the reproduction of certain hierarchical socioeconomic structures is, as well as whether the consumption sphere really is outside the firm. What are the boundaries between inside and outside of the firm? The second reason is Althusser's conceptualization of what he calls the "Unique and central Other Subject."<sup>153</sup> This concept will be used to discuss the function through which one individual imitates another within the consumption sphere. Then, by highlighting the social diffusion of imitation, it will be shown how individuals' social orientation is constructed through a common understanding of the social becoming, which develops into a moral order.

Before embarking on a detailed analysis of Althusser's argument in relation to the significance of the consumption sphere (and, later, of the essential appearance of consumer credit), it is necessary to focus on some problematic aspects of Althusser's work concerning the concept of firm. Althusser's argument that the reproduction of labor power takes place outside of the firm was called into question, even before the publication of his main works (late 1960s–1970s). In the United States, for example, and in contrast to the development of the European welfare state (as least in some of the more economically advanced European states), it was corporations – and not the government – that provided welfare benefits to workers, including schools, hospitals, and housing in so-called "company towns."<sup>154</sup> The firm was an expanded social institution which included many aspects of Althusser's notion of "outside of the firm." This development started in the 1920s and lasted until the 1980s: The era of managerial capitalism, where firms had the form and organization of social institutions.<sup>155</sup> The subsequent eras of shareholder and finance capitalism have greatly changed the firm in ways that Althusser could hardly have imagined, especially after the arrival of the internet:

Anyone with a credit card and Internet access can create a corporation in moments. A business firm is simply a nexus of contracts among free individuals – a dense spot in a web of connections among suppliers of labor, capital, materials, and buyers of their outputs.<sup>156</sup>

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<sup>153</sup> Ibid., 52–53.

<sup>154</sup> Gerald F. Davis, *Managed by the Markets: How Finance Re-Shaped America* (Oxford University Press, 2009), 100.

<sup>155</sup> Ibid., 63.

<sup>156</sup> Ibid., 60.

After the 1980s, firms shifted from hiring permanent employees to simply retaining contractors.<sup>157</sup> “Location, industry, identity, and employment, which had been relatively fixed during the corporate-industrial era, had become labile in the shareholder value, post-industrial period.”<sup>158</sup> Even though some firms with welfare capitalist benefits continue to exist and operate in the US, the vast majority have disappeared or stopped the provision of benefits.<sup>159</sup>

The employment concentration around large firms has been gradually reduced in Europe as well. In the twenty-eight EU member countries,

the overwhelming majority (99.8%) [of non-financial active businesses][...] in 2013 were micro, small and medium-sized enterprises (SMEs) – some 22.6 million – together they contributed 57.8% of the value added generated within the EU’s non-financial business economy. More than 9 out of 10 (92.9%) enterprises in the EU-28 were micro enterprises (employing less than 10 persons) and their share of value added within the non-financial business economy was around one fifth.<sup>160</sup>

Where do small family businesses, for example, fit into Althusser’s analysis? The firm is not necessary an objective space of impersonal exploitative hierarchical productive and property relations and can actually and virtually become an extension of the individual’s home. Once again, the division between “inside” and “outside” the firm is not clearly distinguishable.

The division becomes even more disputable in the era of outsourcing. Corporations’ activities abroad have opened up new opportunities for many households.

Services from editing vacation videos to planning a wedding can be outsourced via the Web. With Skype and a fast Internet connection, helping the kids with homework can be contracted out to low-wage (but high-skill) professionals elsewhere in the world.<sup>161</sup>

Taking into account the extreme relativization of the firm space, one must conclude that Althusser’s the concept of the “firm” needs to be replaced.

In a Web-enabled world, any task that can be sent over the Internet is open to competition from suppliers around the globe, no matter what the level of skill. From completing tax forms and

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<sup>157</sup> Ibid., 91.

<sup>158</sup> Ibid., 89.

<sup>159</sup> Ibid., 100.

<sup>160</sup> Eurostat, “Structural Business Statistics Overview,” accessed April 22, 2017, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Structural\\_business\\_statistics\\_overview](http://ec.europa.eu/eurostat/statistics-explained/index.php/Structural_business_statistics_overview)

<sup>161</sup> Gerald F. Davis, “The rise and fall of finance and the end of the society of organizations.” *Academy of Management Perspectives* 23, no. 3 (2009): 39.

designing auto parts to reading X-rays and decoding the human genome, cognitive tasks are eminently offshorable.<sup>162</sup>

In the post-industrial period of micro businesses, virtual workplaces, and infinite offshoring possibilities, the term *working environment* has proved to be more relevant than “firm.”

## 2.5 The consumption sphere and the Ideological State Apparatuses

Within the working environment, individuals are already ready-subjects which they, as “free subjects,” freely accept and choose to be in certain working relations.<sup>163</sup> If they did not, the reproduction of the labor force would be at stake.

Althusser distinguishes between Repressive State Apparatuses (RSAs) and Ideological State Apparatuses (ISAs). Although there is no clear distinction between violence and ideology, the Repressive State Apparatus (RSAs) “contains: the Government, the Administration, the Army, the Police, the Courts, the Prisons, etc. [...] ‘functions by violence’ – at least ultimately (since repression, e.g. administrative repression, may take non-physical forms).”<sup>164</sup> However, the subjects learn to be self-disciplined, and “good subjects” work by themselves through ideology, through practices governed by the rituals of the ISAs.<sup>165</sup> The ideological realities take specific institutional forms, such as “the religious ISA (the system of the different Churches), the educational ISA (the system of the different public and private ‘Schools’), the family ISA, the legal ISA, the political ISA (the political system, including the different Parties), the trade-union ISA, the communications ISA (press, radio and television, etc.), the cultural ISA (literature, the Arts, sports, etc.).”<sup>166</sup> The function of ISAs is based on everyday practices, as “ideology has a material existence”<sup>167</sup> and “always exists in an apparatus, and its practice, or practices.”<sup>168</sup> His argument continues: “I shall point out that these practices are governed by the rituals in which these practices are inscribed, within the *material existence of an ideological apparatus*.”<sup>169</sup>

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<sup>162</sup> Ibid.

<sup>163</sup> Althusser, *Essays on Ideology*, 41–42.

<sup>164</sup> Ibid., 16–17.

<sup>165</sup> Ibid., 55.

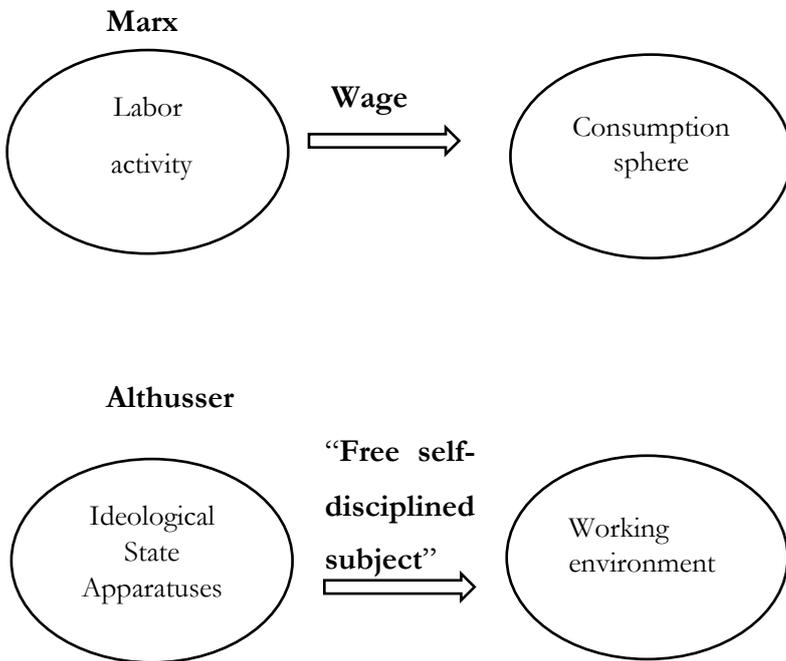
<sup>166</sup> Ibid., 17.

<sup>167</sup> Althusser, *Essays on Ideology*, 39.

<sup>168</sup> Ibid., 40.

<sup>169</sup> Ibid., 42.

A graphic recapitulation



Althusser uses Marx’s observations to theoretically construct the Ideological State Apparatuses. According to Marx, the ruling intellectual ideas of a historical period are related to the “ruling material force of society.”<sup>170</sup> Thus, individuals who have private ownership over the material means of production cannot be established as a ruling class without the control of the means of mental production, without the representation of certain private interests as the common interest of the society.<sup>171</sup>

Althusser argues that the reproduction of labor power takes place “essentially outside of the firm”<sup>172</sup> through the Ideological State Apparatuses, which reproduce an “imaginary relationship of individuals to their real conditions of existence.”<sup>173</sup> Marx’s perspective is that, within the consumption sphere, the individuals (or alienated wage-earners) understand and practice their social becoming<sup>174</sup>.

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<sup>170</sup> Marx and Engels, *The German Ideology*, 21.

<sup>171</sup> Ibid.

<sup>172</sup> Althusser, *Essays on Ideology*, 4.

<sup>173</sup> Ibid., 36.

<sup>174</sup> Richard D. Wolff attempts to bring Marx and Althusser together by focusing on the example of capitalism in the US. He argues that the rising rates of exploitation of wage-earners in the United States have been compensated by rising rates of consumption. ISAs such as family, schools, civic and labor organizations, churches, and mass media had to systematically manipulate individual workers to define themselves primarily as consumers. “Individual worth – for themselves and for others – became measurable above all by one’s achieved level of consumption.” Wolff describes how individuals understand their exploitation and alienation as a means of acquiring their reward, which is high rates of consumption. See: Richard D. Wolff, “Ideological State Apparatuses, Consumerism, and U.S. Capitalism: Lessons for the Left,” *Economics Department Working Paper Series*, paper 74 (2004): 13.

## 2.6 Instead of “working class”: The “conformist subject”

On an abstract level, individuals are “always-already subjects” (*immer schon Subjekte*). Althusser argues that even before a baby is born, it is already a subject through the “expectations of the birth,” the “happy event,” the already given last or first name, and the arrival in a specific ideological family context.<sup>175</sup> The baby even receives its sexual identity as a “boy” or “girl” before birth, and with it, all the expectations of a “sexual subject.”<sup>176</sup> According to Althusser, ideology exists in practices, and “there is no ideology except by the subject and for subjects.”<sup>177</sup> However, the specific focus here is on how the individual becomes a *conformist subject*. Why use the concept of “conformist subject” instead of “working class”?

“Working class” here does not mean a class united with a collective self-identification or a purpose – in Marx’s words, “a class for itself”<sup>178</sup> – but rather an abstract methodological tool, defining the socioeconomic position of individuals within but also beyond the economic sphere.<sup>179</sup> The main Marxian class criterion is based on the private property relations “of production (broadly conceived to include not just production but also distribution and exchange).”<sup>180</sup> Marx’s claim that “the whole of society must fall apart into the two classes of the property owners and the propertyless workers”<sup>181</sup> is based on the idea (also determined from his historical context and his research focus on the English industrial working class) that the working class “forms the majority of all members of society.”<sup>182</sup> Still, in many instances Marx acknowledges the existence of both inter-class stratifications as well as a middle class, but he does not analyze the role of the middle class when examining the material preconditions of a socioeconomic historical change. In the introduction his critique of Hegel’s *Philosophy of Right*, Marx writes, referring to the German middle class, that “as soon as that class begins to struggle with the class above it, it is engaged in struggle with the class below [...] The middle class scarcely dares to conceive emancipation from its own point of view, and already the development of social circumstances and the progress of political theory declare this point of view itself to be antiquated or at least problematic.”<sup>183</sup> In the *Communist*

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<sup>175</sup> Althusser, *Essays on Ideology*, 50.

<sup>176</sup> *Ibid.*

<sup>177</sup> *Ibid.*, 44.

<sup>178</sup> Marx, *Selected Writings*, 231.

<sup>179</sup> Daniel Jakopovich, “The Concept of Class,” *Cambridge Studies in Social Research* No. 14 (SSRG Publications, 2014), 7.

<sup>180</sup> *Ibid.*, 4.

<sup>181</sup> Marx, *Selected Writings*, 85.

<sup>182</sup> *Ibid.*, 195.

<sup>183</sup> *Ibid.*, 80.

*Manifesto*, Marx and Engels write that the lower middle class (small manufacturers, shopkeepers, artisans, and peasants) oppose the upper classes only in order to retain their position as part of the middle class, and therefore it is not revolutionary, but conservative.<sup>184</sup> Marx and Engels even call the middle class the “dangerous class” or “social scum” because no matter its potential momentary revolutionary social role, it ends up as “part of a bribed tool or reactionary intrigue.”<sup>185</sup>

For the purposes of this study, individuals of both the middle and working class will be positioned in the same analytical context, conceptualized as “conformist subjects”: Individuals whose working activity is a means of conforming (social becoming) within the consumption sphere. The concept of *conformist subject* also includes individuals of the middle class with supervisory roles in production (belonging to the “capital function,” in contrast to the “function of labor,” which includes ordinary workers),<sup>186</sup> highly skilled workers like engineers, the self-employed, owners of small-scale or family businesses, as well as pensioners and landlords (the inactive middle class population).<sup>187</sup> Since it includes individuals who are not wage-earners (landlords, pensioners, owners of small-scale businesses, etc.), the definition of *conformist subject* needs further modification. Moreover, it should incorporate the role that consumer credit plays in social becoming within the consumption sphere. Thus, the final definition of the conformist subject is: Individuals whose working activity (wages), various incomes, or consumer credit are a means of conforming (social becoming) within the consumption sphere.

## 2.7 Who interpellates the conformist subject?

According to Althusser, ideology exists in practices, but there is another process before practice. This process, conceptualized by Althusser as interpellation, renders a practice “as obviousnesses, which we cannot fail to recognize and before which we have the inevitable and natural reaction of crying out (aloud or in the ‘still, small voice of conscience’): ‘That’s obvious! That’s right! That’s true!’”<sup>188</sup> This process

‘recruits’ subjects among the individuals (it recruits them all), or ‘transform’ the individuals into subjects (it transforms them all) by that very precise operation which I have called *interpellation* or

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<sup>184</sup> Ibid., 253.

<sup>185</sup> Ibid., 254.

<sup>186</sup> Jakopovich, “The Concept of Class,” 17.

<sup>187</sup> Ibid., 17-18.

<sup>188</sup> Althusser, *Essays on Ideology*, 46.

hailing, and which can be imagined along the lines of the most commonplace everyday police (or other) hailing: ‘Hey you there!’<sup>189</sup>

The subject “presupposes the ‘existence’ of a Unique and central Other Subject, in whose Name [...] interpellates all individuals as subjects.”<sup>190</sup>

How does Althusser define the Unique Subject?

The definition of the Unique Subject is derived through the process of interpellation, “an ideologically organized way in which power addresses individuals as free and ‘real’ subjects.”<sup>191</sup>

Interpellation means matching individuals’ sense of personhood with ideologically determined and shaped category of ‘subject’. By developing a sense of unique subjectivity individuals achieve the highest level of integration into the power system.<sup>192</sup>

In order for the process of interpellation to function, it requires an absolute Unique Subject which will interpellate the individuals/subjects. The individual is “a subject through the Subject and subjected to the Subject.”<sup>193</sup> Althusser offers the example of God as the Unique Subject of religious ideology.<sup>194</sup> God is the Unique Subject which interpellates “his mirrors, his reflections. Were not men made in the image of God?”<sup>195</sup> The conception of the individual/subject as a reflection or image of the Unique Subject is a very important point because it highlights the necessity for the individual/subject to understand her/his existence as being similar to the Unique Subject in order to be interpellated. A closeness between the Unique Subject and individual/subject needs to be established. For this reason, in the religious ideology, as Althusser argues, God duplicates himself by sending his Son to earth. “God needs to ‘make himself’ a man, the Subject needs to become a subject.”<sup>196</sup> Althusser calls this process *mirror-structure* or *mirror duplication*.<sup>197</sup> The closeness between the Unique Subject and individual/subject facilitates the free self-identification of the individual as a subject through the recognition of the Unique Subject.

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<sup>189</sup> Ibid., 48.

<sup>190</sup> Ibid., 52–53.

<sup>191</sup> Ieva Zake, “The Construction of National(ist) Subject: Applying the Ideas of Louis Althusser and Michel Foucault to Nationalism,” *Social Thought & Research* 25, no. 1/2 (2002): 222.

<sup>192</sup> Ibid., 223.

<sup>193</sup> Ibid., 53.

<sup>194</sup> Althusser, *Essays on Ideology*, 52–53.

<sup>195</sup> Ibid.

<sup>196</sup> Ibid., 54.

<sup>197</sup> Ibid.

How can the Unique Subject be defined in the modern consumption sphere, and how does the mirror-structure or mirror duplication function?

Before answering these questions, certain theoretical limitations of Althusser's conception of the Unique Subject must be pointed out. Althusser's Unique Subject, although its duplication and appearance as subject-Subject, "is the master: he orders, he promises the supreme reward to one who obeys"<sup>198</sup> and determines the process of interpellation, which "arises from social domination in general, as the principle of subjectivation."<sup>199</sup> Thus, there is a clear hierarchy between the Unique Subject and the individual/subject.

The concept of the Unique Subject adopted in this study must therefore be modified somewhat. In contrast to Althusser's, the Unique Subject is based here on a permanent social mirror structure in which the Unique Subject does not have an independent existence within a clear hierarchy, as in the example of God. In other words, the Unique Subject is conceptualized as a permanent subject-Subject which is socially reflected through every individual/conformist subject. The subjects-Subjects interpellate each other. This *expanded social mirror structure* is then conceptualized as part of the construction of a moral order and social coherence between individuals which mediates their understanding of their polity.

Hence, the Unique Subject needs to be understood as a social relation in which an individual is hetero-identified by another individual who is, has or representing something in a completed form, and this completed form, or moral "end," manifests what the other individual lacks, a distance between what s/he is and what s/he can become.

Here it is important to note that Althusser talks about our everyday consciousness of what *is*, but not of what *could be*. He does not cover the realm of social *aspirations*, but rather of social *facticities*, and this represents another limitation. In chapter five of this study, the process of how the conformist subject needs to imagine that s/he has a similarity with the Unique Subject (mirror duplication) within the consumption sphere (species/social becoming) will be better conceptualized through Charles Taylor's concept of social imaginary and Gabriel Tarde's sociology of imitation.

Thorstein Veblen's concept of neighbor is useful here in order to conceptualize better the relation between the conformist and the Unique Subject. Gabriel Tarde has also offered the same

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<sup>198</sup> Jacques Bidet, "The Interpellated Subject: Beyond Althusser and Butler," *Crisis and Critique* 2, no. 2 (2017): 75.

<sup>199</sup> Ibid.

observation: “In reality, the thing that is most imitated is the most superior one of those that are nearest. [...] Distance is understood here in its sociological meaning. However distant in space a stranger may be, he is close by, from this point of view, if we have numerous and daily relations with him and if we have every facility to satisfy our desire to imitate him.”<sup>200</sup> This process is described by Tarde as *law of the imitation of the nearest*. The main social comparison of the conformist subject takes place within the circle of his neighbors.<sup>201</sup> The concept of neighbor should be understood beyond the individual’s literal neighbors, friends, and acquaintances.<sup>202</sup> It includes what Veblen describes as “*unsympathetic observers of one’s everyday life*”<sup>203</sup> who are to be found in the everyday social circles of the conformist subject.<sup>204</sup>

Thus, the social becoming of the conformist subject needs to be absolutely visible to others. Furthermore, the social becoming of the conformist subject, her/his understanding of the social and political, is constructed through her/his social position among her/his neighbors. We can observe here a contemporary form of alienation – not in production, but in the consumption sphere. This is the alienation of the conformist subject from every individual who is not her/his neighbor, her/his unsympathetic observer. This form of alienation is described well by Adorno and Horkheimer:

The ruler no longer says: ‘Either you think as I do or your die’. He says: ‘You are free not to think as I do; your life, your property – all that you shall keep. But from this day on you will be a stranger among us’.<sup>205</sup>

The “ruler”, as has been previously discussed, should be understood as a specific mode of socialization, a mode of conformity or normative obedience which is reflected and reproduced through the frequent, everyday social contacts of the conformist subject. The more unsympathetic observers a conformist subject has, the less alienated s/he appears to be because her/his imaginary map of social becoming is expanded. At the same time, the more unsympathetic observers a conformist subject has, the more alienated s/he is, since the pressure of always corresponding to the expectations of others, of the Unique Subject, of a mode of conformism, is also expanded and intensified.

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<sup>200</sup> Gabriel Tarde, *The Laws of Imitation*, trans. EC Parsons (New York: Henry Holt and Company, 1903), 224.

<sup>201</sup> Thorstein Veblen, *The Theory of the Leisure Class* (Pennsylvania State Electronic Classic Series Publication, 2003): 22.

<sup>202</sup> Ibid., 59.

<sup>203</sup> Ibid.

<sup>204</sup> Ibid.

<sup>205</sup> Horkheimer and Adorno, *Dialectic of Enlightenment*, 105–106.

Although Althusser's, Veblen's, and Tarde's epistemologies are quite different, their arguments bear a striking resemblance to each other. Althusser's description of the mirror-structure, Tarde's law of the imitation of the nearest, and Veblen's unsympathetic observer or neighbor describe the same condition.

How is the social becoming of the conformist subject in the consumption sphere reproduced through her/his interaction with "unsympathetic neighbors" or the Unique Subject? Duesenberry's concept of the *demonstration effect*, along with Veblen's notions of *pecuniary emulation* and *conspicuous consumption* will provide a first answer. Then, Gabriel Tarde's *The Laws of Imitation* and Pierre Bourdieu's *Distinction* will offer a more thorough sociological analysis, which will in turn later be used to develop the concepts of *imaginary credit* and *imaginary debt*.

### Chapter 3: Hell is- other people! What drives individuals to improve their consumption?

[Laughs.] So this is hell. I'd never have believed it. You remember  
all we were told about the torture-chambers, the  
fire and brimstone, the "burning marl." Old wives' tales!  
There's no need for red-hot poker. Hell is – other people!<sup>206</sup>

In chapter two, the Unique Subject was defined as a social relation of subjectification in which an individual becomes a conformist subject through its interpellation from a moral "end," a completed form of the individual which manifests what the conformist subject lacks, a distance between what s/he is and what s/he can become. This Other, Unique Subject takes the form of the 'neighbor' of the conformist subject through what Althusser calls mirror duplication, and the conclusion was that the conformist subject is actually a subject-Subject that interpellates other individuals to become conformist Subjects-subjects. The next theoretical step is to explore the social function of the relation between the Unique Subject and conformist subject. How is their relation socially reproduced and expanded within the consumption sphere? How does the conformist subject as a subject-Subject influence other individuals to become conformist subjects-Subjects? To put it simply, how does the conformist subject influence another individual to adopt certain consumer practices or to increase her/his consumption? Chapter three serves as an economic (Keynes, Fisher, Friedman) and economic sociological (Veblen, Duesenberry) introduction to the question of how an individual increases her/his consumption.

The following short introduction of the economic theorization of this question through the work of Keynes, Fisher, and Friedman contributes to the general argument mainly by highlighting the need for an economic sociological approach. The relationship between changes in an individual's consumer practices and Milton Friedman's concept of the individual's *future expectations* of her/his permanent income, together with Irving's Fisher emphasis on credit expansion, will be discussed. However, and despite the significance of an individual's future expectations of her/his permanent income for the determination of her/his consumer behavior, one important problem with Friedman's argumentation must be kept in mind. Friedman presupposes an individual who makes rational choices for the maximization of her/his benefits, independently of the economic behavior of other individuals. In reality, individuals often make irrational economic choices, for example by

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<sup>206</sup> Jean-Paul Sartre, *No Exit and Three Other Plays*, trans. S. Gilbert (New York: Vintage International, 1989), 45.

increasing their consumption even in the face of a stagnated or decreased income. This chapter seeks to investigate the reasons for “irrational” economic behavior through an economic-sociological lens.

The process of how one individual influences another’s consumer practices will be initially explored through the works of James Duesenberry and Thorstein Veblen. Duesenberry developed the concept of *demonstration effect* in order to show how one individual is influenced by the consumer behavior of her/his frequent social contacts, in particular those who consume better goods than her/him. However, Duesenberry lacks the sociological conceptual tools to explain how the demonstration effect is socially reproduced. Veblen’s analysis of how individuals emulate the consumer practices of individuals with higher social status answers the question of social reproduction. Veblen’s concept of emulation operates within the context of a social stratification. However, I argued at the end of the last chapter, with the help of Althusser’s concept of mirror-duplication, that the relationship between the conformist subject and the Unique Subject is not hierarchical, but rather defined by a distance which can or ought to be covered (the conformist subject as a subject-Subject). This normative obedience towards the covering of the distance for the individual’s social becoming presupposes not a strict social stratification, but an imaginary of social mobility and equality between individuals. These limitations will be overcome by combining Charles Taylor’s concept of social imaginary and Gabriel Tarde’s sociology of imitation in chapters four and five.

### 3.1 Expectations and Consumption: Keynes, Fisher and Friedman

John Maynard Keynes argued that individuals’ propensity to consume depends partly on their income, partly on objective factors<sup>207</sup> (changes in the wage unit, in the difference between income and net income, in capital values, in the rate of time-discounting, and in fiscal policies), and partly on subjective factors such as psychological and habitual tendencies.<sup>208</sup> Keynes’s “fundamental psychological law” is that individuals “increase their consumption as their income increases, but not by as much as the increase in their income [...] a rising income will often be accompanied by increased saving.”<sup>209</sup> Concerning the impact of individuals’ *expectations* of their future income on

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<sup>207</sup> John Maynard Keynes, *The General Theory of Employment, Interest and Money* (London: Macmillan, 1936), 90–91.

<sup>208</sup> *Ibid.*, 107–108.

<sup>209</sup> *Ibid.*, 96–97.

their propensity to increase their consumption, Keynes, although he acknowledges its existence, he argues that

we must catalogue this factor for the sake of formal completeness. But, whilst it may affect considerably a particular individual's propensity to consume, it is likely to average out for the community as a whole. Moreover, it is a matter about which there is, as a rule, too much uncertainty for it to exert much influence.<sup>210</sup>

Keynes's conjectures about the relation between income and consumption have been confirmed, but only for the short-term period. This means that in the long-term, "the average propensity to consume did not vary systematically with income."<sup>211</sup>

Irving Fisher did not follow Keynes's argument that current consumption depends on current income. If individuals are unable to borrow, then their current consumption depends on their current income, but if individuals are not faced with borrowing constraints, then their ability to take on loans between periods renders "the timing of the income [...] irrelevant to how much is consumed today."<sup>212</sup> Fisher concludes that individuals' consumption depends on the present value of their current income and on their expected income over their entire lifetime.<sup>213</sup>

Milton Friedman argued that income is the sum of its permanent and transitory components. Permanent income is the income which individuals expect to persist in their future. Transitory income is the income that individuals do not expect to persist in their future.<sup>214</sup> According to Friedman, consumption

should depend primarily on permanent income, because consumers use saving and borrowing to smooth consumption in response to transitory changes in income [...] Households with high permanent income have proportionately higher consumption [...] and households with high transitory income do not have higher consumption.<sup>215</sup>

Policies with a permanent duration, such as tax changes, have a higher impact on individuals' consumption and aggregate demand, while temporary changes have a lower impact.<sup>216</sup> Friedman emphasizes that individuals' current consumer behavior is not only determined by their current

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<sup>210</sup> Ibid., 95.

<sup>211</sup> Gregory Mankiw, *Principles of Macroeconomics*, 7th edition (New York: Worth Publishers, 2010), 499.

<sup>212</sup> Ibid., 506

<sup>213</sup> Ibid.

<sup>214</sup> Ibid., 514.

<sup>215</sup> Ibid., 515–516.

<sup>216</sup> Ibid., 516.

income, but also by their *future expectations*.<sup>217</sup> Friedman's insights into the long-term consumption behavior of individuals based on their *future expectations* of their permanent income, in combination with Irving's Fisher points on the *acquisition of credit*, are very valuable theoretical contributions: They allow us to view credit expansion as a determining factor in the acceleration and expansion of an imaginary social mobility. We will return to this point in the fifth chapter.

### 3.2 From Milton Friedman to James Duesenberry

One of the main hypotheses in neoclassical economics is that the individual's behavior is based on the maximization of her/his material payoffs.<sup>218</sup> This means that Friedman's permanent-income hypothesis "only makes sense for Homo Economicus."<sup>219</sup> Furthermore, "an individual's preferences are independent of other's individuals' preferences. [...] In other words, people are concerned about what and how much they consume, but not about what and how much they consume relative to other people."<sup>220</sup> Friedman argues that the maximization utility rules should not be viewed as descriptive of reality, but merely as a forecasting tool<sup>221</sup>: "The effectiveness of a theory is not to be judged on the basis of how realistic its premises are; on the contrary, its effectiveness is to be ascertained by testing how practical a given hypothesis – devised with the assistance of the theory – in reality is."<sup>222</sup> However, as Michael Scriven argues:

[T]here certainly seem to be occasions when we can predict some phenomenon with the greatest success, but cannot provide any explanation of it. For example, we may discover that whenever cows lie down in the open fields by day, it always rains within a few hours. We are in an excellent position for prediction, but we could scarcely offer the earlier event as an explanation of the latter. It appears that explanation requires something 'more than' prediction; and my suggestion would be that, whereas an understanding of a phenomenon often enables us to forecast it, the ability to forecast it does not constitute an understanding of a phenomenon.<sup>223</sup>

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<sup>217</sup> Ibid., 517.

<sup>218</sup> Ken McCormick, "James Duesenberry as a Practitioner of Behavioral Economics," *Journal of Behavioral Economics for Policy* 2, no. 1 (2018): 13.

<sup>219</sup> Ibid., 17.

<sup>220</sup> Ibid., 13.

<sup>221</sup> Klaus Mathis and Steffen David Ariel, "From Rational Choice to Behavioural Economics," in *European Perspectives on Behavioural Law and Economics*, ed. Klaus Mathis (Cham et al.: Springer, 2015), 33–34.

<sup>222</sup> Ibid., 34.

<sup>223</sup> Michael Scriven, *Explanations, Predictions, and Laws* (Minneapolis: University of Minnesota Press, 1962), 176.

James Duesenberry challenged the neoclassical economic assumptions or forecasting tools, arguing that individuals' consumer preferences are actually not based on a rational, socially independent choice to maximize one's payoffs. On the contrary, individuals' consumer preferences and spending are dependent on those of other individuals (relative-income hypothesis) because "people are concerned about their status relative to others."<sup>224</sup> Thus, there are "strong psychological and sociological reasons for supposing that preferences are in fact interdependent."<sup>225</sup> Duesenberry's relative-income hypothesis was overshadowed by Friedman's permanent-income hypothesis.<sup>226</sup> One reason for this was that "many economists felt uncomfortable with [the] relative-income hypothesis, which to them seemed more like sociology or psychology than economics."<sup>227</sup> Furthermore, if one accepts the relative-income hypothesis, one must also accept "the possibility of wasteful spending races,"<sup>228</sup> just as if one rejects the assumption of independent preferences, one must also "jettison the core of neoclassical demand theory."<sup>229</sup>

In his work *Income, Saving and the Theory of Consumer Behavior*, Duesenberry rejects the core of neoclassical demand theory and argues that the prices, the value of assets, interest rates, and the current and future expectations about individuals' income cannot fully describe consumer behavior. The social and psychological dimension of consumer choices also need to be taken into account, that is, how individual consumer behavior is always dependent on the consumer behavior of others. Duesenberry completed a sociological investigation of the everyday function or process that leads to the development of or change in individual desires for specific goods. He starts his investigation by asking the following question: Why consumers desire the things they buy?<sup>230</sup>

His answer is complex. Consumers desire the things they buy, he writes: 1) In order to maintain their physical existence or physical comfort; 2) because are part of their culture; 3) in order to use them for specific purposes (such as a vehicle in order to go to work); 4) for social status; and 5) for pleasure.<sup>231</sup> These reasons may also work in combination; for example, an expensive vehicle

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<sup>224</sup> Ibid., 13.

<sup>225</sup> James Duesenberry, *Income, Saving, and the Theory of Consumer Behavior* (Cambridge, MA: Harvard University Press, 1967), 3.

<sup>226</sup> Robert H. Frank, "The Mysterious Disappearance of James Duesenberry," *New York Times*, June 9, 2005.

<sup>227</sup> Ibid.

<sup>228</sup> Ibid.

<sup>229</sup> McCormick, "James Duesenberry as a Practitioner of Behavioral Economics," 17.

<sup>230</sup> Duesenberry, *The theory of consumer behavior*, 19.

<sup>231</sup> Ibid., 20.

can be pleasant to drive, affords the owner a social status, and is his or her means of transportation to work.

Duesenberry posits two axioms in order to construct his argument.

1. “People do not, for the most part, desire specific goods but desire goods which will serve certain purposes.”<sup>232</sup>
2. There “are qualitatively different ways of doing the same thing. Even more important they are not just different but some are better than others.”<sup>233</sup>

In the field of fine arts, defining and agreeing upon standards of quality may be difficult; when it comes to housing, food, clothing, and transportation, however, the areas in which the majority of a family’s income is spent, it is possible to generally agree on what counts as better or worse.<sup>234</sup> The list of commonly agreed superior goods varies by age, region, income, and other differences among consumers, but there is nevertheless a general correlation between the price of goods and their quality.<sup>235</sup>

Goods can be distinguished not only by qualitative criteria, but also by quantitative ones:

- Quantitative differences based on the times that a good is used  
For example, if an individual increases the times that s/he consumes better-quality food in an expensive restaurant relative to lower-quality food in cheap restaurants, then s/he increases her/his overall quality of food.<sup>236</sup>
- Quantitative differences based on variety  
For example, in case of the number of books in a library.
- Quantitative differences based on specialization or purpose  
For example, different dresses for different occasions and purposes.<sup>237</sup>

So, individuals use goods and services in order to satisfy certain needs or in order to perform certain activities.<sup>238</sup> The physical needs of individuals are, as Duesenberry writes, “a given datum” and their activities can be predicted based on various factors such as age, occupation, and social

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<sup>232</sup> Ibid.

<sup>233</sup> Ibid.

<sup>234</sup> Ibid.

<sup>235</sup> Ibid., 21.

<sup>236</sup> Ibid.

<sup>237</sup> Ibid.

<sup>238</sup> Ibid., 23.

and marital status.<sup>239</sup> Consumers' freedom lies mainly in their power to choose what to consume. An individual can "vary the quality of the goods and services he uses for any purpose,"<sup>240</sup> and every individual "wants to improve the quality of the goods he uses for any purpose."<sup>241</sup> What, therefore, drives an individual to want to improve the quality of the goods s/he uses?

One argument could be that individuals seek out goods of superior effectiveness in terms of comfort, convenience, beauty, etc. In other words, individuals are driven to improve the quality of the goods they use in order to satisfy their needs or their culturally determined activities in a more efficient way.<sup>242</sup> Duesenberry finds this argument unconvincing. During some periods in history, individuals preferred to increase their savings and were not willing to make sacrifices in order to acquire higher-quality goods; at other times, people reduced their savings to nothing in order to improve the quality of the goods they used. How this can be explained?<sup>243</sup>

### 3.3 The demonstration effect

[...] it is necessary to have Rousseau to remind us that in fact, there would be no point in killing everyone else to attain their wealth because then there would be no one to know we had it...<sup>244</sup>

In order to investigate what drives individuals to purchase higher-quality goods, Duesenberry argues that is necessary to adopt a cultural approach. Raising the standard of living for individuals is one of the major goals of a society and a source of debate in public policy.<sup>245</sup> This means that

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<sup>239</sup> Ibid.

<sup>240</sup> Ibid.

<sup>241</sup> Ibid., 25.

<sup>242</sup> Ibid.

<sup>243</sup> Ibid., 26.

<sup>244</sup> Graeber, *Toward an Anthropological Theory of Value*, 257.

<sup>245</sup> Duesenberry, *The theory of consumer behavior*, 26.

individuals' propensity towards superior goods is not only related to a need, but also to a stated goal within their society.<sup>246</sup>

This means that the desire to get superior goods takes on a life of its own. [...] When the attainment of any end becomes a generally recognized social goal, the importance of attainment of this goal is instilled in every individual's mind by the socialization process.<sup>247</sup>

Duesenberry, within a psychoanalytic context, relates the attainment of the social goal to improve the standard of living to the drive for superior goods, which is a drive for "the maintenance of one's self-esteem."<sup>248</sup> Although this answer sets the general cultural context of the development of individuals' drive towards consumption, it does not provide an analysis of the function of this process.

Every individual adopts a habitual consumption pattern which is the result of a compromise between that individual's income, her/his desires for increased consumption, and her/his desires for savings.<sup>249</sup> This compromise builds an individual's "protective wall"<sup>250</sup> to other higher-quality goods and shapes her/his habitual consumption patterns.<sup>251</sup> It should be mentioned that a wall of resistance to goods of higher quality can also be formed through cultural influences, political ideologies, religious imperatives, etc. The individual knows about the existence of higher-quality goods, but this abstract "knowledge" or information has no significant impact on her/his everyday consumption.<sup>252</sup> When the individual is exposed to superior goods with a certain frequency, those goods will begin to disrupt her/his consumption pattern. The higher the frequency that the individual comes into contact with superior goods, the more significant is the threat for her/his existent consumption pattern, as "it makes active the latent preference for these goods."<sup>253</sup> This latent preference is developed through the overcoming of the individual's conscious or unconscious attempt to maintain her/his established consumption behavior.<sup>254</sup>

Duesenberry argues that, even without any change in income or prices, the habitual consumption pattern of an individual can be broken if the frequency of exposure to socially recognized superior

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<sup>246</sup> Ibid., 28.

<sup>247</sup> Ibid.

<sup>248</sup> Ibid., 29.

<sup>249</sup> Duesenberry, *The Theory of Consumer Behavior*, 26.

<sup>250</sup> Ibid.

<sup>251</sup> Ibid.

<sup>252</sup> Ibid., 27.

<sup>253</sup> Ibid., 26.

<sup>254</sup> Ibid., 27.

goods is able to overwhelm the individual's resistance to change.<sup>255</sup> The individual then starts to increase her/his expenditures at the expense of her/his savings; Duesenberry calls this process the "demonstration effect."<sup>256</sup>

It is important to note that Duesenberry does not offer a clear notion of the hierarchical social structures that enable one good to appear socially superior to others, "but simply notes that the rankings exist"<sup>257</sup> and are culturally determined, and that the qualitative and quantitative individual preferences for certain goods reflect those individuals' position in the social hierarchy. "The socially agreed upon rankings form the basis of Duesenberry's 'demonstration effect.'"<sup>258</sup>

Duesenberry gives emphasis on the role of that frequent social contact plays in determining individuals' consumer behavior. However, it is evident that Duesenberry lacks a coherent social analysis; he remains an economist with a sociological approach, not the other way around. According to Duesenberry, the social influence on an individual's spending behavior (increase of savings and decrease of spending) is minimized when income inequality is low. Duesenberry argues that no matter how much the economic position of a society's lower-income groups is improved, their spending and saving behavior will not change if the gap between the lower- and higher-income groups is not lessened.<sup>259</sup> As long as income inequality remains in place, lower-income individuals will continue their high spending. The society in which the demonstration operates most effectively, and which Duesenberry has in mind, is one with high rates of income inequality.

Under the demonstration effect, an individual feels dissatisfied with the goods that s/he consumes in comparison to her/his friends, relatives, co-workers, or even to her/his unsympathetic observers/neighbors, and gradually the dissatisfaction reaches such levels that the individual has to act, has to do something to address this constant displeasure.<sup>260</sup> This is the moment that s/he will tend to spend more. The dissatisfaction arises in the moment that the individual cannot spend, in the moment that s/he has to resist and reject her/his impulses.<sup>261</sup> The individual is influenced more by her/his frequent social contacts and less by her/his casual contacts.<sup>262</sup> Duesenberry gives the following example:

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<sup>255</sup> Ibid.

<sup>256</sup> Ibid.

<sup>257</sup> McCormick, "James Duesenberry as a Practitioner of Behavioral Economics," 14.

<sup>258</sup> Ibid.

<sup>259</sup> Ibid.

<sup>260</sup> Duesenberry, *The Theory of Consumer Behavior*, 27.

<sup>261</sup> Ibid., 32.

<sup>262</sup> Ibid., 48.

Consider two groups with the same incomes. One group associates with people who have the same income as they have. The other group associates with people who have higher incomes than the members of the group. [...] The two groups have the same income but the first will be better satisfied with its position than the second. Its members will make fewer unfavorable comparisons between their consumption standard and that of their associates.<sup>263</sup>

In conclusion, the question of what drives an individual towards superior goods (apart from the cultural context which sets the constant improvement of the standard of living as a social goal), has a very sociological answer: It is *other individuals* with whom the individual has frequent social contact.

### 3.4 Thorstein Veblen and James Duesenberry

The society Veblen describes is organized around the desire of individuals to emulate practices which socially and culturally connote honor, success, and/or high social status.<sup>264</sup> According to Veblen, the accumulation of wealth is related to an individual's self-esteem and social ranking. Individuals are driven to emulate the higher-ranking members of society who have accumulated more wealth, and thus more honor and respect. Veblen calls this process "pecuniary emulation."<sup>265</sup> Pecuniary emulation is the sociocultural mechanism which reproduces certain property structures and hierarchical social relations.

In the modern industrial community of mass consumption and production, the social comparison between individuals and the desire for social status is expanded and intensified as more individuals are able to accumulate and exhibit goods.<sup>266</sup> The pecuniary strength of an individual is measured by her/his level of her/his conspicuous abstention from labor.<sup>267</sup> Thus, the main object of an individual's emulation and social comparison are leisure practices and the possession and exhibition of various goods associated with high social status.<sup>268</sup>

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<sup>263</sup> Ibid.

<sup>264</sup> Thorstein Veblen, *The Theory of the Leisure Class* (Pennsylvania State Electronic Classic Series Publication, 2003), 18.

<sup>265</sup> Ibid., 25, 27.

<sup>266</sup> John Diggins, "Reification and the Cultural Hegemony of Capitalism: The Perspectives of Marx and Veblen," *Social Research* 44, no. 2 (1977): 368.

<sup>267</sup> Veblen, *The Theory of the Leisure Class*, 27.

<sup>268</sup> Ibid., 26.

Veblen makes a distinction between individuals who belong to pecuniary inferior classes and those who belong to pecuniary superior classes.<sup>269</sup> The former emulate the latter, and in this way, the superior classes “extend their coercive influence” over the inferior classes. According to Veblen, “no class of society, not even the most abjectly poor, forgoes all customary conspicuous consumption.”<sup>270</sup> The individuals of the lower classes desire to emulate the consumption practices of the pecuniary superior classes, but this desire is at the same time “mandatory.”<sup>271</sup> The desire to conform and to conspicuously emulate the upper classes creates a form of social cohesion based on the norms and value systems of the pecuniary superior classes.<sup>272</sup>

In contrast to Marx, Veblen does not locate the modern problem of individuals in physical, but in emotional privations of “status anxieties.”<sup>273</sup> As Veblen writes:

The existing system has not made, and does not tend to make, the industrious poor poorer as measured absolutely in means of livelihood; but it does tend to make them relatively poorer, in their own eyes, as measured in terms of comparative economic importance, and, curious as it may seem at first sight, that is what seems to count.<sup>274</sup>

Veblen’s social critique of the social diffusion of the value system of the leisure class is accompanied by a priori views on human nature and social hierarchies. Veblen’s society has very clear hierarchical structures and relations, and its social mechanism of emulation operates horizontally. Emulation initiates individuals from lower classes to a certain mode of conformity and social organization which is clearly produced by the upper classes. Veblen’s theory highlights an important, but one-sided social function of emulation. One of the theoretical aims of this study is to develop a more elaborated model of how emulation or imitation operates and, most importantly, how is socially diffused.

It has already been shown how both Veblen and Duesenberry (and Tarde) emphasized the significance of frequent everyday social contacts and the individual’s intense observation of the social becoming of her/his *neighbor* or Unique Subject. Duesenberry argues that

the absolute level of consumption of high quality goods is not as important as the relative level.  
An individual consuming the same goods year after year will feel progressively worse off if

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<sup>269</sup> Ibid.

<sup>270</sup> Ibid., 58.

<sup>271</sup> Ibid., 60.

<sup>272</sup> Diggins, “Reification and the Cultural Hegemony of Capitalism,” 372.

<sup>273</sup> Ibid., 374.

<sup>274</sup> Thorstein Veblen, “Some Neglected Points in the Theory of Socialism,” *The Annals of the American Academy of Political and Social Science* 2 (1981): 61.

her/his neighbors upgrade their quality of their consumption. This is because he will feel relatively less successful in achieving the goal of high standard of living and will therefore suffer from a loss of self-esteem.<sup>275</sup>

Self-esteem, conceptualized as the social product of constant comparison, a never-ending process of keeping up with the social becoming of others, of the neighbor, within the consumption sphere, is also found in Veblen's work. The wealth of an individual is "demonstrated" in the consumption sphere and "so soon as the possession of property becomes the basis of popular esteem [...] it becomes also a requisite to the complacency which we call self-respect."<sup>276</sup> An individual, according to Veblen, will suffer great and chronic dissatisfaction when the comparison of her/his goods with the better goods of her/his acquaintances will always highlight something that s/he her/himself lacks or is missing.<sup>277</sup>

Despite the similarities between Veblen and Duesenberry, there are two points of disagreement. The first is that Veblen argues that, even if an individual achieves the average wealth of her/his neighbors, s/he will still have feelings of dissatisfaction. S/he will tend to want to increase her/his wealth even more and demonstrate her/his higher status by acquiring better good than her/his frequent social contacts (conspicuous consumption).<sup>278</sup> Conspicuous consumption should be understood as "the need of conforming to established usage [...] Most people do not consciously set out to conspicuously consume. Instead, they seek to maintain their self-esteem by keeping up 'the accredited standard of taste.'"<sup>279</sup> Veblen concludes that "in the nature of the case, the desire for wealth can scarcely be satiated in any individual instance, and evidently a satiation of the average or general desire for wealth is out of the question."<sup>280</sup> Duesenberry, on the other hand, argues that the more equal the wealth distribution is within a society, the less individuals would be compelled to compare themselves to their neighbors, and the more they would tend to increase their savings.<sup>281</sup>

Their second point of disagreement is that Duesenberry argues that the demonstration effect does not depend on emulation or imitation, and can be analyzed without the concept of conspicuous

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<sup>275</sup> Ken McCormick, "Duesenberry and Veblen: The Demonstration Effect Revisited," *Journal of Economic Issues* 17, no. 4 (1983): 1126.

<sup>276</sup> Veblen, *The Theory of the Leisure Class*, 22–23.

<sup>277</sup> *Ibid.*, 23.

<sup>278</sup> *Ibid.*

<sup>279</sup> McCormick, "Duesenberry and Veblen," 1127.

<sup>280</sup> Veblen, *The Theory of the Leisure Class*, 23.

<sup>281</sup> McCormick, "Duesenberry and Veblen," 1128.

consumption.<sup>282</sup> Two limitations of Duesenberry's work, one economic and one sociological, can be observed here. Duesenberry has argued that the solution of the individual's constant dissatisfaction (the weakening of individual's walls of resistance to better consumer goods) is found on the reduction of savings and increase of consumption.

The demonstration effect is a socio-psychological process of reallocating one's individual income from savings to spending. This allows her/him to increase her/his social self-esteem among her/his frequent social contacts by becoming the owner of a better house, a holiday home or apartment, a car, clothes, or mobile phone, and/or by taking vacations. But what happens if the demonstration effect takes place and the individual does not have the income, savings, or other means of increasing her/his consumption in order to be free of discomfort?

Duesenberry argues that the cultural walls of resistance to the desire for superior consumer goods are weakened by the social structure of the modern society, which "is formally classless."<sup>283</sup> The possibility of social mobility and the attainment of higher social status enables every individual to compare her/his goods and her/his consumption patterns to better or worse ones. Under those conditions, feelings of inferiority and the drive towards superior goods are strengthened, and the demonstration effect can spread much faster and more extensively in the society.<sup>284</sup> The demonstration effect can thus be blocked when social mobility is restricted. Once again, the question is how, in "a formally classless" society, can the demonstration effect actually be blocked, and how can these blockages be overcome?

Veblen, like Duesenberry, observes that "in modern civilized communities the lines of demarcation between social classes have grown vague and transient,"<sup>285</sup> but, as he writes:

The members of each stratum accept as their ideal of decency the scheme of life in vogue in the next higher stratum, and bend their energies to live up to that ideal. On pain of forfeiting their good name and their self-respect in case of failure, they must conform to the accepted code, at least in appearance.<sup>286</sup>

Veblen recognizes that individuals must "at least in appearance" conform. Even if individuals cannot climb the ladder of social mobility, they can still appear to have become what their neighbor/Unique subject-Subject is by emulating her/him through certain practices. But how

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<sup>282</sup> Duesenberry, *Income, Saving, and the Theory of Consumer Behavior*, 28.

<sup>283</sup> *Ibid.*, 29–30.

<sup>284</sup> *Ibid.*, 30.

<sup>285</sup> Veblen, *The Theory of the Leisure Class*, 57.

<sup>286</sup> *Ibid.*

can an individual emulate another individual if s/he does not have the income or the savings? The expansion of the consumer credit market (as means of an imaginary social mobility, a social mobility of appearance) answers this question. Through the acquisition of credit, individuals who need to wait a long time to gather the necessary savings, or even individuals who have not and will never have direct access to superior consumer goods through their income and savings, can imitate the social becoming of their neighbor in the consumption sphere. This means that the concepts of imitation and credit (and debt) need to be investigated together.

In the next chapter, the sociological limitation of Duesenberry's work will be overcome through the work of Gabriel Tarde. Every single theoretical step that Duesenberry takes in order to conceptualize the demonstration effect has as a precondition the function of imitation. An individual's option to freely compare and adopt the practices of another, and the expansion of this option in "formally classless societies," as Duesenberry writes, is the result of what Gabriel Tarde defines as *free imitation* as developed within democratic social organizations.

The social concentration of free imitation within the consumption sphere is therefore a structural socioeconomic condition, as has been shown in chapter two. Through imitation (or emulation, according to Veblen) a social unity, a social relation is reproduced. If individuals of lower pecuniary strength and status have the chance to emulate individuals of higher pecuniary strength and social status, even only in appearance, within the consumption sphere through "prestige symbols," then a social opposition and distance is transformed to a social bond between individuals.<sup>287</sup> In order to investigate more thoroughly and systematically the function of imitation as a reproductive force of social relations, the following chapter explores Gabriel Tarde's sociology of imitation, along with Pierre Bourdieu's concepts of *distinction* and *pretention*.

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<sup>287</sup> Diggins, "Reification and the Cultural Hegemony of Capitalism," 367.

## Chapter 4: Sociology of imitation: Gabriel Tarde

What is society? I have answered: Society is imitation.<sup>288</sup>

### 4.1 The materialism of Marx and Tarde

Tarde's definition of imitation starts with the remark that it cannot be distinguished from the definition of the social: "If we observe that whenever there is a social relation between two living beings, there we have imitation in this sense of the word."<sup>289</sup> This does not mean that every social relation or phenomenon can be reduced to a manifestation of imitation, but rather that imitation highlights the functional complexity of social relations.<sup>290</sup> It is important to note that, by using imitation to analyze the function of the social, Tarde implicitly defines the social as a dynamic process which cannot be understood statically. He interprets the social through the functional relation of the parts that reproduce it. A social phenomenon can only be understood through its process of reproduction, and not in the moment of its production.<sup>291</sup> That makes *imitation* and *invention* "the elementary social acts,"<sup>292</sup> as they construct the basis for every reproduction of social actions. They exist within every social action because they transform an action into a social relation.

Tarde's materialism is grounded in a certain style of analogizing the social and the material. According to Tarde, in the cosmic and biological worlds, atoms/stars and cells repeat their motions in coherent, observable ways which form certain biological and cosmic patterns and architectures.<sup>293</sup> Science is not the mere identification of causes and effects, but the knowledge which derives from observing these repetitions that allow the numbers and measurement to be developed.<sup>294</sup>

If the observation of the phenomena of repetitions and resemblances of stars developed into the science of astronomy, and the observation of the natural world into biology, then "the above

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<sup>288</sup> Tarde, *The Laws of Imitation*, 74.

<sup>289</sup> *Ibid.*, xiv.

<sup>290</sup> *Ibid.*

<sup>291</sup> *Ibid.*, 6.

<sup>292</sup> *Ibid.*, 145.

<sup>293</sup> Anthony King, "Gabriel Tarde and Contemporary Social Theory," *Sociological Theory* 34, no. 1 (2016): 48.

<sup>294</sup> Tarde, *The Laws of Imitation*, 5.

reflections can be applied to the growth of social science.”<sup>295</sup> All historically observed forms of social organization, with their institutions, industries, arts, myths, and theories, “although they are themselves social, they are caused by repetitions of a biological or physical order.”<sup>296</sup> Tarde identifies imitation as the form of social repetition that could explain why human individuals produce certain social orders. As Tarde writes: “Imitation plays a role in societies analogous to that of heredity in organic life or to that of vibration among inorganic bodies.”<sup>297</sup> However, the social repetition of individuals, which produces a social order, is not similar to the natural laws that dictate the repetitions of stars and cells. The difference is that “individuals were conscious beings whose actions were necessarily intentional.”<sup>298</sup> Thus, imitation is not a mimicking behavior, but a moral phenomenon.<sup>299</sup> “Individuals committed themselves to certain kinds of practices as right and proper. Because social imitation was conscious, it was uniquely able to generate moral solidarities”<sup>300</sup> whereby the individual feels certain responsibilities towards the social group and through which s/he acquires her/his sense of social and moral identity.<sup>301</sup> In *The Laws of Imitation*, Tarde defines society “as a group of beings who are apt to imitate one another.”<sup>302</sup>

Tarde’s conceptualization of the social mechanism of imitation as a moral process, and the question of how the social spread of imitation defines the establishment of certain moral orders in certain social groups, is one of this study’s theoretical foundations (the other is taken from Charles Taylor) for the later (chapter five) construction of the concepts of imaginary credit and debt.

How does Tarde’s materialism differ from Marx’s historical materialism?

According to Peter Singer, Marx’s concept of “productive forces are things used to produce. They include labour-power, raw materials, and the machines available to process them.”<sup>303</sup> However, Marx also defined the social itself as a productive force. This point offers a basis from which to compare Marx’s and Tarde’s materialism.

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<sup>295</sup> Gabriel Tarde, *Social Laws: An Outline of Sociology*, trans. Howard C. Warren (Kitchener, Ontario: Batoche Books, 2000), 17.

<sup>296</sup> Ibid., 39.

<sup>297</sup> Tarde, *The Laws of Imitation*, 11.

<sup>298</sup> King, “Gabriel Tarde and Contemporary Social Theory,” 49.

<sup>299</sup> Ibid., 51.

<sup>300</sup> Ibid.

<sup>301</sup> Ibid.

<sup>302</sup> Tarde, *The Laws of Imitation*, 68.

<sup>303</sup> Singer, *Marx: A Very Short Introduction*, 48.

Marx constructs his method of historical materialism upon three essential historical social actions which take place simultaneously and not in a specific order<sup>304</sup>:

- The production of individual's means of subsistence
- The production of new needs after the satisfaction of the first needs
- The social organization and co-operation of individuals

Marx writes:

By social we understand the co-operation of several individuals, no matter under what conditions, in what manner and to what end. It follows from this that a certain mode of production, or industrial stage, is always combined with a certain mode of co-operation, or social stage, and this mode of co-operation is itself a 'productive force'. Further, that the multitude of productive forces accessible to men determines the nature of society, hence, that the 'history of humanity' must always be studied and treated in relation to the history of industry and exchange.<sup>305</sup>

Marx's aim is to answer the question of why societies and property structures change over time. According to Marx, a society is reproduced through productive forces which are organized under specific property structures. Why does a society in one historical era have different property structures than another one, and what forces drive this change? This is the core question Marx asks to begin developing historical materialism. His answer lies in the development of the productive forces.

According to Marx the property structures in any society are interrelated with the level of the development of its productive forces. When the productive forces are developed at a certain level which cannot be organized by the existing property structures, a period of social change is initiated, which either can lead to a new property structure of the productive forces or to their destruction.<sup>306</sup> Historically, these periods are often characterized by violence as the established regime of the old property structure attempts to continue its established social reproduction. If the new property structures of the productive forces prevail, then the process of incorporating the productive forces into the new property structures, which will allow them to be further developed, also occurs through and amid social violence.<sup>307</sup> If the productive forces have not developed at a level that

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<sup>304</sup> Marx, *Selected Writings*, 182–183.

<sup>305</sup> Ibid.

<sup>306</sup> Marx and Engels, *The German Ideology*, 38.

<sup>307</sup> Ibid., 35–38.

contradicts the specific hierarchical property structures, then according to Marx, the society will not change, no matter how much its people might revolt.

## Historical social change

### Marx

Nor will we explain to them that it is only possible to achieve real liberation in the real world and by employing real means, that slavery cannot be abolished without the steam-engine and the mule and spinning-jenny, serfdom cannot be abolished without improved agriculture, and that, in general, people cannot be liberated as long as they are unable to obtain food and drink, housing and clothing in adequate quality and quantity. "Liberation" is an historical and not a mental act, and it is brought about by historical conditions, the development of industry, commerce, agriculture, the conditions of intercourse. (Marx and Engels, *The German Ideology*)

### Tarde

The invention of the water-mill, for example, in lightening slave labour to a considerable degree, prepared the way for the slave's emancipation; and, in general, if a sufficient number of machines had not been successively invented, we might still have slaves in our midst [...] But is nevertheless the desire to imitate the superior, to be, like him, believed in, obeyed, and waited upon, was an immense, although latent, force which urged on the transformations I have mentioned; and it needed only the necessary accident of these inventions or discoveries to be developed. (Tarde, *The Laws of Imitation*)

Tarde focuses on the function of the social. For Marx, the form of co-operation among individuals (*Weise des Zusammenwirkens*) is the productive force which reproduces a social relation: "The social power, i.e., the multiplied productive force, which arises through the co-operation of different individuals as it is determined by the division of labour."<sup>308</sup> Tarde examines the function of the productive force of the social through its reproduction based on imitation.

Marx defines the social by asking: What is the difference between the actions of animals and the actions of humans for their material reproduction? Each living organism is generally separated from others through its "physical organization" (*körperliche Organisation*), from how this physical organization is expressed as an active survival drive in relation to the natural environment and to other living organisms. Marx starts from the activity of a living organism – a bee, a beaver, a cat, etc. have an essentially different approach towards their physical environment and themselves than humans do. Where does this essential difference lie? How is the expression of the physical

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<sup>308</sup> Marx, *Selected Writings*, 186.

organization of individuals, which is expressed in their actions for their survival or material reproduction, different from other animals’?

Marx’s answer is very much influenced by Hegel, who writes that:

The animal has a limited range of ways and means for satisfying his limited wants. Man in his dependence proves his universality and his ability to become independent, firstly, by multiplying his wants and means, and, secondly, by dissecting the concrete want into parts. The parts then become other wants, and through being specialized are more abstract than the first.<sup>309</sup>

Marx follows Hegel’s analysis and answers that this difference is located on how individuals produce their means of subsistence. While there are animals that produce their own means of subsistence, like bees with their honeycombs, the difference is that animals have definite natural cycles from which they cannot escape. As Hegel writes: “A man’s appetites, which are not a closed circle like the instinct of the animal, are widened by picture-thought and reflection. He may carry appetite even to the spurious infinite.”<sup>310</sup> The bee, for example, always produces its honey in exactly the same way. In contrast, humans are not naturally limited or bounded to produce the means of their subsistence in an unchanged way; not because they have chosen it, but “because it is determined by their physical organization” within a given natural environment.

Marx argues that:

The first premise of all human history is, of course, the existence of living human individuals. Thus the first fact to be established is the physical organisation of these individuals and their consequent relation to the rest of nature. Of course, we cannot here go either into the actual physical nature of man, or into the natural conditions in which man finds himself – geological, hydrographical, climatic and so on.<sup>311</sup>

Tarde would have responded: “Why not?”

And this is exactly what he does. If the first premise of all human history is the physical organization of human individuals, then why not start from there by developing an analogy between the social and the material?

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<sup>309</sup> G.W.F Hegel., *Philosophy of Right*, trans. S.W Dyde (Kitchener, Ontario: Batoche Books, 2001), 160–161.

<sup>310</sup> *Ibid.*, 157.

<sup>311</sup> Marx, *Selected Writings*, 176–177.

Instead of taking this path, Marx abstracts from the function of the “physical organization” of individuals and uses its product, the ready activity or the social, in order to examine the material preconditions of its reproduction based on labor. In other words, Marx does not develop an analogy between the social and biological/cosmic worlds, but rather establishes the material reproduction of individuals as social. This is one very essential difference between the materialisms of Marx and Tarde. Tarde focuses on the material mechanism (repetition) which produces and reproduces the social. He acknowledges the sociological importance of the study of individuals’ material natural resources, the conditions of their labor, and the different political and social interests which are formed based on their material conditions, but argues that:

It would be erroneous to think, however, that because we had shown the adaptation of living or social types to external phenomena we had thereby explained them. The explanation must be sought for in the law which express the internal relations of cells or of minds in association. This is the reason, why, in this discussion of pure and abstract, not of concrete and applied sociology, I must set aside considerations of the above nature.<sup>312</sup>

#### 4.2 The theoretical meeting of Marx and Tarde

The previous section illustrated the main epistemological difference between Tarde’s and Marx’s materialism. Are there also similarities between Tarde’s and Marx’s approaches? If our engagement with their work is not focused on the strict epistemological differences, but on conclusions the two theorists draw about the historical development of societies, then Tarde’s contribution could actually be seen to complement Marx’s materialism.

Both Marx and Tarde acknowledge the importance of technological development (development of the means of production) for the reorganization of the social hierarchies. Tarde writes that technological development creates the material conditions for the emancipation of certain social groups (for example, slave laborers), adding that what actually makes individuals revolt and social hierarchies be reorganized is the latent force of imitation: the desire of socially inferior groups to imitate their superiors.

There is no reason why Marx would disagree with this. Marx was a political economist, and as has been mentioned before, he states clearly that he does not focus on the physical organization of

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<sup>312</sup> Tarde, *The Laws of Imitation*, 140–141.

individuals and merely mentions the social as a productive force without any interest in developing it further. Marx's specific interest is rather to describe the material preconditions of the historical changes in a society's property structures.

Tarde investigates how historical accidental inventions or discoveries developed through the latent force of imitation. However, this accidental character is a structural condition and does not contradict the process of "accumulation" for the development of the means of production, as Bruno Latour argues.<sup>313</sup>

Tarde writes that:

Let us likewise ward off the vapid individualism which consists in explaining social changes as the caprices of certain great men. On the other hand, let us explain these changes through the more or less fortuitous appearance, as to time and place, of certain great ideas, or rather, of a considerable number of both major and minor ideas, ideas which are generally anonymous and usually of obscure birth; which are simple or abstruse; which are seldom illustrious, but which are always novel. Because of this latter attribute, I shall take the liberty of baptizing them collectively inventions or discoveries.<sup>314</sup>

Accumulation is the material condition that facilitates the diffusion of the laws of imitation. In cities, for example (as centers of accumulation), imitation spreads much faster than in rural areas. Tarde gives the example of luxuries, which "are more contagious than simple appetites and primitive needs [...] [I]n a capital city, it is only necessary for the attention of ten person to become ostensibly fixed upon this thing in order that one hundred, one thousand, or ten thousand persons may quickly take an interest in it and enthuse about it."<sup>315</sup> In Marx's terms, accumulation is the material precondition of the separation of physical and mental labor, which is the force that develops new needs and new means of satisfaction.

Marx and Tarde also differ when it comes to the role of ideas in social change. Very simply put, Marx emphasizes the material preconditions of social change, while Tarde emphasizes that ideas must change before material conditions can. This is, again, an oversimplification of both Tarde's and Marx's arguments.

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<sup>313</sup> Bruno Latour and Vincent Antonin Lépinay, *The Science of Passionate Interests: An Introduction to Gabriel Tarde's Economic Anthropology* (Chicago: Prickly Paradigm Press, 2009), 36.

<sup>314</sup> Tarde, *The Laws of Imitation*, 2.

<sup>315</sup> *Ibid.*, 196.

According to Marx, the reproduction of the private interests presupposes their representation as the common interest of the society at the level of ideas and social aims:

For each new class which puts itself in the place of one ruling before it, is compelled, merely in order to carry through its aim, to represent its interest as the common interest of all the members of society, that is, expressed in ideal form: it has to give its ideas the form of universality, and represent them as the only rational, universally valid ones.<sup>316</sup>

In Tarde's terms, that means that the ruled classes have to imitate, at the level of ideas and aims, the ruling class.

In all periods, the ruling classes have been or have begun by being the model classes. [...] Imitation, then, contrary to what we might infer from certain appearances, proceeds from the inner to the outer man. It seems at first sight as if a people or a class began to imitate another by copying its luxury and its fine arts before it became possessed of its tastes and literature, of its aims and ideas, in a word, of its spirit. Precisely the contrary, however occurs.<sup>317</sup>

From imitating their ideas and spirit, the ruled class proceeds to imitate the lifestyle of the ruling class. When the ruled class manages to imitate the ruling class in everything, it will have the "feeling that they both belong by right to the same society."<sup>318</sup> However, if the ruling class does not allow the ruled class to have the same rights, then, as Tarde notes, a period of revolt and unrest will follow.<sup>319</sup>

One other similarity between Marx and Tarde is that they both see society as being divided into two groups. Marx comes to this conclusion through the development of historical materialism (division of labor, property structures, class analysis) and Tarde through the function of the social, through the laws of imitation which historically divide individuals into two major camps, whether in politics, war, philosophy, religion, etc.

Combining the materialisms of Marx and Tarde may thus lead to an examination of the development of productive forces and their corresponding property structures, and of how the laws of imitation function when, for example, there is a contradiction between property structures and productive forces. How, for example, is the desire to imitate the socially superior individual blocked, even when the material conditions allow the social diffusion of imitation?

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<sup>316</sup> Ibid., 21.

<sup>317</sup> Tarde, *The Laws of Imitation*, 199.

<sup>318</sup> Ibid., 349.

<sup>319</sup> Ibid., 348.

Despite the possible reading of Tarde and Marx as complementary to each other, there is one major difference between their theories that needs to be taken into account, and that is their differing conceptions of the individual. For Marx, individuals can only exist in relationships, and society is defined by individuals in social relations. Individuals cannot be separated from their social relations, which are primarily constituted and reproduced through (labor) activity. Tarde, on the other hand, “rejected appeals to the collective or to prefabricated social forces as explanatory variables. For Tarde, society consisted of individuals alone, and in order to explain how they coordinated their actions, he continually invoked the concept of imitation.”<sup>320</sup> Although Tarde was not a collectivist, it is important to note that imitation, as discussed above, functions as a moral process. Individuals need to understand, to believe, or to desire to imitate certain social norms.<sup>321</sup> The social mechanism of imitation as a moral process produces moral orders and expands the bonds between individuals, who then consciously reproduce these bonds.<sup>322</sup> This point is crucial because it can be seen as the beginning of a theoretical reconstruction of Tarde’s social mechanism of imitation.

Although Marx’s analysis of the alienation of labor is generally accepted, the social becoming of individuals (which takes an alienated form within the productive sphere) reproduces itself as a consumption-induced sociality. Tarde’s social mechanism of imitation helps us to better conceptualize the reproduction of the modern consumption-induced sociality, but again, it appears to be a mere social mechanism, whose laws dictate how individuals function. However, imitation is also a moral action which may or may not be performed for historical, cultural, and political reasons.

In a certain sense, then, what is at stake is the conceptual transformation of a mechanism of social imitation, in Tarde’s sense, into a generalized, socially sanctioned ambition of imitation with the telos of upward mobility within the consumption sphere – in other words, the transformation of a social mechanism into a social imaginary. This will be further discussed in chapter five, which combines Tarde’s social mechanism of imitation and Taylor’s concept of the social imaginary.

In the following section, the historical transition from the *heredity imitation* of aristocratic social organizations to the *free imitation* of democratic social organizations is outlined. The development of free imitation within the consumption sphere is a simultaneous expansion of social and moral

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<sup>320</sup> King, “Gabriel Tarde and Contemporary Social Theory,” 56.

<sup>321</sup> Ibid., 57.

<sup>322</sup> Ibid.

inclusion of individuals. In this sense, free imitation can be seen as part of individuals' social background, which allows them to have a certain understanding of their society and polity.

#### 4.3 From heredity imitation to free imitation

Tarde distinguishes two types of social organization in which individuals imitate those of higher social status: The aristocratic and the democratic social organization.<sup>323</sup> It is important to note here that “democracy” refers more to a social order than to a political system; or rather, the political institutions gain their significance from how the social order is symbolically organized.

In an aristocratic social organization, the individuals of lower social status imitate the nobility, and the nobility, in their turn, imitate its leaders and kings.<sup>324</sup> Tarde refers to M. de Barante's observation that, in the 15th century, “ ‘it was purposed to strictly forbid all those games, dices, cards, or rackets, which had found a way to the people in imitation of the court.’ The innumerable card players that we see in the inns and taverns of today are, then, unwitting copyists of our old royal courts. Forms and rules of politeness have spread through the same channel.”<sup>325</sup>

Tarde concludes that:

the influence of the upper classes upon the lower [...] of adults upon children, of upper classmen upon lower, is felt even in the matter of accent, we can go no longer doubt that it is felt a fortiori in matters of writing, gesture, facial expression, dress, and custom.<sup>326</sup>

However, in aristocratic forms of organizations, the imitation process can be hindered by the fact that the lower classes do not have the right to imitate. The heredity power structure of aristocratic forms of organization produces social/cultural blockages of imitation. This means that it functions more slowly between groups of different status and power, and more quickly within groups of similar social status (heredity imitation). This blockage of imitation is related to what Tarde calls the “understanding of superiority.” Tarde stresses that superiority is recognized not through force, but through an “understanding”:

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<sup>323</sup> Tarde, *The Laws of Imitation*, 198.

<sup>324</sup> Ibid., 217.

<sup>325</sup> Ibid.

<sup>326</sup> Ibid., 217–218.

The superiority which is imitated is the superiority which is understood; and that which is understood is what is believed, or seen, to be conducive to benefits which are appreciated because they satisfy certain wants.<sup>327</sup>

The above passage resembles Duesenberry's idea that the desire of an individual to constantly improve her/his standards of living, related to her/his self-esteem, corresponds not only to a need, but also to a goal of that individual's society. This "understanding" of superiority is produced by certain social relations which are historically determined. For example, as Tarde writes, "in primitive times [superior qualities] were physical vigour and skill, physical bravery; later, skill in war and eloquence in council; still later, aesthetic imagination, industrial ingenuity, scientific genius."<sup>328</sup> The diffusion of imitation beyond the heredity blockages is a social expansion of the understanding of superiority via the incorporation of individuals from smaller social groups into larger ones.

One other blockage of imitation, present in aristocratic forms of social organization, has to do with the function of the second law of imitation. According to Tarde, it is not the most superior thing that will "be the most imitated, but, in reality, the thing that is most imitated is the most superior one of those that are nearest."<sup>329</sup> The passage below is very valuable in understanding the relationship between the blockages of imitation and their transcendence through the transition from aristocratic to democratic forms of social organization:

In fact, the influence of the model's example is efficacious inversely to its distance as well as directly to its superiority. Distance is understood here in its sociological meaning. However distant in space a stranger may be, he is close by, from this point of view, if we have numerous and daily relations with him and if we have every facility to satisfy our desire to imitate him. This law of the imitation of the nearest, of the least distant, explains the gradual and consecutive character of the spread of an example that has been set by the highest social ranks. We may infer, as its corollary, when we see a lower class setting itself to imitating for the first time a much higher class, that the distance between the two had diminished.<sup>330</sup>

This idea recalls Duesenberry's demonstration effect and how it takes place within the circle of frequent social contacts, as well as Veblen's concept of the neighbor as the spectator of one's

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<sup>327</sup> Ibid., 234.

<sup>328</sup> Ibid., 233–234.

<sup>329</sup> Ibid., 224.

<sup>330</sup> Ibid.

everyday life. However, Tarde is the first to offer a complete system of the functional reproduction of social relations based on imitation.

The transcendence of imitation blockages and the transition from *one-sided* to *mutual imitation* is related to the transition from aristocratic to democratic forms of social organization. “A period is called democratic as soon as the distance between all classes has lessened enough, through various causes, to allow of the external imitation of the highest by lowest.”<sup>331</sup> The more the blockages of imitation are overcome, the more the democratic form of social organization is able to expand. The first question that needs to be answered is, then, what is the relationship between the aristocratic and democratic forms of social organization?

According to Tarde, the democratic social organization is a socially expanded form of the aristocratic social organization, in the sense that the imitation of the higher classes by the lower is reproduced with fewer obstacles. Through democracy, the aristocratic form has been socially expanded, and at the same time, this expansion changed the form of aristocracy. Progress towards social and political equality has historically been first established within small groups of individuals belonging to the upper classes.<sup>332</sup> According to Tarde, the imitation of the upper classes by the lower has been fully realized in democracy. In aristocratic social organizations, imitation was limited to heredity imitation. Not every individual could or had the right to imitate her/his superiors, as social mobility was restricted:

The slow progress of industry during the Middle Ages, and even in the beginning of the modern era, has also been attributed to the absurdity of sumptuary laws, and the narrow and mechanical organization of corporations. [...] Sumptuary laws checked or deadened the tendency to imitate one class on the part of other classes; and corporate monopoly prevented outside producers from copying the processes in use by members of the corporation.<sup>333</sup>

Tarde characterizes the hierarchical social structure in democracies as a *brilliant hierarchy*. The “brilliance” lies in the fact that “the public alone is free or thinks it is free” to imitate individuals of higher classes.<sup>334</sup> How does this brilliance function? It transforms more and more individuals into spectators of social superiorities and integrates them into a common social and cultural structure of *understanding superiorities*.

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<sup>331</sup> Ibid., 225.

<sup>332</sup> Ibid., 231.

<sup>333</sup> Ibid., 231.

<sup>334</sup> Ibid., 225.

According to Tarde, a democratic social organization where imitation is expanded as free imitation reflects an established hierarchical social structure.<sup>335</sup> In democratic forms of social organization, “the modern man flatters himself that he is making a free choice,”<sup>336</sup> when s/he is actually only free to imitate what is socially acknowledged and accepted as a practice of high social status. In this way, a certain hierarchical social structure is reproduced, but it is a hierarchy and social coherence which is much more expanded and solid than in the aristocratic form of social organization.

Tarde writes that “obedience is a kind of imitation.”<sup>337</sup> For the purposes of this study, Tarde’s concept of *obedience* should be replaced by the concept of *conformity*, following the conceptualization of the conformist subject. In other words, conformity is a kind of imitation. Tarde makes clear that when he refers to obedience, he means “conscious and voluntary act[s].”<sup>338</sup>

Tarde sees an individual’s obedience (from now on, conformity) as a form of borrowing the desires, sentiments, and will of another individual.<sup>339</sup> As he writes, “when one person copies another, when one class begins to pattern its dress, its furniture, and its amusements after those of another, it means that it has already borrowed from the latter the wants and sentiments of which these methods of life are the outward manifestations.”<sup>340</sup>

Tarde writes that, before the imitation of specific practices, there is a form of *borrowing* the desires, sentiments, and will of another individual. This *borrowing* should be interpreted here as the *understanding of the social or moral superiority* through free imitation. Based on this observation, we may now ask: If there is a “borrowing” (credit), does this mean that there is also a debt?

This debt should then be the process of fulfilling the desire, sentiments, and will of another individual who appears as the moral telos (the upward social mobility within the consumption sphere), the Unique Subject. The conformist subject’s act of borrowing in order to desire like the Unique Subject will be conceptualized as *imaginary credit*, and the debt, the process of repaying this credit, is conceptualized as *imaginary debt*. Chapter five investigates these two key concepts in detail.

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<sup>335</sup> Ibid.

<sup>336</sup> Ibid., 231.

<sup>337</sup> Ibid., 197.

<sup>338</sup> Ibid., 81.

<sup>339</sup> Ibid., 198.

<sup>340</sup> Ibid.

#### 4.4 Bourdieu's contribution: The pretention of the middle class

Bourdieu argues that “objectively and subjectively aesthetic stances adopted in matters like cosmetics, clothing or home decoration are opportunities to experience or assert one’s position in social space, as a rank to be upheld or a distance to be kept.”<sup>341</sup> If Bourdieu’s distinction is combined with Tarde’s analysis of the function of free imitation, the following argument can arise: As free, mutual imitation functions, it integrates more and more individuals into a common group with a certain social hierarchy. Within this group, individuals copy and imitate each other freely, and superiorities are multiplied as they become more specific. Superiority can be recognized or reflected in any individual. Any individual can become superior in something and be freely imitated. Thus, the distinction is also multiplied; or in other words, every individual can be distinguished from another through different forms of superiorities.

How does this process function in the consumption sphere?

Bourdieu offers a system of aesthetic positions, a system of how individuals from the higher classes distinguish, affirm, and distance themselves from the lower classes within the sphere of cultural consumption.<sup>342</sup> However, for the purposes of this study, we will focus on his analysis of the middle-class process of distinction, which then can be related to Tarde’s, Duesenberry’s, and Veblen’s lines of argumentation, as well as to the moral construction of the consumption sphere.

The entry of middle-class individuals (Bourdieu uses the term of *petite bourgeoisie*) “into the game of distinction is marked, inter alia, by the anxiety of exposing oneself to classification by offering to the taste of others such infallible indices of personal taste as clothes or furniture.”<sup>343</sup> The competition within the middle class for distinction is very high, and is intensified for every individual within the circle of her/his most frequent contacts.<sup>344</sup> This idea has been also found in Tarde’s, Veblen’s, and Duesenberry’s work. To their framework, Bourdieu introduces the concept of *pretention*. “In the intermediate position are the practices which are perceived as pretentious, because of the manifest discrepancy between ambition and possibilities.”<sup>345</sup> The middle-class (conformist) subject is an anxious subject, as its distinction is always questionable and needs to be proved:

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<sup>341</sup> Pierre Bourdieu, *Distinction: A Social Critique of the Judgement of Taste* (Cambridge, MA: Harvard University Press, 1984), 57.

<sup>342</sup> Ibid.

<sup>343</sup> Ibid.

<sup>344</sup> Ibid.

<sup>345</sup> Ibid., 176.

Pretention, the recognition of distinction that is affirmed in the effort to possess it, albeit in the illusory form of bluff or imitation, inspires the acquisition, in itself vulgarizing, of the previously most distinctive properties; it thus helps to maintain constant tension in the symbolic goods market, forcing the possessors of distinctive properties threatened with popularization to engage in an endless pursuit of new properties through which to assert their rarity.<sup>346</sup>

When the individual cannot be distinguished through what s/he has and who s/he is (income, social status, cultural capital), and under pressure from what Veblen calls the unsympathetic neighbor, s/he pretends, imitates, or bluffs.

He constantly overshoots the mark for fear of falling short, betraying his uncertainty and anxiety about belonging in his anxiety to show or give the impression that he belongs. He is bound to be seen – both by the working classes, who do not have this concern with their being-for-others, and by the privileged classes, who, being sure of what they are, do not care what they seem – as the man of appearances, haunted by the look of others and endlessly occupied with being seen in a good light.<sup>347</sup>

The middle classes, according to Bourdieu, are committed to the symbolic.<sup>348</sup> Consumption practices are one of the most significant stages on which the middle class seeks to enact its distinction, and it is here that the expansion of consumer credit comes into play. Under certain historical and economic circumstances, the bluff is realized through the acquisition of credit.

Tarde argues that sociology is the science best suited to uncover the secrets of imitation because, in social relations, imitation works through the “brain,” and is thus potentially subject to reflection. It can be seen from “within.” Bourdieu, in contrast, argues that imitation is by and large an un-reflected process. Does credit serve to erect these obstacles to reflection?

The expansion of credit can be seen as the required social energy for the faster diffusion of imitation. Duesenberry argues that the demonstration effect takes place without the function of imitation. However, it has been shown that free imitation is a precondition for the demonstration effect to operate in the first place. A blockage of free imitation arises when an individual does not have enough income or savings to consume the goods that her/his neighbor does, and this obstacle socially restricts the demonstration effect.

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<sup>346</sup> Ibid., 251–252.

<sup>347</sup> Ibid., 253.

<sup>348</sup> Ibid.

The social becoming of higher-income groups within the consumption sphere constructs a distance between them and the lower income/savings groups. This is the construction of a distinction, as Bourdieu puts it. Distinction creates a distance that the individual does not need to close. Conversely, imitation creates a distance that the individual *does* need to close. Imitation is socially disclosed through mass credit expansion, because credit allows individuals to move, to become, to socially ascend, even in the absence of sufficient income or savings. Nevertheless, imitation and distinction are not opposite processes. Distinction creates a distance and a pull at the same time, and imitation resembles that pull.

When individuals imitate the consumer practices of their socially superior neighbor, they distinguish themselves not only from lower-class individuals, but also from their actual, present selves. The bluff works chiefly by deceiving the bluffer<sup>349</sup>:

Being so linked to appearance – the one he has to give, not only to do his job, that is, play his role, to ‘make believe’, to inspire confidence or respect and present his social character, his ‘presentation’, as guarantee of the products or services he offers (as is the case with salespeople, business representatives, hostesses, etc.), but also to assert his pretensions and demands, to advance his interests and upward aspirations – the petit bourgeois is inclined to a Berkeleian vision of the social world, reducing it to a theatre in which being is never more than perceived being, a mental representation of a theatrical performance (representation).<sup>350</sup>

The problem with the expansion of the *perceived beings* through credit is that their transformation into *beings* lies in the future, in the repayment of their debt. The process of pretention leads the individual “to live always beyond her/his means, at the cost of a permanent tension that is always liable to explode into aggressivity.”<sup>351</sup> The society often bluffs the bluffer in turn because “it recognizes them less than they recognize it, in their very revolt, and cannot recognize in them the values it recognizes officially.”<sup>352</sup>

The middle class lives always in the future, through “the promise of social ascension, i.e., embourgeoisement [...] ‘when there is time’, ‘when we’ve paid off the mortgage’, ‘when the children are older’ or ‘when we’ve retired.’”<sup>353</sup> Nevertheless, the social function of free imitation, which is fully developed in democratic social organizations and allows the practice of pretention to take place, integrates more and more individuals into a socially expanded middle class. In other

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<sup>349</sup> Ibid., 323.

<sup>350</sup> Ibid., 253.

<sup>351</sup> Ibid., 337.

<sup>352</sup> Ibid., 437.

<sup>353</sup> Ibid., 346, 353.

words, the more pretention is expanded, the more the middle class appears to constitute a larger part of society.

Bourdieu argues that the middle classes are the most moralized social groups of a society. Middle-class individuals live through “a permanent invocation of ‘ought’ [...] These groups not only have the morality of their interests as everyone does, they have an interest in morality.”<sup>354</sup> As middle-class individuals acquire their certificates of morality through education,<sup>355</sup> they are convinced that it is their right to occupy certain positions in society by virtue of their qualifications.<sup>356</sup> By “certificates of morality,” Bourdieu means an institutional guarantee that the individual (as graduate) has socially conformed, has proved her/his docility.<sup>357</sup> This description resembles the Althusserian view of the educational system as the most important institution that teaches individuals how to conform through their “free will” and not through a direct form of enforcement.

The middle classes’ moral compass is based on the fact that its present is only valuable insofar as it contributes to the meeting of future expectations, to the middle classes becoming something other than they are in the present. An individual ought to perform a series of actions in order to “become.” Since the individual becoming is mediated by the acquisition of certain skills through education, education itself becomes a moral sphere and thus, as Bourdieu argues, the middle classes, especially in times of crisis, can only question their social structures through “symbolic weapons”<sup>358</sup> such as campaigns for reform in education, democratization, and information.<sup>359</sup> Another element of the strongly moral existence of the middle class is its gradual understanding of the mismatch between the promises that they have been given and the actual reality. This resentment pushes individuals to strengthen their moral understanding of their society and impacts how they imagine their polity:

Their resentment often leads to fundamentally ambiguous political positions in which verbal fidelity to past convictions is a mask for present disenchantment, when it does not simply serve to justify moral indignation; and the somewhat lachrymose, humanistic anarchism which may

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<sup>354</sup> Ibid., 339, 353.

<sup>355</sup> Ibid., 390.

<sup>356</sup> Ibid., 437.

<sup>357</sup> Ibid., 390.

<sup>358</sup> Ibid., 457.

<sup>359</sup> Ibid.

outlive adolescence in some elderly, long-haired bohemians can easily veer with age into a fascistic nihilism endlessly ruminating on scandals and plots.<sup>360</sup>

Bourdieu's analysis renders pretention, or the imitation of superior classes which is concentrated mainly in appearance, as an elementary characteristic of the middle class. The middle-class individual lives with the constant stress of becoming and being distinguished. There is a difference between *distinction* and *recognized distinction*, because a socially recognized distinction can also not be a distinction, but just a bluff on the part of an individual who wants to be associated with a higher social status. Middle-class individuals bluff constantly, but society can bluff too, through the often unfulfilled promise of social ascension.

## Chapter 5: The social imaginary and sociology of imitation

### 5.1 Taylor's social imaginary

One of the most central theoretical questions of this project is why, in periods of economic and political crisis, individuals may react in the short-term with sociopolitical protests, but in the long run tend to display social inertia and political apathy.

Charles Taylor's concept of the social imaginary provides the theoretical base to answer this question. In the following sections, Tarde's social mechanism of imitation will be transformed into a social imaginary by introducing two new concepts, imaginary credit and imaginary debt.

As Andreas Langenohl writes:

Taylor (2002) and Gaonkar (2002) depict the imaginary as a conservative cultural force that helps explain why there are no drastic changes in action orientation even at the point when political systems collapse.<sup>361</sup>

Although some habits cannot be socially reproduced when an economic-political system collapses, there is a socially imaginary which makes the social and political understanding that was established

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<sup>360</sup> Ibid., 353.

<sup>361</sup> Andreas Langenohl, *Town Twinning, Transnational Connections and Trans-local Citizenship Practices in Europe* (New York and Basingstoke: Palgrave Macmillan, 2015), 184.

prior the collapse of the system fully operative during the crisis. The aim here is to identify the construction of a social imaginary and its function and reproduction through certain practices. Taylor's concept of the social imaginary is close to Bourdieu's notion of habitus,<sup>362</sup> but is distinct from it: The social imaginary is "nourished in embodied habitus, [but] is given expression on the symbolic level."<sup>363</sup> It is also different from Lacan's imaginary, which refers to fulfilling a function of misrecognition,<sup>364</sup> as well as from Castoriades's theorization of social imaginaries, which exist in social utopias and "emerge spontaneously from an intensification of sociality and meaning typical of revolutions, yet at the same time lend themselves as visions of how to build society's future."<sup>365</sup> Althusser also uses the concept of imaginary, but he does so in order to define how "ideology is a 'representation' of the imaginary relationship of individuals to their real conditions of existence."<sup>366</sup>

According to Taylor, the social imaginary is how ordinary people imagine and understand their social, collective existence and make sense of their practices.<sup>367</sup> It is how people imagine their ideal of how society ought to be.<sup>368</sup> It is a "wider grasp of our whole predicament, how we stand in relationship to one another, how we got where we are, how we relate to other groups."<sup>369</sup> The social imaginary is distinguished from social theory as it is shared by large parts of society and is not a minority creation; furthermore, it is not expressed in theoretical terms, but "carried in images, stories, and legends."<sup>370</sup> The social imaginary is the social orientation of individuals, how they socially interact with other individuals without having an overview of their social map that operate within it.<sup>371</sup> The social imaginary "is not a set of ideas; rather it is what enables, through making sense of, the practices of a society."<sup>372</sup>

At this point, the questions relevant to this study are: How can human beings "sustain a democratic order together?"<sup>373</sup> What is the moral order of individuals who imagine their democratic social organization, and what can lead them to revolt when this moral order is

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<sup>362</sup> Dilip Parameshwar Gaonkar, "Towards New Imaginaries: An Introduction," *Public Culture* 14, no. 1 (2002): 10.

<sup>363</sup> Charles Taylor, "Two Theories of Modernity," in *Alternative Modernities*, ed. Dilip Parameshwar Gaonkar (Durham, NC: Duke University Press, 2001), 189.

<sup>364</sup> Langenohl, *Town Twinning*, 182.

<sup>365</sup> Ibid.

<sup>366</sup> Althusser, *Essays on Ideology*, 36.

<sup>367</sup> Charles Taylor, "Modern Social Imaginaries," *Public Culture* 14, no. 1 (2002): 106.

<sup>368</sup> Ibid., 106.

<sup>369</sup> Ibid., 107.

<sup>370</sup> Ibid., 106.

<sup>371</sup> Ibid., 108–109.

<sup>372</sup> Ibid., 91.

<sup>373</sup> Ibid., 110.

violated? What is the modern moral order or social imaginary of freedom which makes the polity comprehensible and acceptable to its members? The answer goes beyond political participation (an ancient model of understanding political life<sup>374</sup>) and includes “economic prosperity and the satisfactions of private life.”<sup>375</sup>

The consumption sphere should be understood as a space in which individuals satisfy their private life through certain forms of social imaginary and also make sense of what their political life is or ought to be. The question is, what are the social forms of the modern social imaginary that enable individuals to orientate themselves?

Taylor’s argument is that Western modernity is characterized by a new moral order of society distinct from past moral orders.<sup>376</sup> The two central premodern moral orders were based on the “law of a people” and “around a notion of a hierarchy in society that expresses and corresponds to a hierarchy in the cosmos.”<sup>377</sup> The hierarchy in society, as Taylor writes, had an “ontic component.”<sup>378</sup> In other words, a disturbance of the social hierarchical order would disturb a cosmic order and balance. The hierarchy in society was seen as necessary for “the social” to exist. Every level in the hierarchy complemented the others and had its specific, organic role within a broader, natural order of things. As Taylor writes:

Society was seen as being made up of different orders that needed and complemented one another [...] An example is the often repeated medieval idealization of the society of three orders: oratores, bellatores, and laboratores – those who pray, those who fight, and those who work. It was clear that each needed the others, but there was also a descending scale of dignity; some functions were intrinsically higher than others.<sup>379</sup>

Taylor traces this “new vision of moral order,”<sup>380</sup> which defines how modern Western society is imagined to be or ought to be, to the theories of Hugo Grotius and John Locke.<sup>381</sup> Their central idea was that “human beings are rational, sociable agents who are meant to collaborate in peace to their mutual benefit.”<sup>382</sup> This idea, which derived from the theory of natural law (although Thomas Hobbes had a different view of the natural state, in which it’s every man

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<sup>374</sup> Ibid., 123.

<sup>375</sup> Ibid.

<sup>376</sup> Ibid., 92.

<sup>377</sup> Ibid., 94.

<sup>378</sup> Ibid., 95.

<sup>379</sup> Ibid.

<sup>380</sup> Ibid., 92

<sup>381</sup> Ibid.

<sup>382</sup> Ibid.

for himself), also presumes that all individuals are equal in their natural state and “has been applied in a growing number of contexts, resulting in equal opportunity or nondiscrimination provisions, which are an integral part of most entrenched charters of rights.”<sup>383</sup>

## 5.2 The new moral order

Taylor writes that, “with the new normative order, we start with individuals and their debt of mutual service; the divisions emerge as a way to most effectively discharge this debt.”<sup>384</sup>

What does that mean?

If there is an individual debt to society, “the debt of mutual service”, is there any form of a credit given to the individual? In other words, what does that society offer the individual that motivates her/him to conform, to accept a certain social, economic, and political organization?

The first answer, as Taylor argues, is collective security and prosperity.<sup>385</sup> This collective security and prosperity is only possible through mutual service. Every individual promotes her/his interest by promoting the collective interest.<sup>386</sup> At this point, things become more interesting and complex:

[A] new understanding of sociality: the society of mutual benefit, whose functional differentiations are ultimately contingent and whose members are fundamentally equal.<sup>387</sup>

The notion of “fundamental equality” is rife with problems as a social imaginary that enables individuals to make sense of the practices of modern society, and it needs to be further elaborated. Modern societies are characterized by numerous social hierarchical structures which constantly challenge the equality between individuals.

In his work “On the Jewish Question,” Marx famously criticizes the notion of fundamental equality. In order to prove his point, he offers a brief analysis of the 1793 French Constitution, “the most radical constitution”<sup>388</sup> of his time. In Article 2, “these rights, etc., (the natural and

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<sup>383</sup> Ibid., 93.

<sup>384</sup> Ibid., 96.

<sup>385</sup> Ibid.

<sup>386</sup> Ibid.

<sup>387</sup> Ibid., 99.

<sup>388</sup> Marx, *Selected Writings*, 60.

imprescriptible rights) are: equality, liberty, security, property.”<sup>389</sup> Liberty is the freedom of every individual to act without harming her/his fellow citizens; the law here has the role of a “fence” between different fields of interest.<sup>390</sup> However, Marx criticizes these notions in relation to the rights of property: “The right of man to freedom is not based on the union of man with man, but on the separation of man from man [...] The right of property is the right to enjoy his possession and dispose arbitrarily, without regard for other men, independently from society, the right of selfishness.”<sup>391</sup> This is, according to Marx, the basis of civil society, where every individual sees her/his fellow citizens as a limitation on her/his own freedom. Fundamental equality in this sense refers, according to Marx, to the facts that every individual is a “self-sufficient monad”<sup>392</sup> and that, under the law, all individuals are the same.<sup>393</sup> The concept of security is the most important in civil society as it essentially presumes that the main social bond that holds individuals together is “natural necessity, need and private interest, the conservation of their property and egoistic person.”<sup>394</sup> Property structures therefore create and expand social hierarchies, and following Marx’s critique, we may ask:

How does the modern social imaginary of fundamental equality function in modern society side by side with income inequality?

In order to understand how this fundamental equality actually functions, it is necessary to bring the imaginary into conversation with Tarde’s sociology of imitation. Taylor argues that, in modern society, the “mighty are cast down from their seats, and the humble and meek are exalted. Both these facets have been formative of modern civilization,”<sup>395</sup> and that “moral agents [...] are independent of larger hierarchical orders.”<sup>396</sup> Tarde strongly disagrees with the idea that individuals in modern societies are independent of larger hierarchical orders. Quite the contrary: They are much more dependent. The reason is that, in modern societies and in contrast to premodern ones, individuals are free to imitate their superiors, and by doing so, they not only reproduce social hierarchies, but actually expand them on an unprecedented level. The mighty are not cast down from their seats, nor are the humble and meek exalted. The mighty cannot prevent the “humble and meek” from imitating them, and therefore they

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<sup>389</sup> Ibid.

<sup>390</sup> Ibid.

<sup>391</sup> Ibid.

<sup>392</sup> Ibid.

<sup>393</sup> Ibid.

<sup>394</sup> Ibid.

<sup>395</sup> Taylor, “Modern Social Imaginaries,” 104.

<sup>396</sup> Ibid., 100.

remain mighty. The modern imaginary of fundamental equality thus functions through an imaginary social mobility. As long as individuals believe that they are social mobile, fundamental equality makes sense as a possibility of social becoming.

The imaginary of social mobility is based on individuals' free imitation of practices that enable them to orientate themselves within society. One of the most significant spaces in which the imaginary of social mobility operates is the sphere of mass consumption. The urging of individuals towards a constant qualitative and quantitative improvement of the consumer goods they consume by freely imitating practices of others, no matter their social status, enables the reproduction of hierarchical structures and secures a specific social coherence and moral order.

One of the central questions of this study is how consumer credit – and mortgages – facilitate this process and secure the modern imaginary of fundamental equality through an imaginary social mobility within the consumption sphere. This question inevitably has political implications. Why do individuals tolerate or accept income inequality and economic austerity? Moreover, if they do, it becomes evident why the political left becomes increasingly marginalized and politically irrelevant in countries where an imaginary social mobility enables individuals to make sense of their polity.

In 2014, Mark Rank, Thomas Hirschl, and Kirk Foster's book *Chasing the American Dream* analyzed statistical research in the United States for the period 1968–2009 from the Panel Study of Income Dynamics (PSID).<sup>397</sup> What is interesting in their research is not that it confirms the already well-known fact that the United States is characterized by constantly rising income inequality<sup>398</sup>; Joseph Stiglitz has also written extensively about this fact.<sup>399</sup> It comes as no surprise that “three-quarters of Americans felt that the American dream was becoming harder to achieve.”<sup>400</sup> The interesting question is why Americans are not in the streets? Hirschl et al. provide some data which can be related to the notion of imaginary social mobility. What they found is that, by the age of 60,

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<sup>397</sup> Mark R. Rank, Thomas A. Hirschl, and Kirk A. Foster, *Chasing the American Dream: Understanding What Shapes Our Fortunes* (New York: Oxford University Press, 2014).

<sup>398</sup> Max Roser, Stefan Thewissen, and Brian Nolan, “Incomes Across the Distribution,” OurWorldInData.org, accessed February 15, 2018, <https://ourworldindata.org/incomes-across-the-distribution>.

<sup>399</sup> Joseph Stiglitz, “Inequality and Economic Growth,” in *Rethinking Capitalism: Economics and Policy for Sustainable and Inclusive Growth*, ed. Michael Jacobs and Mariana Mazzucato (Chichester: John Wiley & Sons, 2016), 134–155.

<sup>400</sup> Rank, Hirschl, and Foster, *Chasing the American Dream*, 6.

70% of the population will have experienced at least one year within the top 20th percentile of income; 53% of the population will have experienced at least one year within the top 10th percentile of income; and 11.1% of the population will have themselves in the [...] 1% of earners for at least one year [...] and 54% of Americans will experience at least one year of poverty.<sup>401</sup>

Consequently, in addition to the imaginary social mobility within the sphere of consumption, a second form of how the imaginary of social mobility functions could also be added. This is the experience of an income raise for a short period of time, which, despite its temporary effect, is enough to strengthen the imaginary of social mobility.

In conclusion, Taylor argued that modern societies are characterized by a new moral order based on the debt of individuals for mutual service. This debt is accepted by individuals not only for the sake of collective prosperity and security (which might be always questionable), but also for their own social mobility, which is understood here through Tarde's concept of free imitation. The next section introduces the concepts of imaginary credit and imaginary debt.

### 5.3 Definitions of imaginary credit and debt

#### Imaginary credit

Tarde conceptualizes conformity as a form of borrowing the desires of another individual. For the purposes of this study, this form of borrowing is viewed as a certain form of social orientation towards a moral telos (Unique Subject) or upward social mobility within the consumption sphere. I conceptualize the imaginary of social mobility based on free imitation as *imaginary credit*. The concept of imaginary credit answers the question of what society offers to an individual that motivates her/him to conform, to accept a certain social, economic, and political organization despite income inequality, or at times when the political and economic system collapses.

The social becoming of the individual within the consumption sphere is an imitative process of social conforming. The moment that the conformist subject imagines its social becoming is the moment imaginary credit is acquired. There is something that makes her/him similar to her/his unique neighbor; when the conformist subject recognizes her-/himself through a similarity that

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<sup>401</sup> Chris Matthews, "The Myth of the 1% and the 99%," *Fortune*, March 2, 2015, <http://fortune.com/2015/03/02/economic-inequality-myth-1-percent-wealth/>

s/he shares with the Unique Subject, it triggers an imaginary social becoming. “As Aristotle said, it is because bodies have colour that we observe that some are a different colour from others; different things differentiate themselves through what they have in common.”<sup>402</sup>

The Unique Subject has been defined as a subject-Subject (mirror duplication/structure, see section 2.7). The subject-Subject is a social relation and represents a moral end and the conformist subject’s potentiality of covering a distance in order to become. The conformist subject can see this telos as a blurry reflection of her-/himself. Simultaneously, the conformist subject plays the same role of the recognized social figure for other individuals. They are all subject-Subjects. The expansion of mass consumer credit plays a central role in how the conformist subject imagines that s/he can desire like the Unique Subject. It provides the material basis for the expansion of an already existing social imaginary.

Becoming is about aspirations, that is, the future. Credit enlarges a subject’s potentialities to act toward the future, but it is also a form of recognition, something that one is endowed with by others. At this point, a question arises: How does imaginary credit work in relation to the future and past, if it relates to aspirations, to the enlargement of potentialities as well as implied recognition?

Imaginary credit corresponds to the socially recognized potentiality of social becoming. The conformist subject is free to imitate her/his unique neighbor. Although the expansion of consumer credit (and housing loans) facilitates or accelerates the function of imaginary credit, which is central to social coherence, it is a social-cultural structure which predates the mass credit expansion. If imaginary credit (the similarity of the conformist subject with her/his unique neighbor) is not realized within the consumption sphere, then the contradiction between what society promises (social mobility) and what it delivers will eventually lead the conformist subject to question and challenge her/his mode of conformity, social orientation, and understanding of her/his polity. Therefore, if imaginary credit corresponds to the socially recognized potentiality of social becoming, the credit refers not to the future, but to the past. It is the device for the repayment of an imaginary debt. If the imaginary debt is not repaid, then a certain mode of conformity will be called into question. What, then, is this imaginary debt?

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<sup>402</sup> Bourdieu, *Distinction*, 258.

### Imaginary debt

If imaginary credit accrues the moment the conformist subject imagines that s/he resembles her/his unique neighbor, and thus can borrow the desire of the Unique Subject, imaginary debt arises in the moment that follows. The conformist subject realizes that, in addition to the similarity or closeness to the Unique Subject, there is a distance between her/his present state and her/his aspired social becoming. The conformist subject lacks something; s/he must cover some distance in order to socially become. Imitating the desire of the Unique Subject is an “obligation” to be fulfilled, and this obligation as an everyday practice of becoming is what is called the *imaginary debt*.

The individual is obliged to repay this closeness to the Unique Subject, the belief that s/he can also desire like the Unique Subject. This “obligation” to conform appears as a desire to socially become, and thus the process of imaginary debt repayment is a desirable everyday condition. The imaginary debt is desirable because it is an individual’s recognition of her/his own ability to socially become. It is a sign that the conformist subject can socially become in the consumption sphere.

If the conformist subject does not have the necessary means and needs to acquire consumer credit, then even the acquisition of this credit is part of an imaginary debt repayment. Before consumer credit can be acquired, there is an already imaginary debt. The individual is the social figure that carries the imaginary of upward social mobility as a moral urge. If, for example, a conformist subject cannot repay her/his consumer debt, then s/he will not be able to repay her/his imaginary debt, and if s/he cannot repay her/his imaginary debt, then her/his imaginary credit, the closeness with the Unique Subject, will be questioned. However, the conformist subject will defend her/his moral and social integration and the imaginary of social mobility by attempting to protect her/his lifestyle and the various goods that symbolize her/his social ascendance. The refusal of the debt, for example, in cases where the conformist subject cannot repay the consumer credit or housing loan, only highlights how the social mechanism of imaginary credit and debt still operates. The refusal of the debt indicates the acceptance of the imaginary debt because it is itself the means to repay the imaginary credit. The most important point here is that the refusal of the debt is intertwined with the moral viability of the society and the polity, with the social and moral coherence of the society. The conformist subject can refuse or renegotiate the repayment of the debt conditions, but both processes belong to the mechanism of imaginary credit and imaginary debt.

#### 5.4 The imaginary credit as a gift

The gift is therefore at one and the same time what should be done, what should be received, and yet what is dangerous to take.<sup>403</sup>

Imaginary debt is the desire of the individual to conform, to socially become. The obligation to conform appears as a desire to socially become. This social becoming is, at the same time, a moral becoming which needs to be demonstrated. The moment that the individual takes on an imaginary credit, s/he becomes immoral until s/he pays it back (the obligation to conform). The acceptance of the obligation to socially become by the conformist subject constitutes a moral debt. Paying back then means fulfilling the obligation to gain in social status (or to demonstrate such gain).

This moral becoming through the repayment of imaginary debt can be conceptualized with the help of Marcel Mauss:

The mere fact of having the thing puts the accipiens in an uncertain state of quasiculpability (damnatus, nexus, aere obaeratus), of spiritual inferiority and moral inequality.<sup>404</sup>

Although Mauss's famous study of gift-exchange economies included non-market exchange systems (in Polynesia, Melanesia, and elsewhere), his work provides a working context of the moral dimension of imaginary credit and debt, which can be applied in the analysis of the reproduction of the consumption sphere as a moral system which forms bonds between individuals. In short, the moral understanding of imaginary credit and debt can be highlighted through the concept of the gift. "The system is quite simple; just the rule that every gift has to be returned [...] there are no free gifts; gift cycles engage persons in permanent commitments that articulate dominant institutions."<sup>405</sup> Mauss poses the question: "What compels the gift that has been received to be obligatory reciprocated? What power resides in the object given that causes its recipient to pay it back?"<sup>406</sup> What are the moral relations developed through certain gift exchanges?

Duesenberry describes how, under the influence of the demonstration effect, the non-constant improvement in an individual's standard of living leads to a loss of self-esteem. According to Mauss, if a gift is not returned (obligation to conform or desire to become), the recipient loses

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<sup>403</sup> Marcel Mauss, *The Gift: The Form and Reason for Exchange in Archaic Societies* (London and New York: Taylor & Francis Ltd, 2002), 76.

<sup>404</sup> Ibid., 67.

<sup>405</sup> Ibid., xi–xii.

<sup>406</sup> Ibid., 4.

honor, prestige, and authority (mana).<sup>407</sup> Thus if an individual accepts imaginary credit, but then fails to socially become within the consumption sphere, s/he will lose honor, prestige, and authority.

However, according to Mauss, this loss of honor is a public scene, just as gift exchanges are. Is the imaginary credit to aspire to an increase in social status a public process, too? It could be argued that it is only through consumption that this aspiration becomes public (people take on loans to buy things that demonstrate that they aspire to, or ascribe themselves to, a higher status).

Where is the public scene of the imaginary credit?

The answer is in the imaginary of social mobility. The symbolic manifestation of conformity, as a form of the individual's sociopolitical understanding and orientation, is a public process and is related to how the laws of imitation function under a democratic social organization. Imaginary credit is acquired in a public scene, and the later acquisition of credit as part of the imaginary debt is a process that crosses the private sphere before again being demonstrated through the consumption of certain goods in the public sphere.

Imaginary credit is, in a very broad sense, the democratic social organization itself. It is the social belief that has been created by the desire<sup>408</sup> for all individuals to be equal to freely imitate whomever they choose, no matter their heritage. As discussed in chapter four, the social acceptance of this belief and the rapid expansion of free imitation reflect certain hierarchies within the democratic social organization. The acceptance of free imitation can thus be viewed as a gift, and the return of this gift, or the imaginary debt, is the conformity individuals perform within specific hierarchical relations, in the belief that they can always individually socially ascend.

Imitation through credit in the consumer sphere – what Bourdieu calls the bluff – and the moral demonstration (the individual's ability to fulfill obligations) of consumer goods can then restore prestige and honor to the individual. The more individuals imitate others through credit in the consumption sphere, the more this sphere of pretention becomes a collective moral space of self and hetero moral recognition.

Imaginary credit has been described as the imaginary of social mobility based on free imitation. In the theoretical scheme of the relation between the conformist and Unique Subject, imaginary credit has been conceptualized as the process in which an individual borrows the wants and sentiments

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<sup>407</sup> Ibid., 11.

<sup>408</sup> Tarde, *The Laws of Imitation*, 147.

of the Unique Subject (moral telos). When the individual borrows the desires, sentiments, and will of another, as Tarde writes, s/he actually (as Mauss describes in relation to the Maori law of gift exchange) incorporates a part of another's existence into her/his own (into her/his *soul*, in Mauss's words). The recipient is then obligated give back a part of her/his own "spiritual essence, of her/his soul."<sup>409</sup>

Can the individual refuse the gift of the Unique Subject?

This is another way of asking whether the individual can refuse the democratic social organization or her/his ability to freely imitate. The conformist subject rarely questions what it offered to her/him, the means of her/his social accession, and "[...] to refuse to accept, is tantamount to declaring war; it is to reject the bond of alliance and commonality."<sup>410</sup> It "is to lose rank."<sup>411</sup> Losing rank means being denied the capacity to climb in rank.

## 5.5 The moralization of credit and debt

Imaginary debt, the moral obligation to conform, which manifests as a desire to socially become, is realized faster within the consumption sphere through the acquisition of consumer (and mortgage) credit. What is the moral context of the acquisition of consumer credit? The accessibility of consumer credit is an indication of individual's ability to repay her/his debt. It signifies a moral commitment to fulfilling one's obligations.

At this point, a circulation of morality through credit and debt relations is highlighted. The conformist subject is immoral from the point that s/he takes on imaginary credit. There is a moral distance to be covered in order to morally become (imaginary debt). Then, when the conformist subject acquires consumer credit, her/his ability to fulfill her/his obligations is recognized; it is the subject's first moral acknowledgment. When s/he uses the consumer credit to acquire certain goods or services, s/he receives moral recognition, through the demonstration effect, from neighbors, social contacts, and spectators. This is the second moment of moral acknowledgement.

The individual cannot refuse the gift, as s/he has already accepted the imaginary credit and desires to conform. S/he has both an obligation to receive and an obligation to reciprocate.<sup>412</sup> From the

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<sup>409</sup> Mauss, *The Gift*, 16.

<sup>410</sup> Ibid., 17.

<sup>411</sup> Ibid., 53.

<sup>412</sup> Ibid., 17.

moment that the gift is accepted, “the recipient puts himself in a position of dependence *vis-à-vis* the donor.”<sup>413</sup> The inability of the debtor to fulfill her/his obligations is the moment that the moralization of the debt is most clearly highlighted. If the debt is not repaid, then the individual loses credibility and moral standing; moreover, s/he loses trust in her/his own ability to fulfill obligations. S/he thereby loses her/his authority or *mana*.<sup>414</sup> Trust and authority are different aspects of the same coin. Mauss writes that the act of reciprocating is the means of proving that the receiver of the gift is not unequal<sup>415</sup> (in imaginary credit-debt relations, this is the desire of the individual to become in order to prove her/his similarity with the Unique Subject). In some gift exchange economies,

The obligation to reciprocate worthily is imperative. One loses face forever if one does not reciprocate, or if one does not carry out destruction of equivalent value. The punishment for failure to reciprocate is slavery for debt. At least, this functions among the Kwakiutl, the Haida, and the Tsimshian. It is an institution really comparable in nature and function to the Roman *nexum*. The individual unable to repay the loan or reciprocate the potlatch loses his rank and even his status as a free man.<sup>416</sup>

These descriptions – “loses face forever,” slavery, loss of rank and status – signify a violent absolute force which is unleashed only if the gift is not reciprocated. It has been mentioned that imaginary debt is the obligation to conform, which manifests as a desire to socially become. Consumer credit appears as a moral acknowledgement of the individual’s ability to fulfill obligations, and is also the means of repaying the imaginary credit. The consumer (or mortgage) debt appears as only a part of a clear economic contract of limited duration, and not as a gift. Thus, the moral side of the debt is invisible. This moral obligation entails a violent force, but again it does not appear as such until a particular moment. In other words, the question is when does debt take the form of a moral obligation? David Graeber provides an answer.

Before turning to Graeber, however, let us imagine what would happen if the conformist subject realizes that s/he cannot become like the Unique Subject or acquire consumer credit. The realization that s/he will never acquire the consumer lifestyle of the Unique Subject and the fact that, nevertheless, s/he must continue to participate in everyday social relations – s/he still has to

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<sup>413</sup> Ibid., 76.

<sup>414</sup> Ibid., 11.

<sup>415</sup> Ibid., 53.

<sup>416</sup> Ibid., 54.

work, pay taxes, etc. – highlights the violence of the imaginary credit, the everyday violence that the Unique Subject (i.e., all the conformist subject's social contacts who have a higher-status lifestyle) exercises against the conformist subject. Imaginary debt will, in this case, manifest as a violent obligation and not as a desired social process of moral becoming.

Graeber argues that debt is moralized when the debtor cannot repay her/his debt. The violent force that ordains the returning of something that does not belong to the debtor transforms an economic agreement into a moral one. The moralization of debt is based on the appearance of the credit as a gift. As Mauss pointed out, the moment the recipient accepts the gift, s/he is rendered spiritually and morally inferior to the giver.

According to Graeber, the logic of always repaying debt is not economic, even according to standard economic theory,<sup>417</sup> and “the reason it's so powerful is that it's not actually an economic statement: it's a moral statement.”<sup>418</sup> That is because the lender always accepts a risk in lending her/his money. “If all loans, no matter how idiotic, were still retrievable – if there were no bankruptcy laws, for instance – the results would be disastrous.”<sup>419</sup> If financial institutions directed their resources only towards guaranteed retrievable investments, no matter the profit, “the whole system wouldn't work.”<sup>420</sup> The moral dimension of “always repaying one's debt” artfully masks the violence which includes forcing someone to repay a debt regardless of her/his living conditions. In a way, it legitimizes the violence upon the debtor on the basis of a moral transfer of responsibility from lender to debtor. As Graeber writes, “If history shows anything, it is that there's no better way to justify relations founded on violence, to make such relations seem moral, than by reframing them in the language of debt – above all, because it immediately makes it seem that it's the victim who's doing something wrong.”<sup>421</sup> Historically, one way of legitimizing the violence of the lender upon the borrower, if repayment is delayed or if the creditor's terms of repayment are not met, is by transferring the responsibility from the lender to the borrower, and making the latter appear immoral.

Lazzarato criticizes Graeber's conception of debt:

Graeber thinks that debt is merely exchange that has yet to come to an end, presupposing the equality of parties. Equality is suspended during repayment but it can be reestablished (and with it reciprocity)

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<sup>417</sup> David Graeber, *Debt: The First 5,000 Years* (New York: Melville House, 2011), 3.

<sup>418</sup> *Ibid.*, 4.

<sup>419</sup> *Ibid.*, 3.

<sup>420</sup> *Ibid.*

<sup>421</sup> *Ibid.*, 5.

once the debt is paid back. The anarchist Graeber [...] believes that debt can always be reimbursed. Debt is a relation occurring against a backdrop of fundamental equality [...] Our hypothesis says exactly the opposite. In capitalism and particularly in finance capitalism, debt is infinite, unpayable, and inextinguishable, except through political exemption, as Benjamin might say.<sup>422</sup>

The usefulness of Graeber's argument lies in the moment of the moralization of debt. Lazzarato, despite his alleged disagreement, makes exactly the same argument as Graeber, as he refers to "a political exemption," an act of refusing the debt: "It is not through an act of repayment but through a political act, a refusal, that we will break the relation of domination of debt."<sup>423</sup> But at what point can debt be refused? In the moment that the debt cannot be repaid. Before this moment, there is no external or visible violence; there is no open control or enforcement. Lazzarato agrees: "Debt constitutes a new technique of power. The power to control and constrain debtor does not come from outside, as in disciplinary societies, but from debtors themselves."<sup>424</sup> In order for the debt to be refused, an end of the agreement, even a very harsh one for the debtor, has to be revealed. Thus, the infinity of the debt is interrupted; it is no longer there, as the terms of its repayment become definite. Because the debt is no longer infinite, it can be refused not the other way round.

## 5.6 Be careful creditor! The moral resistance of the debtor

The moralization of debt produces an image of the debtor that is potentially dangerous for the interests of the creditor: The debtor who delays or cannot repay her/his debt is immoral because s/he cannot fulfill obligations and thus, s/he cannot be trusted, s/he is irresponsible. However, the debtor has entered into a specific agreement and her/his inability to repay a debt defines only one single social relation. By depicting the debtor as immoral, her/his ability to fulfill obligation in other spheres of social relations is completely ignored. The debtor can be a responsible soldier, father, mother, friend, worker, etc., and her/his depiction as immoral can strengthen her/his moral identification with other aspects of her/his everyday life.

At the same time, the debtor, as a conformist subject, demonstrates her/his morality in the consumption sphere. If s/he cannot repay a debt, and her/his consumer goods (means of circulating her morality) – such as a car, house, or other goods – come under threat, s/he will tend to defend them. S/he will be reluctant to give them up, because in doing so, s/he would become

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<sup>422</sup> Maurizio Lazzarato, *Governing by Debt* (South Pasadena, CA: Semiotext (e) intervention, 2015), 84.

<sup>423</sup> Ibid., 88.

<sup>424</sup> Ibid., 69.

immoral to her/his spectators (the Unique Subject). There would thus be a resistance, a defense of one's past consumer lifestyle and of particular goods, a defense of one's imaginary debt.

The two above processes can be intertwined. Individuals who have demonstrated their moral character within the consumption sphere would tend to defend their consumer lifestyle by displaying their ability to fulfill obligations towards their nation, family, work, and any other sphere of social interaction. The debtor's resistance and defense of her/his morality can be constructed against the repayment of the debt, which is associated with a moral insult. The debt is then related to the moral insult of the debtor and can be refused on moral, not economic grounds. The more individuals are identified as immoral debtors, the higher the chances that this moral insult will find political expression. Political parties of any ideological persuasion that can base their public rhetoric on the defense of the morality of individuals (in other spheres of everyday life, such as family, nation, work, etc.) can therefore become very popular.

This raises a fascinating point. The insistence on maintaining a certain lifestyle, in contrast to repaying one's debt, is not only instrumentalist (everybody wants to keep up their standard of living), but also imbued with moral statements: A certain form of lifestyle represents the moral viability of the society and the polity. In the next section, this argument will be further developed using Émile Durkheim's work.

## 5.7 The consumption sphere as a moral system

Chapter two showed how Marx saw the consumption sphere as the space of social recognition (social becoming) of (alienated) individuals, in which the individuals understand what unites them on an everyday level, and what collectively and individually transforms them. Then, through the theories of Althusser, Veblen, Duesenberry, Bourdieu, and Tarde, the concepts of imitation and imaginary credit and debt further developed this process and, most importantly, its function. This section discusses how the consumption sphere can be regarded as a moral system.

The social becoming of the conformist subject cannot be conceptualized as an individual action, even if it appears as such. The conformist subject conforms not only because s/he desires to do so, but also because s/he is obliged to, as the consumption sphere is the space of her/his social self-recognition. S/he conforms in order to be socially recognized by her/his fellows. If this is seen on a broader scale, the self and hetero recognition of individuals in the consumptions sphere, the process of their social becoming, produces a social bond between individuals.

According to Latour, one of the main distinctions between Durkheim and Tarde is that Durkheim explains the monad from the society and even distinguishes society from its constituted monads, whereas Tarde describes the laws of the monad in order to be led to the society.<sup>425</sup> Tarde's methodological approach, which is based on the individual, was also discussed in comparison to Marx's materialism (see sections 4.1-4.2), where the individual is defined through her/his social relations. Although Tarde "against Durkheim [...] claimed that the family constituted 'the elementary social group,'"<sup>426</sup> this study overcame this methodological challenge by transforming the social mechanism of imitation into a social imaginary (imaginary credit and debt), where the individual is a social figure and imitation is related to the moral telos of upward mobility within the consumption sphere.

In what follows, Durkheim's analysis is applied it on a more functional, everyday micro level. The Unique Subject, the neighbor, and the frequent social contacts of the conformist subject who mediate her/his social orientation form what Durkheim calls "society."

According to Durkheim, "Morality begins with membership of a group, whatever that group may be. When this premise is accepted the characteristics of the moral fact become explicable."<sup>427</sup> The two distinctive characteristics of a moral fact are: 1) obligation and 2) desirability.<sup>428</sup>

Durkheim argues that:

Society is good and desirable for the individual who cannot exist without it or deny it without denying himself, and how at the same time, because society surpasses the individual, he cannot desire it without to a certain extent violating his nature as an individual. [...] Society, while being good, constitutes a moral authority which, by manifesting itself in certain precepts particularly important to it, confers upon them an obligatory character.<sup>429</sup>

If individualize realize their social orientation and understanding of the polity in the consumption sphere, then the word "society" can be replaced in the above passage by "the consumption sphere." However, for the conformist subject, society is reflected as a moral telos through the Unique Subject, her/his neighbor. Thus, Durkheim's passage above can be re-worked as follows:

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<sup>425</sup> Bruno Latour, "Gabriel Tarde and the End of the Social," in *The Social in Question: New Bearings in the History and the Social Sciences*, ed. P. Joyce (London: Routledge, 2002), 117–132.

<sup>426</sup> Anthony King, "Gabriel Tarde and Contemporary Social Theory," *Sociological Theory* 34, no. 1 (2016): 58.

<sup>427</sup> Emile Durkheim, *Sociology and Philosophy* (New York: Routledge Revivals, 2009), 17.

<sup>428</sup> *Ibid.*, 16.

<sup>429</sup> *Ibid.*, 17.

*The Unique Subject is good and desirable for the conformist subject who cannot exist without it or deny it without denying itself:* The Unique Subject or neighbor is a desirable reflection of the conformist subject and the social becoming of individual cannot take place without it as that would be translated to a denial of the consumption sphere as a primary space of social becoming for the alienated individuals.

*Because the Unique Subject surpasses the conformist subject, it cannot desire it without to a certain extent violating its nature as a conformist subject.* From the moment that the conformist subject takes on imaginary credit, i.e., the desire to desire like the Unique Subject, the nature of the conformist subject is violated, as there is a great distance between her/his present state and her/his imagined one. A need is created because the conformist subject lacks something (imaginary debt).

*The Unique Subject, while being good, constitutes a moral authority which, by manifesting itself in certain precepts particularly important to it, confers upon them an obligatory character:* After the acquisition of imaginary credit, the conformist subject is obliged to conform to its social becoming in the consumption sphere. It is obliged to try to close the distance between what it lacks and what it desires to become.

Durkheim writes that “it is psychologically impossible to pursue an end to which we are indifferent – i.e. that does not appear to us good and does not affect our sensibility [...] Morality must, then, be not only obligatory but also desirable and desired.”<sup>430</sup> The concept of imaginary debt, again, includes this desirability. It is the process of the actual social becoming, the process by which the conformist subject will seek to realize her/his social becoming. An imaginary indebtedness (obligation) is desirable for the conformist subject.

Durkheim’s next important point is that morality includes the disinterestedness and devotion of an individual within a group: “An individual cannot be the end of my moral conduct.”<sup>431</sup> The society is “the superior end, [...] the society is the end of all moral activity.”<sup>432</sup> The consumption sphere and the imitation of the desire of the Unique Subject as the moral end of the conformist subject is what transforms individuals into “species-beings,” as Marx rather critically observed.

Individuals are bound together through their collective imaginary debt. During the process of individuals’ social becoming, they form a collective social being. Durkheim described this as follows:

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<sup>430</sup> Ibid., 21.

<sup>431</sup> Ibid., 24.

<sup>432</sup> Ibid., 26.

[T]he collective personality must be thought of as something other than the totality of individuals that compose it. If it were only the sum it could have no greater moral value than its component parts, which in themselves have none. We arrive then to the conclusion that if morality, or a system of obligations and duties, exists, society is a moral being qualitatively different from the individuals it comprises and from the aggregation from which it derives.<sup>433</sup>

Tarde agrees with Durkheim that it is morality that binds individuals together, and he tries to explain the function (through imitation) of this moral binding. According to Tarde, morality expands as uniformity (achieved through imitation) expands. The “more moral or artistic a people become, the less need they have of being governed. Consummate morality would make the coming of anarchy possible.”<sup>434</sup> Thus, morality is a form of government, and its origins can be found in religion.<sup>435</sup> The creation of common wants and needs among individuals is still not enough for the mass production of industry;<sup>436</sup> individuals must also recognize “the similarity”<sup>437</sup> of their wants and needs themselves.<sup>438</sup> Religion, according to Tarde, has played a very important role in creating social patterns of the “recognition of the similarity” between individuals, which later facilitated industrial development.<sup>439</sup> If morality is a form of government and the consumption sphere consists of a moral system, then the expansion of the consumption sphere and the integration of more individuals within a common mode of conformity, a common form of understanding social and moral superiorities, can be viewed simultaneously as a moral expansion, which facilitates the self-governing of individuals.

This chapter represents the end of this study’s theoretical component. This theoretical investigation has led to the construction of the social mechanism of imaginary credit and debt through which are established certain social and moral bonds between individuals. During the third part of the study the two components of the subjectification theory of imaginary credit and debt (Unique Subject-interpellation and imitation-social imaginary) provide the theoretical platform for a new interpretation of the Greek political economic developments such as the Greek participation in the EMU, mass credit expansion, social protest and political inertia.

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<sup>433</sup> Ibid., 25.

<sup>434</sup> Tarde, *The Laws of Imitation*, 57.

<sup>435</sup> Ibid., 345.

<sup>436</sup> Ibid., 337–338.

<sup>437</sup> Ibid., 337.

<sup>438</sup> Ibid. 337–338.

<sup>439</sup> Ibid.

## PART THREE: IMAGINARY CREDIT AND DEBT IN GREECE

### Chapter 6: Mass credit expansion in Greece

#### 6.1 Credit expansion in Greece

Chapter's six first aim is to highlight the mass credit expansion in Greece through which the Greek households were enabled to take consumer and housing loans. Its second purpose is to initiate the discussion about how this political-economic dynamic is related to the construction of Greek households' future expectations for an improvement of their standard of living and a rise in social status (the imaginary of social mobility). Chapter seven shows that the answer to the question of why would a Greek family increase its demand for credit and increase its spending and consumption is not based on real improvements of income but rather on certain political promises (imaginary credit) together with banks' aggressive mass credit expansion.

We begin with the investigation of the reasons for the rapid increase of in the Greek household consumer and mortgage debt during between the late 1990s—2010. Two different factors that contribute to the growth of credit<sup>440</sup> can be distinguished<sup>441</sup>:

- *Demand factors*, i.e., why would an individual increase her/his demand for credit?
- *Supply factors*, i.e., why would a financial institution increase its supply of credit?

#### Demand factors

From an economic standpoint, there are two main factors<sup>442</sup> on the demand side:

- *Loan interest rates*, i.e., how much it costs for an individual to take on credit
- *The real GDP*, i.e., the expectation of overall economic growth (increased incomes)

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<sup>440</sup> Sophocles N. Brissimis, Eugenie N. Garganas, and Stephen G. Hall, "Consumer Credit in an Era of Financial Liberalisation: An Overreaction to Repressed Demand?," *Bank of Greece* 148 (2012): 7.

<sup>441</sup> There is also the argument that is difficult to separate demand-side from supply-side effects; see Raghuram G. Rajan, "Why Bank Credit Policies Fluctuate: A Theory and Some Evidence," *The Quarterly Journal of Economics* 109, no. 2 (1994): 399–441.

<sup>442</sup> Brissimis et al., "Consumer Credit," 7.

## Supply factors

The Greek financial market is characterized by the existence of a bank lending channel, meaning that banks are the main suppliers of credit.<sup>443</sup> “The Greek banking sector constitutes an oligopolistic market with few large players as a consequence of the mergers and acquisitions that took place during the period 1996–2001.”<sup>444</sup> During the period 1996–2001, the HCC (Hellenic Competition Commission) cleared twenty-one concentrations, while between 2002–2009, there were only three concentrations.<sup>445</sup> “In 2009, banks controlled the 86.7% of the total assets of the Greek financial system. The assets held by the institutional investors were 10.9% of the total assets. The share of all non-bank corporations was 2.35% of the total assets.”<sup>446</sup> In 2009, the share of total assets of the five largest Greek banking institutions was 69%, while the EU average was 44%. How can this concentration be explained? Apart from the exceptions of Austria, whose banking sector has a similar structure to those of larger countries, and Luxemburg, in which there is a high concentration of foreign credit institutions,<sup>447</sup> Greece belongs to the group of countries with medium-sized economies, such as Belgium and Portugal, which have similar degrees of banking concentration and in which the local market tends to be dominated by a small number of banks. In contrast to countries like Germany, Italy, and Spain, which have a large number of local and cooperative financial institutions, the banking sectors of medium-sized economies requires a high degree of concentration in order to compete with foreign banks.<sup>448</sup>

The restructuring of Greek banks amidst the crisis increased the degree of banking concentration. In 2011, the share of total assets of the five largest Greek credit institutions was 72%; in 2012, 79%; and in 2013, 94%.<sup>449</sup> In 2015, the share of total assets of the five largest credit institutions in Greece was 95%, by far the highest in the Eurozone.<sup>450</sup> Greece has also the highest rate of composition of banking sector assets in domestic credit institutions in the Eurozone: From 79%

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<sup>443</sup> Ibid.

<sup>444</sup> OECD, “Competition, Concentration and Stability in the Banking Sector,” *Policy Roundtables* (2010): 128, accessed November 11, 2016, <http://www.oecd.org/competition/sectors/46040053.pdf>

<sup>445</sup> Ibid., 125.

<sup>446</sup> Giorgos Argitis and Stella Michopoulou, “Financialization and the Greek Financial System,” *FESSUD Studies in Financial Systems* 4 (2013): 68–69.

<sup>447</sup> European Central Bank, “Banking Structures Report, October 2014,” 15, accessed February 15, 2018, <https://www.ecb.europa.eu/pub/pdf/other/bankingstructuresreport201410.en.pdf>

<sup>448</sup> Eurobank Research, “The Greek Banking System in 2006: Comparative Performance,” *Greek Banking Review Annual Report on the Greek Banking Sector* 1 (2006), 7, accessed 15 February 2018, [http://www.euro2day.gr/dm\\_documents/071106\\_eurobank.pdf](http://www.euro2day.gr/dm_documents/071106_eurobank.pdf)

<sup>449</sup> European Central Bank, “Report on Financial Structures, October 2015,” 67, accessed February 15, 2018, <https://www.ecb.europa.eu/pub/pdf/other/reportonfinancialstructures201510.en.pdf>.

<sup>450</sup> European Central Bank, “Banking Structures Report, October 2016,” 77, accessed February 15, 2018, <https://www.ecb.europa.eu/pub/pdf/other/reportonfinancialstructures201610.en.pdf>.

in 2009, it increased to 98% in 2015.<sup>451</sup> Taking into account the financial structure of the Greek economy, the supply-side factors need to be related to the structure of the Greek banking sector.

On the supply side, the ability and willingness of banks to extend loans is related to factors that influence their own funding conditions (relevant variables include bank equity, total assets, deposits and the cost of external financing), their capital position, the cost of alternative bank portfolio choices (e.g. the spread between the loan rate and the T-bill rate), competition from other banks and their perceptions of risk (macroeconomic variables, non-performing loans).<sup>452</sup>

The above-mentioned supply-side factors belong to two main historical turning points in the Greek banking sector which had a decisive impact on the rapid growth of consumer credit and housing loans<sup>453</sup>: The liberalization of credit, and the entry of Greece into the EMU in 2001 with its accompanying expectations for fast economic growth among consumers, banks, and firms.<sup>454</sup>

Some key historical dates in the liberalization of credit are outlined below:

**1982:** The Currency Committee, which had been established in 1946 as an institutionalized cooperation between the central bank and the government for the supervision and formulation of monetary, credit, and foreign exchange policy, is abolished.<sup>455</sup> The responsibilities of the Committee are transferred to the Bank of Greece.<sup>456</sup>

**1987:** Quantitative limits, both by individual borrower and by lending bank, on housing loans are removed.<sup>457</sup> The credit limit per credit card holder is doubled to 150,000 drachmas (€440) and the limit on cash withdrawals by credit card is increased fourfold to 20,000 drachmas (€59) per month.<sup>458</sup>

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<sup>451</sup> Ibid., 71.

<sup>452</sup> Brissimis et al., “Consumer Credit,” 7.

<sup>453</sup> One other explanation for credit expansion is the process of financialization on an international and national level. See Argitis and Michopoulou, “Financialization and the Greek Financial System.”

<sup>454</sup> Brissimis et al., “Consumer Credit,” 5.

<sup>455</sup> Bank of Greece, “Historical Review,” accessed November 9, 2016, <http://www.bankofgreece.gr/Pages/en/Bank/History/historicalreview.aspx>

<sup>456</sup> Ibid.

<sup>457</sup> Hercules Voridis, Eleni Angelopoulou, and Ifigeneia Skotida, “Monetary Policy in Greece 1990–2000 through the Publications of the Bank of Greece,” *Bank of Greece Economic Bulletin* 20 (2003): 57.

<sup>458</sup> Ibid.

**1988:** The reserve/rebate system, which was used for a controlled allocation of banking credit by altering the interest rates towards different economic sectors, is abolished.<sup>459</sup> Mortgage banks more than double the maximum amount of credit per depositor for loans granted as part of the housing loan-deposit scheme to 10 million drachmas (€29,347.63).<sup>460</sup>

**1989:** The payback period of housing loans and interest rates are liberalized.<sup>461</sup> Borrowers are allowed to take loans from more than one credit institution.<sup>462</sup>

**1990:** Borrowers are granted more possibilities to use their credit card to pay off financial obligations.<sup>463</sup>

**1991:** The amount of loans and their terms for individuals for purposes of construction, repair, or purchase of properties in Greece are determined by the credit institutions within the existing context of minimum bank interest rates.<sup>464</sup> The credit limit per holder of credit card is increased to 200,000 drachmas (€587) and the cash withdrawals by credit card to 25,000 drachmas (€73) per month.<sup>465</sup> The borrower can take up to 200,000 drachmas (€587) of credit with a maximum period of repayment of eighteen months, without any documentary proof of product purchase at freely negotiable interest rates.<sup>466</sup>

**1992:** Mortgage banks increase the maximum amount of credit per depositor for loans granted within the housing loan-deposit scheme to 15 million drachmas (€44,021).<sup>467</sup> Credit institutions are allowed to offer loans at freely negotiable interest rates to borrowers who want to refinance their earlier housing loans.<sup>468</sup> Credit institutions are allowed to refinance sales on consumer durables on credit if the consumer has paid off 30% of the cost of the product and the maximum and mean duration of the new credit does not exceed eighteen and ten months, respectively.<sup>469</sup>

**1993:** During the 1970s and 1980s, banks were obliged to lend the government, by binding a portion of the deposits (40% until 1990) for the acquisition of short-term government paper. In

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<sup>459</sup> Ericsson R. Neil and Sunil Sharma, "Broad Money Demand and Financial Liberalization in Greece," Board of Governors of the Federal Reserve System International Finance Discussion Papers no. 559 (1996): 3, <https://pdfs.semanticscholar.org/7c0f/2262b32f496ff28dc3dc6a66fd59b6484c4f.pdf>.

<sup>460</sup> Voridis et al., "Monetary Policy in Greece," 57.

<sup>461</sup> Ibid.

<sup>462</sup> Ibid.

<sup>463</sup> Ibid.

<sup>464</sup> Ibid.

<sup>465</sup> Ibid., 58.

<sup>466</sup> Ibid.

<sup>467</sup> Ibid.

<sup>468</sup> Ibid.

<sup>469</sup> Ibid.

May 1993, these requirements are abolished. In July, the requirement of commercial banks to invest part of their deposits (10% in 1991) into financing small-scale enterprises is also dropped.<sup>470</sup> Housing credits to farmers from the Agricultural Bank of Greece are liberalized.<sup>471</sup> A consumer can acquire credit for the purchase of consumer durables without having to pay 30% of the value of the product in advance.<sup>472</sup> The credit limit per holder of credit card is increased to 300,000 drachmas (€880) (from 200,000 drachmas or €587 in 1991) and cash withdrawals by credit card to 100,000 drachmas (€293) (from 25,000 drachmas or €73 per month in 1991).<sup>473</sup> The borrower can take up to 300,000 drachmas (€880) (from 200,000 drachmas or €587 in 1991) in credit without any proof of product purchase.<sup>474</sup>

**1994:** Banks are allowed to attract deposits from nonresidents.<sup>475</sup> The consumer ceiling is increased to 8 million drachmas (€23,478) per borrower.<sup>476</sup> Personal loan ceilings that do not require proof of product purchase are increased to 1 million drachmas (€2,935) per borrower<sup>477</sup>.

**1997:** The requirement of banks to redeposit foreign currency deposits (except seamen's and emigrants') to the Bank of Greece is abolished.<sup>478</sup>

**2000:** The Bank of Greece's primary reserve requirement is reduced from 12% to the Eurozone level of 2%.<sup>479</sup>

**2003:** The €25,000 consumer ceiling per borrower and bank is abolished.<sup>480</sup>

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<sup>470</sup> Sharma and Ericsson, "Broad Money Demand," 4.

<sup>471</sup> Voriadis et al., "Monetary Policy in Greece," 58.

<sup>472</sup> Ibid.

<sup>473</sup> Ibid., 59.

<sup>474</sup> Ibid.

<sup>475</sup> Brissimis et al., "Consumer Credit," 12.

<sup>476</sup> Voriadis et al., "Monetary Policy in Greece," 59.

<sup>477</sup> Ibid.

<sup>478</sup> Nicholas C. Garganas, and George S. Tavlas, "Monetary Regimes and Inflation Performance: The Case of Greece," in *Greece's Economic Performance and Prospects* (Athens and Washington: Bank of Greece and The Brookings Institution Press, 2001), 90.

<sup>479</sup> Brissimis et al., "Consumer Credit," 12.

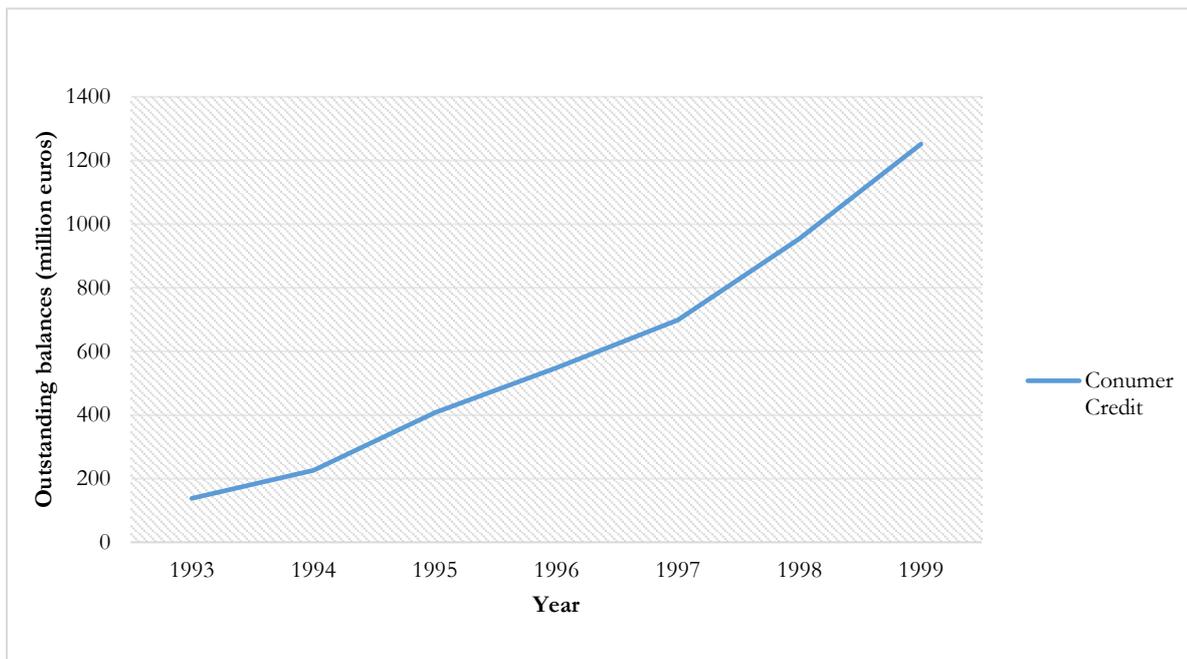
<sup>480</sup> Bank of Greece, "Financing Rules," accessed November 11, 2016,

<http://www.bankofgreece.gr/Pages/en/Supervision/LegalF/creditinstitutions/financingrules.aspx#2523/2003>

## 6.2 How much credit did Greeks really take on?

Between 1993–1999, the average annual growth of the outstanding balance of consumer credit was 45.61%. For the same period, the average annual growth of the outstanding balance of housing loans was 19.43%.

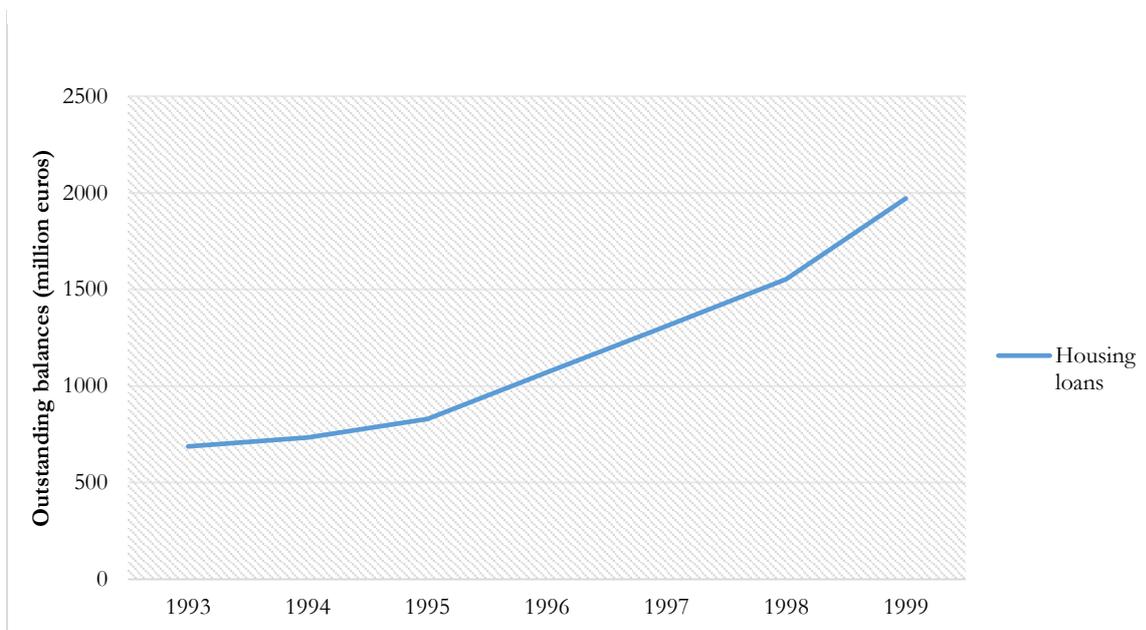
Graph 4: Growth of consumer credit, 1993–1999



From 1993 to 1999, the outstanding balance of the consumer credit has increased by 806%, or a factor of 9.06.

Source: Bank of Greece

Graph 5: Growth of housing loans, 1993–1999



From 1993 to 1999 the outstanding balance of housing loans increased by 186.6%, or a factor of 2.86.

Source: Bank of Greece

According to the National Bank of Greece, bank profits increased by 65.2% in between January–September 1999<sup>481</sup>. The banks’ next goal was to retain this growth through extensive credit expansion to Greek households by providing them both consumer and housing loans. These two types of credit could be linked together “as homeowners will be able to borrow on privileged terms, by ‘pledging’ their house property.”<sup>482</sup> A report by the financial firm Warburg Dillon summarizes the opportunities of the credit expansion in Greece. Among the main reasons were 1) The housing loans that have been offered by Greek banks correspond only to 7% of the GDP, the lowest in Europe; in France, Spain, and Portugal, it exceeds 20%, 2) The Greek households’ indebtedness based on consumer credit is only 2.8% of the GDP, compared to 11.6% in Portugal, and 3) At the end of 1998, the expansion of credit cards in Greece corresponded to around 15 cards per 100 citizens, while in Italy it was 21 cards per 100 citizens, in Portugal 24 cards per 100 citizens, in France 30 cards per 100 citizens, and in Spain 46 cards per 100 citizens<sup>483</sup>.

Since 1998, there were already planned banking strategies with aggressive marketing strategies for a mass credit expansion towards the Greek households. This credit expansion could offer the greatest present and future profit margins, by including the whole population as potential

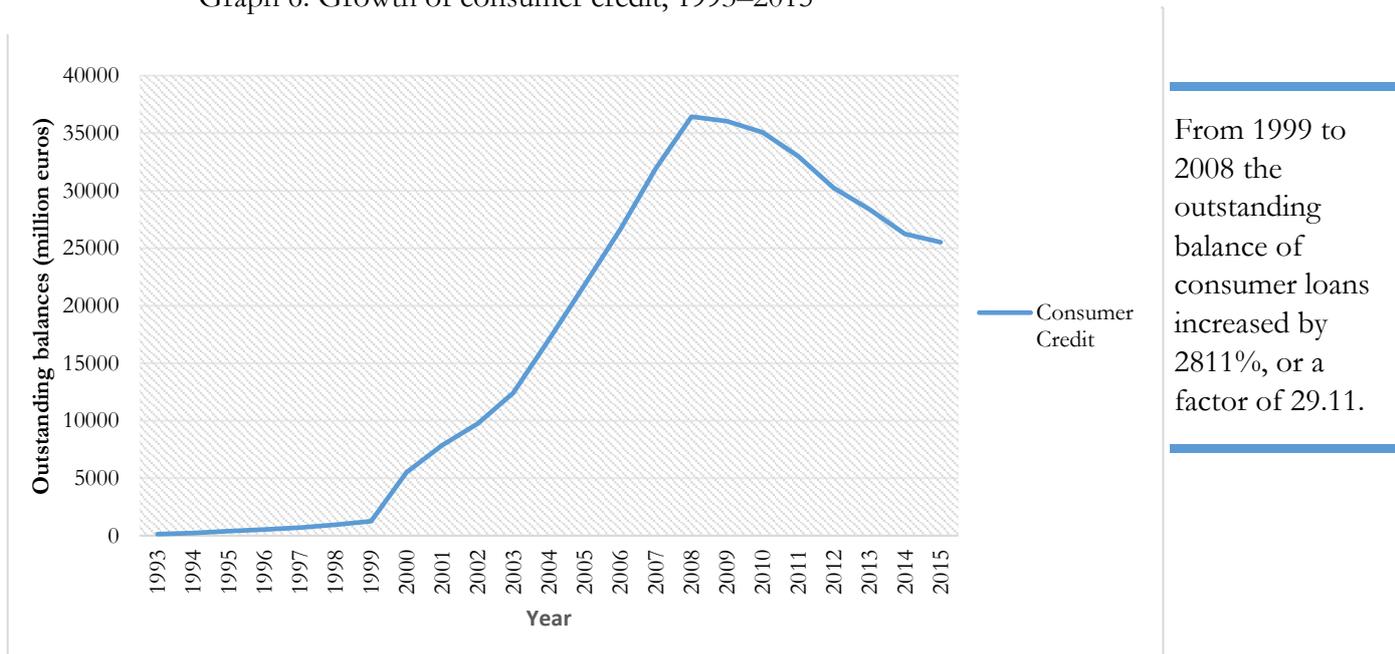
<sup>481</sup> To Vima, “Φιλόδοξα πλάνα μετά τα υπερκέρδη” [Ambitious plans after super profits], October 31, 1999, <http://www.tovima.gr/relatedarticles/article/?aid=115860&wordsinarticle=ONE>

<sup>482</sup> Ibid.

<sup>483</sup> Ibid.

customers, and by offering a variety of credit products to the same person: Multiple credit cards, car or housing loans, home repair or renovation loans, personal loans, vacations loans, etc<sup>484</sup>. It was also foreseen as perhaps one of the only markets that will not be vulnerable to foreign competition after the introduction of the euro. A distribution network would be required to have access to the Greek households therefore if foreign banks would want to sell their products in Greece, even if their products were better, would first need to cooperate with the established national banking network<sup>485</sup>.

Graph 6: Growth of consumer credit, 1993–2015



Source: Bank of Greece

Between 1999–2008, the average annual growth of the outstanding balance of consumer credit was 29.44%. In 2009, a growth of 2% was recorded in comparison to 2008, but the ratio of consumer credit to gross disposable income reached its peak at 23%, while the EU-27 average was 12%.<sup>486</sup> That was the sixth highest percentage in the EU-27, after Ireland with 31%, Hungary and

<sup>484</sup> Kostas Tsaousis, “Γιατί οι μεγάλοι τραπεζικοί όμιλοι ριχνουν το βάρος τους στον δανεισμό του νοικοκυριού” [Why the big banking groups emphasize household credit], *To Vima*, December 13, 1998, <http://www.tovima.gr/finance/article/?aid=105999&wordsinarticle=ONE>

<sup>485</sup> *Ibid.*

<sup>486</sup> Ales Chmelar, “Household Debt and the European Crisis,” paper presented at the ECRI Conference, Brussels, May 16, 2013, 15.

Cyprus with 26% each, Belgium with 24%, and Romania with 23%.<sup>487</sup> In 2010, there was the first negative annual change of -4.2% in comparison to 2009.<sup>488</sup>

It's worth mentioning that the advertising banking strategies were on many occasions misleading. A well-known case was a credit advertisement by the National Bank of Greece (NBG), 2006<sup>489</sup>. NBG advertised an open credit of €5,000 with a focus on the interest rate. It was declared that the loans will be given out at the lowest interest rate (that is, 4.97%) for one year. The offer was only valid until the end of December, so the potential borrower had to be fast if s/he wants to acquire this loan at this interest rate. In this advertisement, the actual value of the interest rate – which supposedly is what makes the loan attractive – is not clearly indicated. The real interest rate (11.52%), based on the annual percentage rate of charge (APRC) of the loan, only appeared in very small type at the bottom of the advertisement, and the words were moving so quickly across the screen that they were effectively impossible to read. Thus the interest rate was concealed or manipulated, and emphasis was placed on speed (“With just one phone call”) and the exclusiveness of the offer, which encouraged the borrower to close the deal as quickly as possible. This advertisement was banned after the courts ruled it guilty of consumer fraud.<sup>490</sup> On February 28, 2007 the Hellenic Bank Association (HBA) added the general principle of including the APRC of a loan in every advertisement that contains mentions of numerical costs to their banking code of conduct.<sup>491</sup> Another principle that they added is the clear indication of the time period that a special offer starts and finishes.<sup>492</sup>

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<sup>487</sup> Ibid.

<sup>488</sup> Ibid.

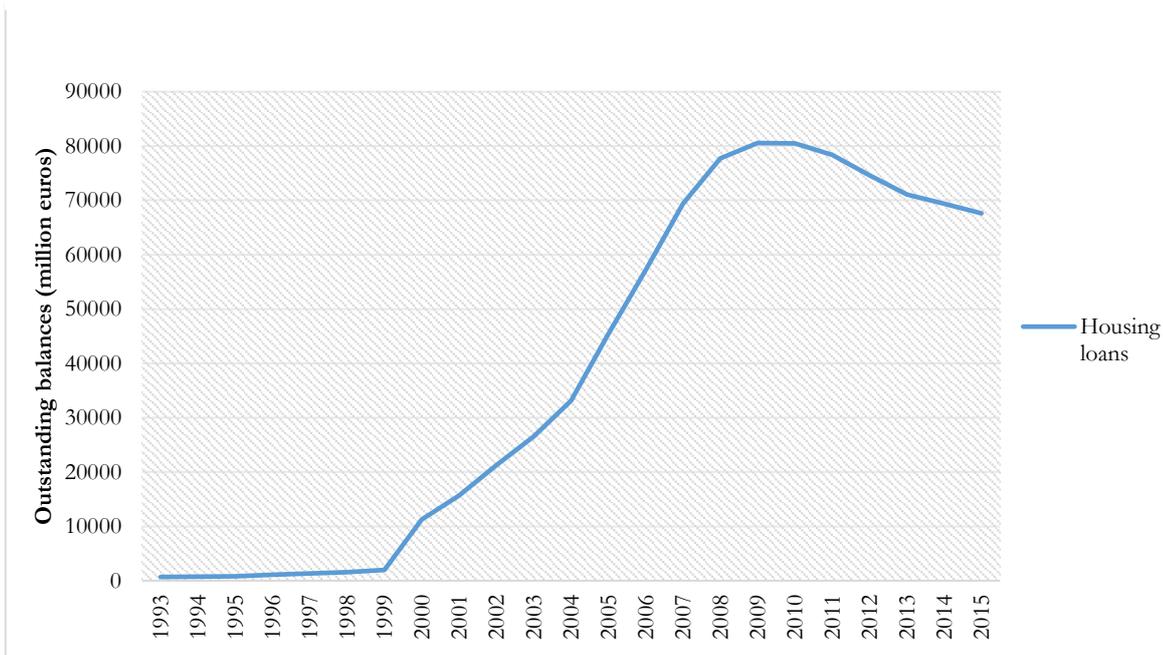
<sup>489</sup> Rockergreece, “ΔΙΑΦΗΜΙΣΗ ΕΘΝΙΚΗ ΤΡΑΠΕΖΑ 2006” [Advertisement National Bank 2006 ], video, 00:20, June 7, 2017, [https://www.youtube.com/watch?v=RIitk\\_XZzTY](https://www.youtube.com/watch?v=RIitk_XZzTY) In the bibliography, section online videos, see a list of different video advertisements that the Greek banks were using in order to sell consumer and housing loans products.

<sup>490</sup> Το Vima, “Δικαστική απαγόρευση δύο διαφημίσεων για καταναλωτικά δάνεια” [Judicial ban on two advertisements for consumer loans], May 28, 2008, <http://www.tovima.gr/finance/finance-news/article/?aid=238200&wordsinarticle=%3bΣΕΠΠΕ>

<sup>491</sup> Hellenic Bank Association, “Κώδικας Δεοντολογίας που υιοθέτησε η ΕΕΤ για τη διαφημιστική προβολή χρηματοπιστωτικών προϊόντων και υπηρεσιών που προσφέρονται από πιστωτικά ιδρύματα” [Code of Conduct adopted by the HBA for the promotion of financial products and services offered by credit institutions], February 28, 2007, <http://www.hba.gr/Media/Details/91>

<sup>492</sup> Ibid.

Graph 7: Growth of housing loans, 1993–2015



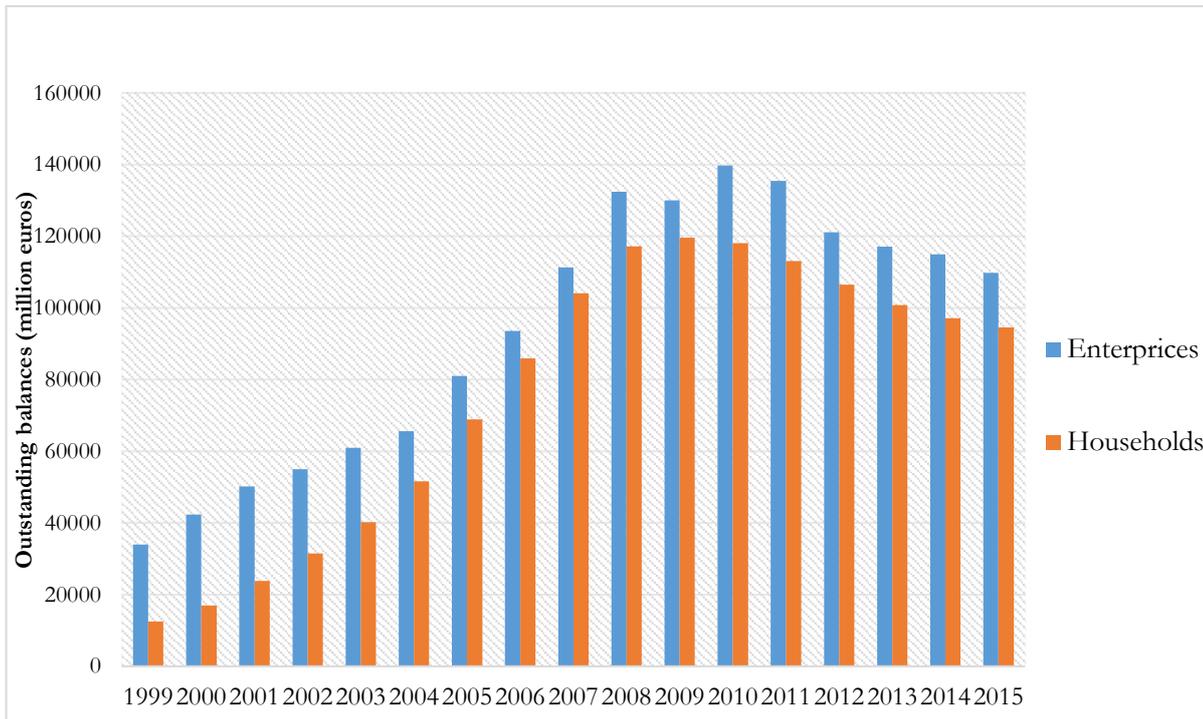
From 1999 to 2009 the outstanding balance of housing loans increased by 3986.9%, or a factor of 40.8.

Source: Bank of Greece

Between 1999–2009, the average annual growth of the outstanding balance of housing loans was 25.19%.<sup>493</sup> In 2010, the first negative change of -0.3% in comparison to 2009 was recorded.

<sup>493</sup> It should be noted that sometimes the use of “the real value of outstanding loans can be misleading due to the long duration of the loan contract.” Taking this into account, the housing loan supply is more greatly reduced than the volume of the outstanding loans shows from 2010 and onwards. See Angelos Vouldis, “Credit Market Disequilibrium in Greece (2003–2011) – A Bayesian approach,” European Central Bank Working Paper no. 1805 (2015): 12.

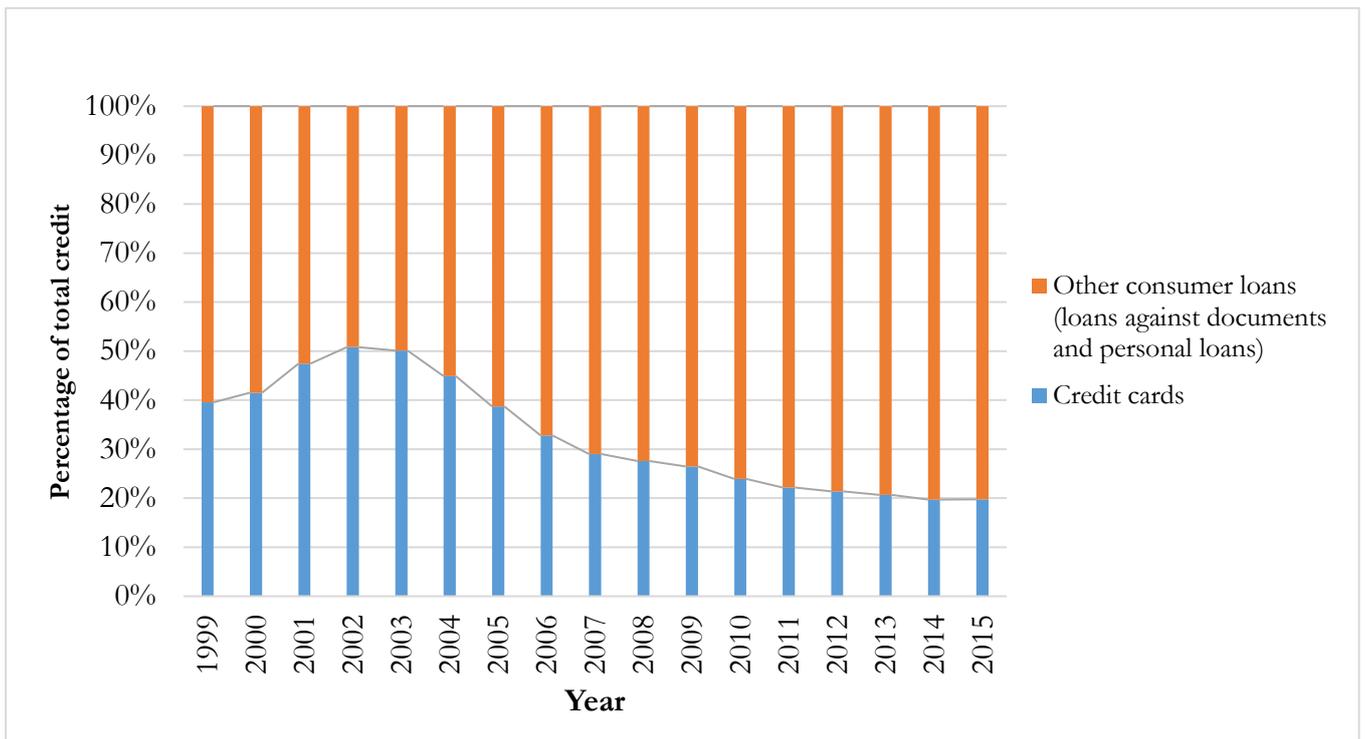
Graph 8: Credit to domestic private sector (enterprises and households), 1999–2015



Source: Bank of Greece

According to the European Central Bank (ECB), between 2004–2008, the average annual growth of consumer credit in the Eurozone was 5.72%, while in Greece it was 20.2%. Concerning the housing loans, during the same five-year period, the average annual growth in the Eurozone was 7.98%, and 20.26% in Greece.

Graph 9: Composition of consumer credit, 1999–2015



Source: Bank of Greece

The use of credit cards was very popular until 2003, when they consisted of 50% of the total consumer credit. “An important factor has been that banks offered credit cards to anybody, without prior examination of employment status and financial statements. It is striking that during the period 2000–2003, the Greek banks issued more than 5,000,000 cards in a country where the population was less than 11 million.”<sup>494</sup> From 2003, the use of the credit cards as part of the total consumer credit was reduced, as consumer credit was completely liberalized and consumers could take on loans with lower interest rates. “At end-2007, there were two credit cards for every three persons aged 20 and over.”<sup>495</sup> By 2007, 60.8% of all indebted households reported credit card debt, while households in Athens reported 68%.<sup>496</sup> The percentage of indebted households with credit card debt in other urban areas was 55%, and 50% for semi-urban areas.<sup>497</sup>

Brissimis et al. argue that the liberalization of credit as a supply-side factor was the main determinant of the increase of consumer credit, with the growth rate of GDP having the least

<sup>494</sup> Argitis and Michopoulou, “Financialization and the Greek Financial System,” 231.

<sup>495</sup> Theodoros M. Mitrakos and George T. Simigiannis, “The Determinants of Greek Household Indebtedness and Financial Stress,” *Bank of Greece Economic Bulletin* 32 (2009): 10.

<sup>496</sup> Ibid.

<sup>497</sup> Ibid.

significant influence.<sup>498</sup> GDP growth in Greece was 1.2% during the period 1991–1995, and increased to 3.6% for the period 1996–2000 and to 3.9% for the period 2001–2005.<sup>499</sup> However, between 2006–2010, there was an annual negative growth of -0.3%.<sup>500</sup> Falling interest rates played a significant role in the expansion of private credit as part of the convergence towards EU interest rates,<sup>501</sup> as did the disinflation strategy of the hard drachma policy.<sup>502</sup>

Another interesting aspect of the expansion of consumer and housing loans in Greece has to do with the business structure of the country's economy. In Greece, small businesses (0–49 employees) cover 99.6% of the total businesses, and very small businesses (1–9 employees) account for 98% of businesses and 57% of the working population, the highest in the EU-27.<sup>503</sup>

Even before the crisis, the financing of small businesses was a serious challenge for the Greek economy. Ninety-one percent of Greek small businesses were totally (43%) or partially (48%) self-financed.<sup>504</sup> More than half, 56.7%, of Greek businesses were not financed at all through short-term loans, and 51.6% had no long-term loans, despite the fact that one out of four businesses would have preferred a long-term loan to finance their investments.<sup>505</sup> According to Vouldis, the demand for short-term business loans was higher than the supply during the credit boom.<sup>506</sup> The main obstacle for businesses seeking loans from the banking sector was the very high interest rates. During the period 2006–2009, interest rates in consumer loans was very close to those for business loans; consumer loans had high interest rates as they offered low collateral.<sup>507</sup> The high interest rates for consumer loans are also explained by their high demand: Consumers and small businesses could not acquire business loans (which have high level of risk due to their size, and therefore high interest rates) and thus had to seek other types of loans. This is also the reason that mortgage loans in Greece have been “traditionally used for the funding of small businesses.”<sup>508</sup>

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<sup>498</sup> Brissimis et al., “Consumer Credit,” 26.

<sup>499</sup> European Commission, “Statistical Annex of European Economy,” Spring 2016, 170.

<sup>500</sup> Ibid.

<sup>501</sup> Brissimis et al., “Consumer Credit,” 13.

<sup>502</sup> Nicholas C. Garganas and George S. Tavlas, “Monetary Regimes and Inflation Performance: The Case of Greece,” in *Greece's Economic Performance and Prospects*, 43–96.

<sup>503</sup> IME GSEVEE, “Χρηματοδότηση μικρών και πολύ μικρών επιχειρήσεων” [Finance of small and very small enterprises], 2009, accessed February 16, 2018,

[http://www.imegsevee.gr/attachments/article/173/xrimatodotisi\\_mirkwn\\_epixeirisewn\\_a.pdf](http://www.imegsevee.gr/attachments/article/173/xrimatodotisi_mirkwn_epixeirisewn_a.pdf)

<sup>504</sup> Ibid.

<sup>505</sup> Ibid.

<sup>506</sup> Vouldis, “Credit Market Disequilibrium in Greece,” 23.

<sup>507</sup> Brissimis et al., “Consumer Credit,” 14.

<sup>508</sup> Ibid.

The low levels of Greek household debt enabled the banks to pursue generous credit policies. In 2000, based on OECD data, households' debt comprised 30% of their net disposable income, a very low value by Eurozone standards. That same year, households' debt in Portugal, for example, was 107% of net disposable income; in Italy, 54%; in Belgium, 71%; in Spain, 84%; in Germany, 117%; and in the Netherlands, 199%.

### 6.3 Future expectations and credit expansion

The second main factor in consumer credit expansion, according to Brissimis et al., was the expectations of high future incomes by the households and banks after Greece's entrance into the European Monetary Union. As we can see in the graphs above, there is a sharp increase in the outstanding balances of consumer credit, but also of housing loans, between 1999–2000 and again between 2000–2001. This was just before the entry of Greece into the EMU on January 1, 2001, with Euro bank notes being introduced on year later. The liberalization of credit offered consumers the means to act in the present according to their future income expectations, in contrast to credit-restrained economic environments, where the household's consumer practices are based on its current income.<sup>509</sup>

Concerning the demand-side factors, or the reasons for an individual to increase her/his demand for credit, Brissimis et al. argue that the most important development was the *expectations* of the consumers for higher future incomes.<sup>510</sup> Brissimis et al. cite also studies which consider the income variable an important factor in the expansion of credit, but only because they concentrate on the demand side rather than on the liberalization of credit.<sup>511</sup> Decreasing interest rates had also a positive impact on the expansion of credit.<sup>512</sup> Greek households funded their credit through their deposits, which had mainly accumulated before Greece's entry into the EMU.<sup>513</sup> From 2001 onwards, there was rapid deterioration of households' savings, which never recovered.<sup>514</sup>

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<sup>509</sup> Ibid.

<sup>510</sup> Ibid., 26.

<sup>511</sup> Ibid.

<sup>512</sup> Ibid.

<sup>513</sup> Ibid.

<sup>514</sup> European Commission, "Statistical Annex of European Economy," Spring 2016, 170.

A consumer's expectations are based on a process which took place before the signing of a loan agreement. The consumer expected a higher income (due to the participation of Greece in the EMU), and expected the banks to supply a loan with low interest rates (due to the liberalization of credit). According to Georgios Mentis and Katerina Pantazatou, the majority of consumers who took on credit – especially a mortgage – did not read the loan agreement before signing it.<sup>515</sup> In over 90% of the cases, consumers did not compare other offers and did not ask for explanation before signing the loan agreement.<sup>516</sup> Most consumers signed their loan agreement in less than one or two minutes, and they “almost never make use of their right to withdraw. The withdrawal period in Greece ranges from 10 to 15 days.”<sup>517</sup>

One other factor that may affect the demand of consumer credit is the rise of housing prices through the *perceived wealth effect*. The rising housing prices can be perceived by homeowners as an increase in their wealth, thus reducing their savings and boosting their consumer confidence<sup>518</sup>. This increased consumption improves the economic activity and encourages the expectations for a high future income from assets, driving the housing prices even higher<sup>519</sup>. On the other hand, when the *target saving effect* is present, consumers who do not own a house, but wish to acquire one, may increase their savings, thus reducing their private consumption.<sup>520</sup> Last but not least, according to the *financial access effect*, “an increase in housing prices provides stronger collateral and greater accessibility to credit markets.”<sup>521</sup>

The high availability of credit may result in high demand for housing property and, “given that in the short run the supply of real estate is relatively fixed, this will tend to drive real-estate prices up. [...] [R]apid credit growth, which can be triggered by rising property prices, is one of the most consistent and robust leading indicators of future financial crises.”<sup>522</sup> Around seven out of ten households own their house, and between 1995–2005, there was an 11% average annual increase in housing prices.<sup>523</sup> The interest rates for housing loans decreased from 20% in 1993 to 3.9% in

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<sup>515</sup> Irina Domurath, Guido Comparato, and Hans-Wolfgang Micklitz, eds., “The Over-Indebtedness of European Consumers – A View from Six Countries,” European University Institute LAW Working Papers, 2014, 54.

<sup>516</sup> Ibid.

<sup>517</sup> Ibid.

<sup>518</sup> Sylvain Bouyon, “What drives household consumption in the EU-28?”, *No. 11148. Centre for European Policy Studies*, (2015): 4.

<sup>519</sup> Sophocles N. Brissimis, and Thomas Vlassopoulos, “The Interaction between Mortgage Financing and Housing Prices in Greece”, *J Real Estate Finan Econ*, 39, (2009): 147.

<sup>520</sup> Bouyon, “What Drives Household Consumption in the EU-28?”, 4.

<sup>521</sup> Ibid.

<sup>522</sup> Brissimis and Vlassopoulos, “Mortgage Financing and Housing Prices in Greece,” 147.

<sup>523</sup> Ibid.

2005.<sup>524</sup> However, the findings of Brissimis and Vlassopoulos suggest that an increase in the supply of housing loans has a casual effect on housing prices, but only in the short term; in the long term, housing prices are not affected by changes in the mortgage credit market.<sup>525</sup>

The long-term factors that need to be examined, as Brissimis and Vlassopoulos argue, are 1) consumers' expectations of higher future incomes, especially right before and after Greece's entry into the EMU; 2) the low interest rates; and 3) the financial security of a housing property, in contrast to financial assets with low or negative returns.<sup>526</sup>

In this study the role of expectations of a future rise in social status are presented in two ways: First, as evidence that the political-economic dynamics cannot be understood without resorting to some assumptions about underlying expectations; and second, as remaining theoretically too short-sighted because they do not reflect on the societal structures that give rise to such expectations in the first place. The general imaginary of social upward mobility, which appears as a desired social obligation, is related to the role of future expectations which Brissimis et al. refer to. This brings us to two questions: How was the imaginary credit as future expectation and possibility of social mobility constructed? More to the point, what was the economic and political environment that enabled Greeks to construct certain expectations about their future and facilitated the process of mass credit expansion?

## **Chapter 7: The economic and political expansion of imaginary credit and debt**

### 7.1 The economic environment of the Greek households

The previous chapter has addressed the level of mass credit expansion in Greece and answered the question of how much credit did Greek households really take on. What was the economic environment of Greek households like, and what was its role in the construction and circulation of certain expectations about the future social mobility of individuals?

The increase of consumer credit and mortgages has been evident in Greece since the early 1990s with the gradual liberalization of the banking sector. However, from 1999–2002 onwards, there

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<sup>524</sup> Ibid., 150.

<sup>525</sup> Ibid., 162.

<sup>526</sup> Ibid.

was a credit boom, which is associated with the entrance of Greece in the EMU. What was the socioeconomic environment of this period that gave Greek citizens certain future expectations that prompted them to seek consumer credit and housing loans en masse? Is there any evidence that Greek households were experiencing an improvement of their economic environment or the mass credit expansion was based on a politically constructed European narrative of upward social mobility and “loan-friendliness” supported by the Greek banking sector? All these questions must be investigated in order to understand important aspects of the Greek moral order.

### **GDP growth**

According to the European Statistical Annex, during the period 1991–1995, the annual growth of the Greek GDP was 1.2%. Then, in the period 1996–2000 it was 3.6%, and in 2001–2005, 3.9%. Between 2006–2010, the annual GDP growth was negative, -0.3%.

### **Unemployment**

For the periods 1996–2000 and 2001–2005 the unemployment rates did not change significantly, with 10.7% and 10.3%, respectively. In the period 2006–2010, it decreased to 9.5%.

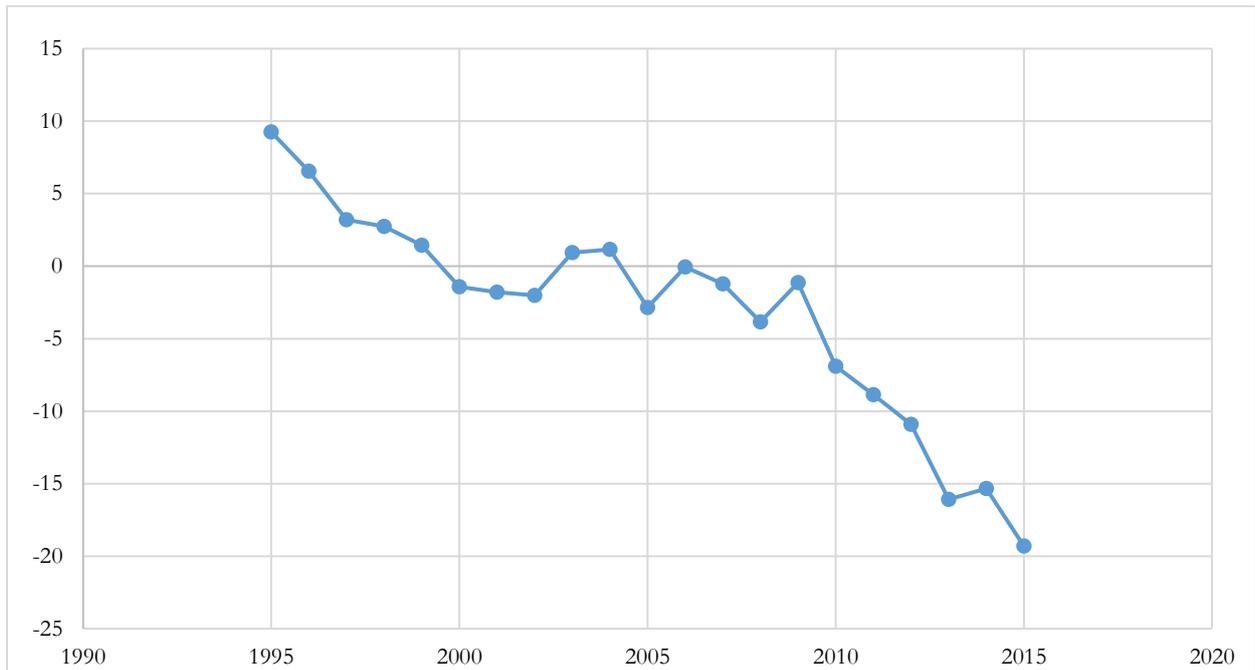
### **Household savings**

The net savings of Greek households began to decline after the country’s entry into the EMU. In the period 1996–2000, net savings in GDP (%) increased annually by 1.8%. In 2001–2005, they decreased annually by -0.6%, and in 2006–2010 by -1.7%.<sup>527</sup> According to the OECD, in 1998, the savings of the Greek households as a percentage of their disposable income increased by 2.7%, and in 1999 by 1.4%. For the next decade, apart from the years 2003 and 2004 with a respective increase 0.9% and 1.2%, Greek households experienced a constant deterioration of their savings.

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<sup>527</sup> European Statistical Annex, Spring 2017, 170.

Graph 10: Total household saving as percentage of household disposable income, 1995–2015

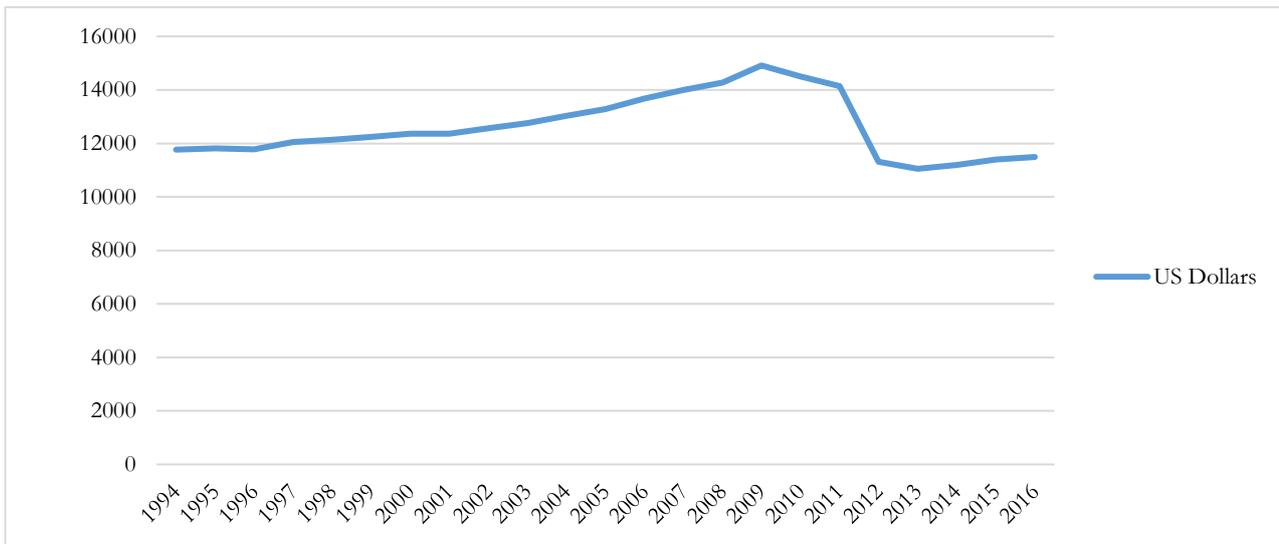


Source: OECD

### Household income

According to the European Statistical Annex, the real wages per capita in Greece for the period 1991–1995 decreased annually by 1.5%. In the period 1996–2000, they increased by 3.3% annually, and in 2001–2005 by 4.5%. Between 2006–2010, they decreased by -0.7% every year. According to the OECD, the Greek real minimum annual wage increased from US\$12,243 in 1999 to \$14,001 in 2007 (see graph below). From 1999 to 2009, the real annual wage increased by around \$230.

Graph 11: Growth of real minimum wage, 1994–2016



Source: OECD

## 7.2 Income and consumption inequality in Greek society: Myths and reality

From 1974–1982, inequality decreased significantly, with minimum wage increases of around 20%.<sup>528</sup> Between 1982–1999, income inequality remained the same because of the expansion of the welfare state, even though in 1994, wages were, in real terms, 20% lower than in 1982.<sup>529</sup> According to Katsimi et al., inequality declined significantly during the period 1999–2004, while remaining constant between 2004–2008.<sup>530</sup> The income share of the lowest and middle-income deciles increased between 1974–2008, in contrast to the richest deciles of the Greek population, which lost part of their share.<sup>531</sup> According to Mitrakos and Tsakloglou,<sup>532</sup> the four richest quantiles of Greek society did not improve their consumption and income share during the period 1974–2004: In 1974, they had a share of 65.1% of the total consumption and 66.9% share of the total income; in 2004, they had 59.9% share in total consumption and an income share of 60.7%. The

<sup>528</sup> Margarita Katsimi, Thomas Moutos, George Pagoulatos, and Dimitris A. Sotiropoulos, “Growing Inequalities and Their Impacts in Greece,” GINI Country Report for Greece (Amsterdam Institute for Advanced Labour Studies, 2013).

<sup>529</sup> Ibid., 2.

<sup>530</sup> Ibid., 17.

<sup>531</sup> Ibid., 19.

<sup>532</sup> Theodoros Mitrakos and Panos Tsakloglou, “Ανισότητα, φτώχεια και υλική ευημερία: από τη μεταπολιτευση ως την τρέχουσα κρίση” [Inequality, Poverty and Material Welfare: From Regime Transition to the Current Crisis], in *Κοινωνική Πολιτική και κοινωνική συνοχή στην Ελλάδα σε συνθήκες οικονομική κρίσης*, Τράπεζα Ελλάδας [Social Policy and Social Cohesion in Greece under Conditions of Economic Crisis, Bank of Greece], Athens, (2012): 27.

richest 10% of Greek society experienced a greater deterioration of their share in consumption and income. Their 1974 share of 26.4% dropped to 22.4% in 2004, while their income share of 29.5% decreased to 23.2% by 2004.

From 1974 to 2004, the bottom six quantiles of Greek society improved their consumption share from 34.9% to 40.1% and their income share from 33.1% to 39.3%. All the bottom six quantiles improved their total share of consumption, but the greatest improvement was observed within the last four quantiles. Both the bottom deciles improved their position compared to the middle quantiles, and the middle quantiles improved their share compared to the top quantiles.<sup>533</sup>

### Wealth inequality

- According to Credit Suisse,<sup>534</sup> in Europe in 2011:
- 20.4% of the population had a wealth less than US\$1,000,
- 24.8% had wealth between \$1,000–10,000,
- 28.2% had wealth between \$10,000–100,000, and
- 26.6% had over \$100,000.

In Greece:

- 1.6% of the population had less than \$1,000,
- 25.3% had between \$1,000–10,000,
- 48.3% had between \$10,000–100,000, and
- 24.8% had over \$100,000.

Surprisingly, in Denmark, 35.3% of the population had less than \$1,000; in Germany, this figure was 13.9%, and in Netherlands, 12.5%. In 2016, the Credit Suisse Global Wealth Databook<sup>535</sup> showed that, as in 2011, wealth inequality was not an issue in Greece. An examination of the median wealth per adult from 2000–2010 also shows a constant increase in this value. However, according to Katsimi et al., “the (still) very high rate of home ownership among the poor in Greece

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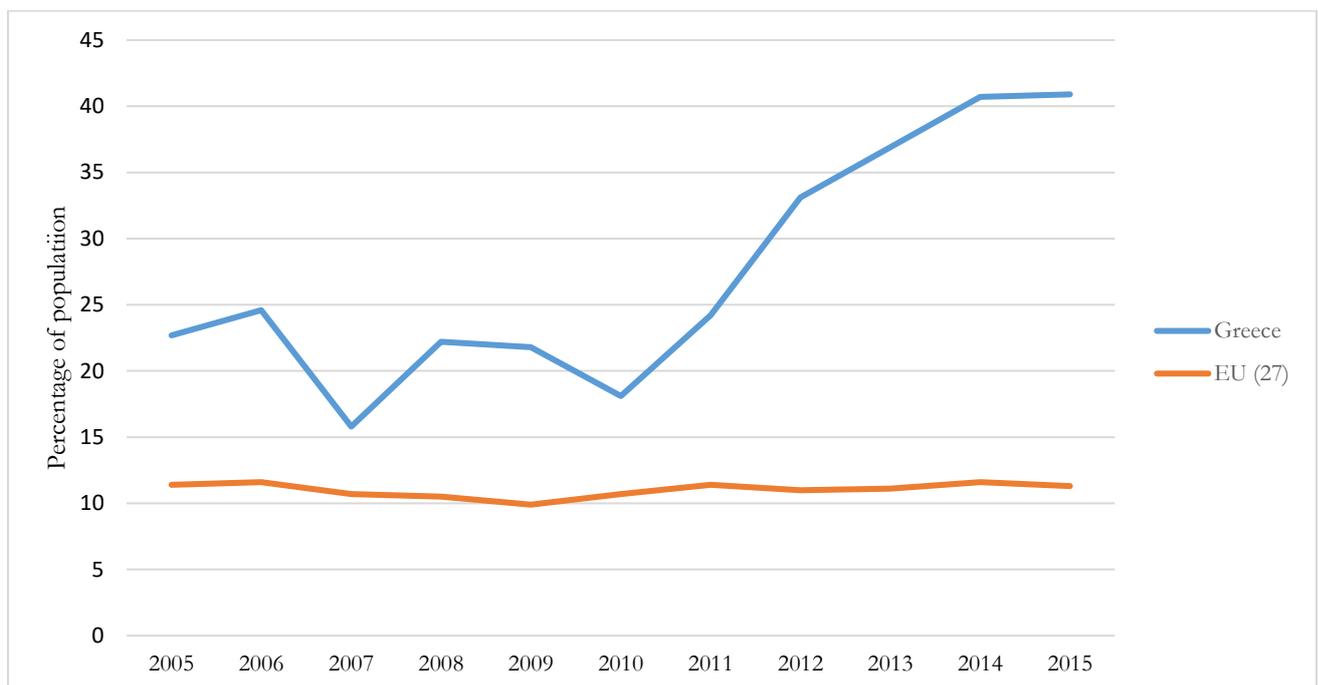
<sup>533</sup> Katsimi et al., “Growing Inequalities and Their Impacts in Greece,” 20–21.

<sup>534</sup> Credit Suisse Global Wealth Databook (2011), 86, accessed February 16, 2018, <http://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=88E47246-83E8-EB92-9D54129E76CA737B>.

<sup>535</sup> Credit Suisse Global Wealth Databook (2016), 107, accessed February 16, 2018, <http://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=AD6F2B43-B17B-345E-E20A1A254A3E24A5>

explains the relative small wealth inequality in Greece.”<sup>536</sup> The graph below shows a comparison between the average housing cost overburden in the EU-27 and Greece. Average housing cost overburden is defined by Eurostat as “the percentage of the population living in a household where the total housing costs (net of housing allowances) represent more than 40% of the total disposable household income.”<sup>537</sup> Greek households were some of the most overburdened in the EU, even before the crisis.

Graph 12: Housing cost overburden, Greece and EU (27), 2005–2015



Source: Eurostat

### 7.3 Were Greeks living beyond their means?

In the period 2001–2005, the GDP annual growth rate was 3.9%, but fell to -0.3% annually in the period 2006–2010. Between 1996–2005, the unemployment rate in Greece did not alter significantly. From 1996 to 2010, it decreased around 1%. Real wages increased in the period 1996–2000 by a total of 16.5%, in the period 2001–2005 by 22.5%, and in the period 2006–2010 by 3.5%. Income inequality decreased and the consumption share of high-, middle-, and low-income groups steadily converged. Despite these positive economic developments, spending by Greek

<sup>536</sup> Katsimi et al., “Growing Inequalities and Their Impacts in Greece,” 86.

<sup>537</sup> See <http://ec.europa.eu/eurostat/tgm/web/table/description.jsp> [accessed 16.02.2018]

households was higher than the growth of their disposable income. The chart below compares the annual growth rate of household spending with the annual growth of household disposable income and savings using OECD<sup>538</sup> data.

### Greece

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Annual growth of household disposable income	2.1%	0.3%	3.7%	4.4%	7.6%	3.2%	0.6%	5.4%	3.2%	0.8%
Annual growth of household spending	3.5%	2.52%	3.62%	5.09%	4.53%	3.61%	3.22%	2.78%	4.08%	3.58%
Annual growth of household savings	1.4%	-1.4%	-1.8%	-2.0%	0.9%	1.2%	-2.9%	-0.1%	-1.2%	-3.8%

Source: OECD

The above table shows that for a decade (with the exception of 2003 and 2006), Greek households increased their spending faster than their disposable incomes increased, and thus also decreased their savings. Conversely, according to the OECD, during the period 2001–2008, households in the Eurozone increased their annual disposable income faster than their annual spending. For the period 2001–2008, the average annual growth of household disposable income in the Eurozone was 1.56%, and the annual growth of household spending 1.46%. In Greece, the average annual growth of household disposable income was higher, at 3.61%, but the annual growth of household spending was 3.81%.<sup>539</sup> The decrease in savings emphasizes the intensity of the spending even more. According to Eurostat, Greek households were also among the first in EU to be in arrears during the whole period 2003–2010.<sup>540</sup> We can conclude that there was a clear tendency every year among Greek households to increase their household disposable income faster than the Eurozone average, but at the same time to increase their spending much faster as well.

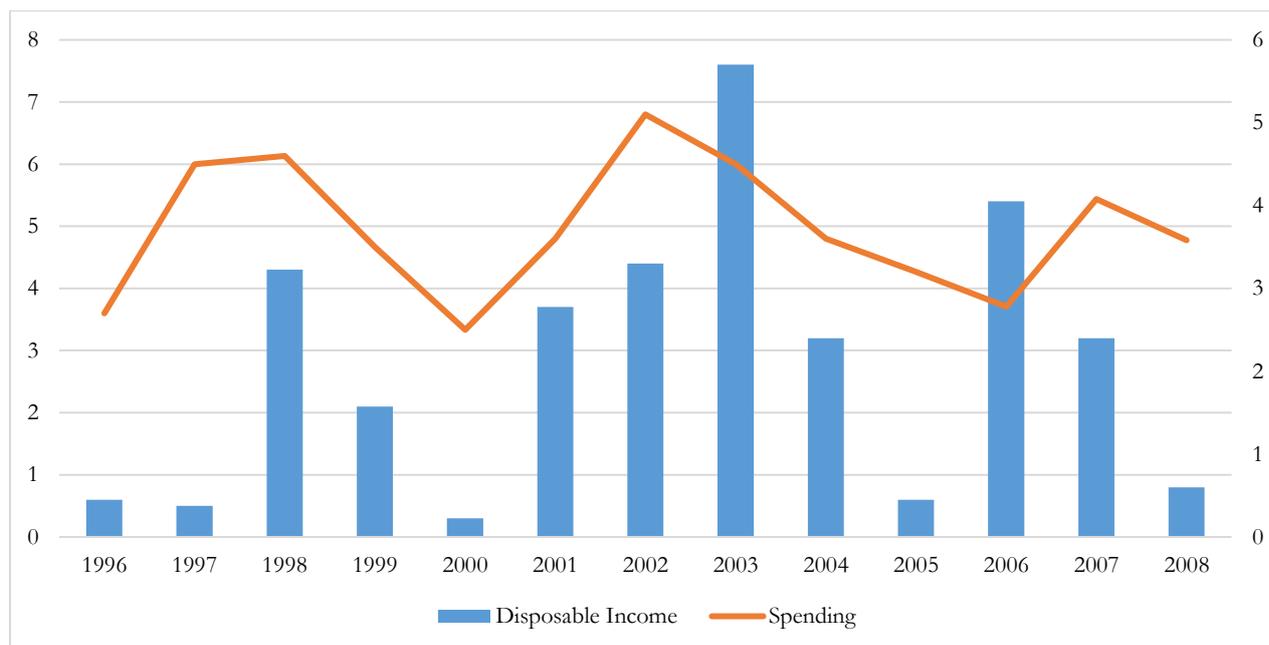
<sup>538</sup> OECD (2017), Household disposable income (indicator). DOI: 10.1787/dd50eddd-en, accessed October 15, 2017.

<sup>539</sup> OECD, Household disposable income (indicator), 2018. DOI: 10.1787/dd50eddd-en, accessed February, 16, 2018, <https://data.oecd.org/hha/household-disposable-income.htm#indicator-chart>.

<sup>540</sup> Eurostat, “Arrears (mortgage or rent, utility bills or hire purchase) from 2003 onwards - EU-SILC survey,” accessed February 26, 2018, <http://ec.europa.eu/eurostat/web/gdp-and-beyond/quality-of-life/data>. <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

Did Greece’s participation in the Eurozone prompt Greek household spending to exceed the growth of disposable income? If we compare two periods, five years before Greece joined the Euro (1996–2000) and five years afterwards (2001–2005), we can observe that, apart from the year 2003,<sup>541</sup> there is a constant pattern, that is spending increases faster than the disposable income.

Graph 13: Annual growth of Greek household disposable income and spending, 1996–2008



Source: OECD

A counterargument could be put forward that the over 30% increase in Greek household spending during the period 1994–1999 was due to the high rate of inflation.<sup>542</sup> According to Household Budget Surveys in the EU (HBS), “the price of goods and services measured by the harmonised index of consumer prices (HICP) rose by 5.5% in Finland and by more than 20% in Greece.”<sup>543</sup> This might be the case for 1994 and ’95, when the annual growth of inflation measured by consumer price index was 10.9% and 8.9%, respectively, but from 8.2% in 1996, it decreased in 1997 to 5.5%, and to 4.8% in 1998. Despite this decrease, the Greek household spending increased. Even in 1999, when the annual growth of inflation reached the historical low of 2.6%, household

<sup>541</sup> There was an increase of wages and pensions that year, plus five months’ remunerations.

<sup>542</sup> European Commission, “Household Budget Surveys in the EU Methodology and Recommendations for Harmonisation,” 2003, accessed February 16, 2018, <http://ec.europa.eu/eurostat/ramon/statmanuals/files/KS-BF-03-003--N-EN.pdf>.

<sup>543</sup> Ibid.

spending still increased by 3.5%. If inflation does not convincingly explain the high rates of spending among Greek households even before the country's participation in the EMU, what does? The outstanding balance of consumer credit rose by 36.3% from 1997 to 1998, by 31% from 1998 to 1999, and by an astounding 340% from 1999 to 2000. The outstanding balance of housing loans increased by around 27% in the period 1998–1999, and in the period 1999–2000 by around 472%.

From 1999 till 2000, while the growth of the household disposable income was decreasing, spending remained high. Those years represented the beginning of the credit boom in consumer and housing loans. It is clear that Greek households' future expectations, which enabled them to increase their spending before Greece joined the Eurozone, were not fully justified by their economic environment; in other words, their disposable income did not grow enough to justify increased spending. Furthermore, after Greece joined the Eurozone, spending again rose faster than disposable income. In chapter six we have explored the role and strategies of the mass credit expansion by Greek banks. It is now necessary to examine the political environment in Greece (in particular, the political creation of optimistic future expectations).

#### 7.4 The political construction of imaginary credit

Greece joined the EMU in 2001, and in 2002, euro bank notes and coins started to be officially circulated. From 1996 till 2001 the public argumentation of the ruling political elites about the participation of Greece in the EMU was the following:

- If Greece does not receive European funds, the working population will have limited job opportunities<sup>544</sup>.
- If Greece does not join the EMU, it will be politically isolated from Europe<sup>545</sup>.
- The low inflation rates will counteract the EMU requirement to contain wages and public spending<sup>546</sup>

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<sup>544</sup> Nikos Nikolaou, “Τι κρύβει ο κοινωνικός διάλογος” [What hides the social dialogue], *To Vima*, May 18, 1997, <http://www.tovima.gr/politics/article/?aid=88182&wordsinarticle=ONE>

<sup>545</sup> Panagiotis Lampsias, “Τελεσίδικες οι αποφάσεις” [Final Decisions], *To Vima*, November 17, 1996, <http://www.tovima.gr/politics/article/?aid=83756&wordsinarticle=ONE>

<sup>546</sup> Το Vima, “Δεν υπάρχει άλλος δρόμος” [There is no other way], November 24, 1996, <http://www.tovima.gr/finance/article/?aid=84045&wordsinarticle=ONE>

- If Greece does not join the EMU, it will lose all the benefits from its membership in the EU<sup>547</sup>.
- If Greece joins the EMU, socioeconomically weaker groups will be the first to benefit<sup>548</sup>.
- Greece will secure its development in the face of the challenges of economic globalization<sup>549</sup>.
- The Greek tourism and farmers<sup>550</sup> will benefit<sup>551</sup>.
- The Greek stock exchange market will be upgraded<sup>552</sup>.
- The low interest rates will enable greater public spending, which will benefit the Greek welfare state<sup>553</sup>.
- If Greece does not join the EMU, it will become a satellite of Turkey's interests<sup>554</sup>. Participation is thus also a matter of national security.
- More jobs and investments will be created and by 2010, Greece will have achieved the same standard of living as advanced European countries<sup>555</sup>.

As we will explore below, this line of argumentation is identical to Prime Minister's (Costas Simitis) in his speeches on the government budgets (1998–2001). The activation of the social mechanism of imaginary credit and debt is evident here: A distance is created between Greece as it is now and Greece as it could be in the future once it joins the EMU. Without membership in the EMU, Greece is presented as an insecure, undeveloped country on the cusp of becoming a Turkish satellite, politically isolated from Europe.

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<sup>547</sup> Nikos Nikolaou, “Η κυβέρνηση δεν κάνει πίσω” [The Government Does Not Back Down], *To Vima*, December 1, 1996, <http://www.tovima.gr/politics/article/?aid=84104&wordsinarticle=ONE>

<sup>548</sup> Christos Protopapas, “Να πάμε στην ONE όλοι μαζί” [To go all together into the EMU], *To Vima*, March 29, 1998, <http://www.tovima.gr/opinions/article/?aid=97631&wordsinarticle=ONE>

<sup>549</sup> Giorgos Papandreou, “Η Ελλάδα και η ONE” [Greece and the EMU], *To Vima*, April 26, 1998, <http://www.tovima.gr/opinions/article/?aid=98599&wordsinarticle=ONE>

<sup>550</sup> Staboglis, Dionisis. “Πώς και γιατί θα ωφεληθούν οι αγρότες” [How and Why Will Farmers Bene-fit?]. *To Vima*, January 9, 2000. <http://www.tovima.gr/finance/article/?aid=118149&wordsinarticle=ONE>

<sup>551</sup> *To Vima*, “Επτά «συν» για τον ελληνικό τουρισμό” [Seven “plus” for Greek tourism], *To Vima*, January 3, 1999, <http://www.tovima.gr/relatedarticles/article/?aid=106803&wordsinarticle=ONE>

<sup>552</sup> Tasos Karamitsos, “Η Σοφοκλέους αναβαθμίζεται” [Sofocleous is upgraded], *To Vima*, January 10, 1999, <http://www.tovima.gr/finance/article/?aid=106930&wordsinarticle=ONE>

<sup>553</sup> Nikos Nikolaou, “Η προίκα της ONE” [The dowry of the EMU], *To Vima*, February 7, 1999, <http://www.tovima.gr/finance/article/?aid=107917&wordsinarticle=ONE>

<sup>554</sup> Nicos Mouzelis, “Η ταξική διάσταση του εκσυγχρονισμού” [The class dimension of modernization], *To Vima*, March 14, 1999, <http://www.tovima.gr/opinions/article/?aid=109029&wordsinarticle=ONE>

<sup>555</sup> Eirini Kakoulidou, “Η επόμενη ημέρα” [The next day], *To Vima*, March 12, 2000, <http://www.tovima.gr/finance/article/?aid=120281&wordsinarticle=ONE>

Parts of four parliamentary speeches by the Greek prime minister, Costas Simitis, regarding the government budgets of 1998, 1999, 2000, and 2001, are discussed below. Although, the political discourse analysis is limited to the prime minister's public parliamentary speeches about the new annual governmental budget, it is nevertheless representative of the political environment of the Greek households<sup>556</sup>. These speeches have high symbolic and societal meaning as they can be seen as a public legitimization of the economic policies of the government for the participation of Greece in the EMU. The analysis of this political discourse and the selected timeline (1998-2001) highlight the political construction of the 'European' Unique Subject prior the participation of Greece in the EMU.

#### Greek government budget, 1998<sup>557</sup>

Simitis argues in the very beginning of his speech that Greece's equal participation in the processes of the European integration "is the country's means of dealing with the challenges of globalization. To be more competitive, to have self-sustaining growth. To continuously improve the standard of living."<sup>558</sup> He then refers to the efforts of his government to participate in the EMU. He says that the "voice of the Greek government has validity and is convincing. We proved, through hard, systematic and effective work, that Greece can claim its rightful place in Europe."<sup>559</sup> Simitis continues, "We are not the country of deficits and regression, of Greek-centric navel gazing. We

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<sup>556</sup> The structure and presentation of the material follows Mayring's methodology of discourse analysis (political discourse) in which "the main idea of the procedure is, to formulate a criterion of definition, derived from theoretical background and research question, which determines the aspects of the textual material taken into account." See Philipp Mayring, "Qualitative Content Analysis," in *Forum Qualitative Sozialforschung / Forum: Qualitative Social Research [On-line Journal]*, 1(2), revised in February (2009): paragraph 12, accessed December 20, 2018, <http://www.qualitative-research.net/index.php/fqs/article/view/1089/2385>. In other words, the ordering and interpretation of the data is based on an already established theoretical context of analysis (deductive category application). The main category that has been used in order to organize the discourse analysis is 1) an investigation of the manifest and latent-content of material that reflects the political construction of Greece's participation in the EMU as an imaginary credit given to the Greek citizens, and 2) data that reveals how Greek citizens were urged by the banks, and political elites to get consumer and housing loans. It should be acknowledged, that this is not an in-depth methodological data analysis and it is recommendable for future analysis to include speeches from other politicians and to extend the timeline to also include more temporal horizons.

<sup>557</sup> Costas Simitis, "Ομιλία στην Ολομέλεια της Βουλής για τον Οικονομικό Προϋπολογισμό του 1998" [Speech in plenary session of the Parliament on the government budget of 1998], accessed February 16, 2018, [http://www.costassimitis.gr/1997/12/21/proipologismos\\_1998/](http://www.costassimitis.gr/1997/12/21/proipologismos_1998/).

<sup>558</sup> Ibid. All translations of Simitis's speeches are my own.

<sup>559</sup> Ibid.

have proved that we are not a country that constantly demands understanding for its special circumstances and argues through its shortfalls.”<sup>560</sup>

Simitis argues that Greece’s participation in the EMU should be the first goal of the government budget of 1998. It seeks

“the financial stabilization at levels that complete Greece’s years of effort to achieve the fiscal budgetary conditions for the country’s accession to the final stage of EMU. [...] Based on the primary choice of convergence with Europe, we have a real increase in the incomes of employees. The increases, combined with lowering inflation, create a real surplus for the worker. The workers are aware that all the policies we apply are a guarantee, that as we proceed, there will be an even safer setting for the employment and income.”<sup>561</sup>

Simitis concludes by saying that the right policy is the one that gives only what is required for the creation of a long and secure future of collective prosperity.

#### Greek government budget, 1999<sup>562</sup>

Simitis starts his parliamentary speech by praising the participation of Greece in the European Exchange Rate Mechanism (ERM) in 1998, as it secured the Greek economy with national and international trust, especially in the aftermath of the Asian financial crisis. As evidence, he cites price reductions in heating oil, gasoline, electricity, and medicine. Simitis states that the goals that were accomplished to bring Greece into the EMU represent achievements of the Greek people. Greece, according to Simitis, is converging with the other countries of Europe, and the Greek rates of growth are above European averages. He makes repeated reference to the stability of the Greek economy and to the increase of trust by foreign investors.

Simitis emphasizes that Greek citizens will very soon boast an international currency which will reflect *stability* and *trust* to a much greater extent than the drachma did, and that the value of the Greek households’ savings will be secured. He says that there is no doubt that Greece’s participation in the EMU will benefit the Greek economy. More credit opportunities will be created with lower interest rates for businesses, and the increased growth will allow the state to

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<sup>560</sup> Ibid.

<sup>561</sup> Ibid.

<sup>562</sup> Costas Simitis, “Ομιλία στην Ολομέλεια της Βουλής για τον Οικονομικό Προϋπολογισμό του 1999” [Speech in plenary session of the Parliament on the government budget of 1999], accessed February 16, 2018, [http://www.costassimitis.gr/1998/12/21/proipologismos\\_1999/](http://www.costassimitis.gr/1998/12/21/proipologismos_1999/).

borrow money at lower interest rates and thus have more funds to implement social policy. Businesses and citizens alike will benefit, as more jobs will be created and Greek households will have a more secure future. Simitis concludes by expressing his surety that his party PASOK will win the upcoming elections in 2000 through the modernization of the country and the achievement of the equal participation of Greece in European procedures.

### Analysis

In these two speeches, we can witness the political construction of a social imaginary of national status mobility, which is very similar to the imaginary of social mobility or imaginary credit. We can thus speak of a *national imaginary credit* that was granted to the Greek citizens.

The Unique Subject is Europe and the EMU. Europe is also inconceivable without EMU; Greece lacks something, namely trustworthiness and security, and is thus not yet equal to other countries in Europe. The path of “becoming” is constructed. Simitis constantly refers to the achievements of Greece and to its ability to become European. A national imaginary credit is the political construction of a Greek polity that deserves to be European and has the capability to do so. The *national imaginary debt* is everything<sup>563</sup> that is required in order for Greece to be part of EMU, but most importantly for Greece to be identified as part of Europe. This is the first moment of the imaginary credit-debt relation. The second moment is after Greece joins the EMU, and it will be reviewed below through an analysis of Simitis’s speeches for the government budgets of 2000 and 2001.

In conclusion, the adoption of the euro symbolizes Greece’s European identification, and in this way, the euro is fetishized. The European single currency represents a cultural and national becoming; its significance is extended beyond the economic understanding of its value. According to William Pietz, “fetish discourse about the relations of the personal individual to the material fetish object is characterized by an even more basic theme, however: that of the embodied status of the individual.”<sup>564</sup> This national becoming was based on the institutional, political construction of a collective imaginary that Greece without the euro was not trustworthy, not secure, and not

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<sup>563</sup> Simitis implemented a fiscal consolidation program with a mix of a moderate austerity policy, based on tax increases and containment of annual wage growth, but without limiting public expansionary policies. During the period 1996–2000, the government’s revenue increased, but public spending remained stable. For more, see Aris Trantidis, *Clientelism and Economic Policy: Greece and the Crisis* (New York: Routledge, 2016), 105–117.

<sup>564</sup> William Pietz, “The Problem of the Fetish, I,” *RES: Anthropology and Aesthetics* 9, no. 1 (1985): 10.

equal to other European countries, grounded in “the fear of being left behind in a less integrated, ‘second class’ group of countries.”<sup>565</sup> The political construction of a social imaginary is very important in order to understand the attitude of Greek citizens towards the prospect of a Grexit during the collapse of their economic and political system. Despite the negative attitude of the majority of Greek citizens towards the EU and the harsh austerity environment, going off the euro was a taboo topic. The loss of the euro is not the loss of a currency, but an imaginary loss of social, national, and even cultural status.

#### Greek government budget, 2000<sup>566</sup>

Simitis opens by saying that “the government budget of 2000 symbolizes a historic moment for Greece,”<sup>567</sup> as it is the budget through which Greece will be part of the EMU. According to Simitis Greece’s participation in EMU would “eliminate the most important elements of uncertainty, risk, and additional costs that typically characterize the function of a small country’s economy.”<sup>568</sup> Then, Simitis lists all the achievements of Greece, such as one of the highest rates of GDP growth in Europe, fiscal consolidation, privatization, the expansion of the social welfare state, and increases in wages and pensions, concluding that Greece is converging with Europe not only economically, but also socially. Simitis then discusses the ramifications of Greece’s participation in the EMU. He says that, despite some difficulties concerning the reduction of inflation, Greece, with the support of the Greek people, will manage to achieve its goal and be the twelfth member of the EMU on January 1, 2001. Simitis argues that after Greece joins the EMU, it will experience an even greater improvement in growth and standard of living. He justifies this by referring to the reduction of interest rates for businesses, the decreased costs of production, and to the strengthening of Greek competitiveness and productivity.

Simitis repeatedly refers to the reduction of interest rates. He also talks about how the Greek households will have more consumer and investment opportunities. He gives the example of cheap housing loans, arguing that the macro-economic environment will be secure and will allow Greece to make long-term plans by reducing uncertainty. He emphasizes that there is no danger within

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<sup>565</sup> Bernhard Herz and Angelos Kotios, “Coming Home to Europe: Greece and the Euro,” *Intereconomics* 35, no. 4 (2000): 171.

<sup>566</sup> Costas Simitis, “Ομιλία στην Ολομέλεια της Βουλής για τον Οικονομικό Προϋπολογισμό του 2000” [Speech in plenary session of the Parliament on the government budget of 2000], accessed February 16, 2018, [http://www.costassimitis.gr/1999/12/21/proipologismos\\_2000/](http://www.costassimitis.gr/1999/12/21/proipologismos_2000/).

<sup>567</sup> Ibid.

<sup>568</sup> Ibid.

the EMU, only benefits and great opportunities. Simitis brings up the reduction of interest rates once again and how they will help Greek competitiveness and business, and immediately pivots to how the Olympic Games of 2004 will benefit the Greek economy.

Simitis calls on Greek citizens to support his government in the upcoming elections because it will provide security, progress, and social solidarity, and because it will make Greece a strong and equal member of the European Union. He then lists all the development plans that will be accomplished with the help of European structural funds. Simitis dismisses the accusations of the opposition that Greece is experiencing an extended period of social and economic deterioration, and that the country is attempting to join the EMU by manipulating the indicators of its economic performance. The Greek people, according to Simitis, should anticipate increased prosperity in the next five years.

#### Greek government budget, 2001<sup>569</sup>

Simitis begins his speech in a similar way to the previous year's: He talks about the historical importance of this government budget as the first one within the EMU. Then, he says that this "is the first budget of the last thirty-five years which shows that Greece does not live through borrowed money. It highlights a strong Greece and the strong society we are building within the European Union."<sup>570</sup> According to Simitis, this budget within the EMU will bring Greece unprecedented international acknowledgement and create the conditions for a full convergence with the developed countries of the European Union:

With our participation in the EMU, we are finally leaving behind the days of instability, of budgetary imbalances and monetary crises. The monetary stability, which favors long-term planning, investment, and the creation of new jobs is being established. This monetary stability abolishes the inflation tax and protects the incomes of the retired and low-paid. It ensures low interest rates for those who want to buy a home, for those who want to start their own business.<sup>571</sup>

Simitis states that the 2001 government budget represents the definitive end to the chapter of fiscal deficits that so many times led Greece to the edge of fiscal collapse and monetary crisis. Simitis

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<sup>569</sup> Costas Simitis, "Ομιλία στην Ολομέλεια της Βουλής για τον Οικονομικό Προϋπολογισμό του 2001" [Speech in plenary session of the Parliament on the government budget of 2001], accessed February 16, 2018, [http://www.costassimitis.gr/2000/12/22/proipologismos\\_2001/](http://www.costassimitis.gr/2000/12/22/proipologismos_2001/).

<sup>570</sup> Ibid.

<sup>571</sup> Ibid.

then turns his attention to the upcoming period of Greece's membership in the EMU. He says that

our goal in the seven-year period 1993–1999 was the nominal convergence of the Greek economy in order to achieve the entry of Greece into the EMU. The goal for the new four-year period is the promotion of real and social convergence. After so many years of effort, its time now for the tree that we planted to blossom. The time for the improvement of the standard of living of all Greeks has come.<sup>572</sup>

According to Simitis, real social convergence is what will make the Greek people equal to other European citizens. Therefore, he repeats, the 2001 budget is the budget of real convergence, and he mentions again how Greece has higher growth rates than the EU. This bit of information is a recurrent motif throughout the speech.

Simitis argues that ten years ago Greeks had 60% the standard of living of the average EU citizen, but today they have reached 70%, and year by year, Greece will continue to approach the rest of Europe. In his concluding remarks, Simitis says that the “Greece of 2004” is a construction of progress and prosperity and requires time to be built. He ends by saying that the solid base of progress and prosperity requires “the responsible use of the present and not the hasty mortgaging of the future.”<sup>573</sup>

### Analysis

In his speech on the government budget of 2000, Simitis highlights:

- the distinction between security and trust within the EMU and insecurity and uncertainty outside of the EMU,
- and how Greece achieves higher growth rates than the European average and offers higher annual increases to wages and pensions.

What is more interesting is the shift of his focus to the future of Greece within the EMU. This is the second moment of the political construction of an imaginary credit-debt relation of the European becoming of the Greek citizens. How does it function?

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<sup>572</sup> Ibid.

<sup>573</sup> Ibid.

Simitis, as shown above, says that after Greece participates the EMU:

- The standard of living will increase
- Higher growth will follow
- Uncertainty will be reduced
- Security will increase

One of the main ways that all these will be achieved is through the reduction of interest rates. Simitis openly talks about a credit expansion and he publicly encourages households to take on consumer credit and housing loans (imaginary debt).

In the speech on the budget of 2001, the first within the EMU, Simitis says that Greece has proved that does not live on borrowed money; immediately afterwards, he reiterates that the reduction of interest rates will provide opportunities to Greek households to take out consumer and housing loans, and concludes by saying that the solid base of progress and prosperity in Greece requires “the responsible use of the present and not the hasty mortgaging of the future.”

Two contradictory arguments: Greece does not live on borrowed money, and Greece’s economic progress should not be based on a hasty mortgaging of the future. Then, Simitis publicly encourages the Greek households to take on cheap loans.

These are two completely different arguments which upon first reading seem to form an antinomy. However, through the imaginary credit-debt mechanism, this antinomy can be resolved: Because Greece is trustworthy and acknowledged as an equal member of the EMU (imaginary credit), Greek citizens can pursue their closeness to their European Unique Subject and improve their social status through loans (imaginary debt).

The Greek citizens are identified with the Unique Subject (Europeans). Within the EMU, Greek households are equal to other European households. Simitis says that the real and social convergence starts within the EMU. Thus Greek households are free to imitate other European households. This free imitation as the means of the imaginary social mobility that orientates Greek households within their society and offers them an understanding of what their polity is, is politically constructed as the constant improvement in the standard of living. In other words, Greek households receive an imaginary credit that they, with the euro, have become more socially mobile and equal to other Europeans. The society (through its political representation) offered to

Greek households the possibility of becoming within the EMU. Therefore, Greek households pay this imaginary debt back to society through economic debt. Greek households were the first or among the first to be in arrears in the EU during the whole period 2003–2010<sup>574</sup>. According to Eurostat, in 2015, almost half (49.3%) of Greek households were in arrears (mortgage or rent, utility bills, or hire purchases). The percentage increases to 68.2% for households below the 60% median income category, and decreases to 44.1% for those above the 60% income category. This was by far the highest in the EU. Based on data from the Bank of Greece, credit cards were the most popular form of credit, followed by mortgages and consumer loans.<sup>575</sup> Within the sample of over-indebted households, the most popular form of credit were consumer loans and credit cards, with mortgages accounting for far less of household credit.<sup>576</sup> According to OECD “NPLs [non-performing loans] account for almost half of all consumer loans, one third of commercial loans and close to 30% of mortgages.”<sup>577</sup>

## 7.5 The ‘European’ Unique Subject and the Greek conformist subject

During this study, different theoretical approaches have been presented to facilitate the theoretical construction of the concepts of imaginary credit and imaginary debt. Each of them draws on different notions of the individual, which are often diametrically opposed. Therefore, it makes sense to briefly recount the notions of individual discussed so far, as well as to clarify how the concepts of the Unique and conformist subjects will be utilized in the discussion about the case of Greece.

Marx assumes an empirical, laboring individual, whose alienation, social resistance, and liberation are situated in and are dependent on the production sphere and the relations of production. According to Althusser, the individual has an imaginary relation to her/his real (capitalist,

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<sup>574</sup> Eurostat, “Arrears (Mortgage or Rent, Utility Bills or Hire Purchase) from 2003 Onwards – EU-SILC survey,” accessed February 26, 2018, <http://ec.europa.eu/eurostat/web/gdp-and-beyond/quality-of-life/data>.

<sup>575</sup> Emilia Marsellou and Yiannis Bassiakos, “Over-Indebted Households and Poverty,” Paper presented at the Fourth Annual Conference in Political Economy, International Institute for Social Studies, The Hague, The Netherlands, July 9–11, 2013, 16.

<sup>576</sup> Ibid.

<sup>577</sup> OECD, “OECD Economic Surveys, Greece,” March 2016, 39, <https://www.oecd.org/economy/surveys/GRC%202016%20Overview%20EN.pdf>

exploitative) conditions of existence and is ideologically directed to “freely” desire their social reproduction through her/his everyday cultural, political, and social practices.

Friedman describes individual behavior as driven by the maximization of utility; in other words, an individual strives to maximize her/his material payoffs irrespective of the social environment. Duesenberry also adopts the rational choice model of individual behavior, albeit to a lesser extent than Friedman. He argues that an individual’s maximization of her/his material payoffs is dependent on the spending behavior of the individual in her/his everyday social environment. The higher the income inequality is within a society, the more individuals of lower socioeconomic status will seek to demonstrate a higher social status by increasing their consumption.

Veblen’s individual is situated in a clear hierarchical social structure in which lower-status individuals emulate those of higher status. The individual is thus defined through her/his social reputability and the exhibition of her/his social status. Marx’s and Veblen’s individuals are both determined by their social relations, which are “objective,” but in fundamentally different methodological ways. Marx’s individual is defined through the socioeconomic relations of her/his labor activity. Veblen also rejects the emphasis on subjective approaches based on notions such as “consciousness,” but, unlike Marx, he adopts an “objective behavioristic approach to human nature”<sup>578</sup> by replacing notions of rational action with “habit” or “instinct.”<sup>579</sup>

Bourdieu’s individual belongs to a certain hierarchical social order which is reproduced by the individual’s practices (*habitus*). However, in contrast to Marx, this social order is not determined only by the socioeconomic relations of production, but also by “multiple fields of competition, where different forms of capital are at stake.”<sup>580</sup>

For Tarde, the individual is a nexus of streams of imitation (social repetition) that are part of a more general and natural mechanism of repetition. Collective habits, social repetitions, or streams of imitation reproduce a society: the individual does not act or think spontaneously<sup>581</sup>, but is rather a point of transit for these streams.

Taylor’s individual has been used in this study as a social figure who imagines how society ought to be based on the notion of equality. This equality is reproduced as a modern moral order (despite

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<sup>578</sup> Alfred W. Coats, “The Influence of Veblen’s Methodology,” *Journal of Political Economy* 62, no. 6 (1954): 535.

<sup>579</sup> Ibid.

<sup>580</sup> Nick Couldry, “The Individual Point of View: Learning from Bourdieu’s *The Weight of the World*,” *Cultural Studies ↔ Critical Methodologies* 5, no. 3 (2005): 5,

[http://eprints.lse.ac.uk/52422/1/Couldry\\_Individual\\_point\\_of\\_view\\_2005.pdf](http://eprints.lse.ac.uk/52422/1/Couldry_Individual_point_of_view_2005.pdf)

<sup>581</sup> Tarde, *The Laws of Imitation*, 77–78.

income inequality) through the social promise of upward mobility, which manifests itself within the consumption sphere. Taylor's concept of the imaginary denotes a force of social inertia which is related to the individual understanding of the polity.

Durkheim's individual is surpassed by society. In order to understand the moral relations between individuals, he says, it is necessary to start from the social group in which the moral bond between individuals takes form. This moral bond remains the superior end of individual moral action.

The concept of the individual in this study is approached as the symbolic focal point of a generalized normative understanding of upward mobility (social imaginary) that is unconditionally desired and desirable. The aim is the theoretical construction of a subjectification theory which consists of two main components:

- Interpellation and Unique Subject.
- Imitation and Social Imaginary.

This theory highlights a process of subjectification of Greek citizens into a political-economic power system and provides a different understanding of the social and political protest against, as well as passivity towards, the austerity measures.

#### First component of subjectification (Interpellation and Unique Subject)

Unique Subject: Being (and becoming) European (belonging to a group of nations with high standards of living). The Unique Subject, as a moral 'end,' manifests what Greek citizens lack, a distance between what they were and what they can become.

Double mirroring: The participation of Greece in the EMU. Even if Greek citizens have not yet achieved a high standard of living yet, they have something in common with other Europeans: the European common currency.

The Greek political elites together with the Greek banking sector championed the euro and had to convince the Greek citizens to accept the participation of Greece in the EMU as a way to lead to cheap loans and a high standard of living.

The wide support for the euro needs to be understood not merely as an economic and political issue, but as a consequence of the social mechanism of imaginary credit and debt. The imaginary credit was given to the Greek citizens as the possibility of freely imitating the Unique Subject, the Europeans, within the consumption sphere, thus achieving a rise in their national and social status. The prerequisite for this national and social becoming was the adoption of the euro currency. At

first, the imaginary debt manifested itself through the Greek's people acceptance (despite certain social and political protests) of certain austerity measures in order for Greece to achieve the euro convergence criteria. Later, it manifested itself in the rise of indebtedness of the Greek households (the desired conformity). Lastly, the imaginary debt appeared as the continuous support of the euro during the economic crisis.

#### Second component of subjectification: Imitation and Social Imaginary

First, the ideal of a European consumer-citizen as somebody worth imitating was politically constructed. Then, the imaginary of social mobility through free imitation within the consumption sphere was established. This process of subjectification included the creation of a national imaginary credit (becoming European). The imaginary debt, the desire to become like the Unique Subject, led the Greek conformist subject to engage in seemingly contradictory behaviors (which were nonetheless very consistent with its moral understanding of their polity), such as:

- Explosive mass demand for consumer and housing loans,
- Social acceptance of deteriorating economic conditions after Greece joined the EMU,
- Social acceptance of austerity measures prior to Greece joining the EMU,
- Support of an anti-austerity political program during the economic crisis,
- Unquestionable support of the EMU during the economic crisis, and
- Quick return to social and political inertia.

Thus, the rise of political and social protests against the austerity measures and the initial support of a radical left anti-austerity program are also conceptualized as part of what has been called imaginary debt: It was the political means for the conformist subject (consumer and housing loans were the economic instruments before the crisis) to close the distance with European Unique Subject. It was the political (in)action to reproduce the imaginary of social mobility, the moral order of the Greek polity which the crisis called temporarily into question.

## Conclusion

This project's research aim was to construct a theoretical model (using the concepts of imaginary credit and debt) that can provide a new perspective of certain political-economic processes in Greece (such as mass credit expansion and the political discourse around Greece joining the EMU). This theoretical context was then used to provide an alternative understanding of the social protest against the austerity measures and their subsequent passive acceptance as non-contradictory phenomena.

In Greece, a continuously shrinking economy and a society burdened with austerity measures facilitated the rise of Syriza, a radical left-wing party. But Syriza's success in building a radical leftist government was gradually compromised. Remarkably, Syriza continued to have societal support despite their abandonment of the radical left program and continuation of austerity measures. There is already abundant literature on Syriza's political strategies and on the EMU's economic strategies. Yet, surprisingly, the social question of why individuals could so rapidly turn away from a certain understanding of their polity towards a seemingly contradictory one remains unexplored. This study has thus highlighted the need for a theoretical context which investigates the social structures that mediate political belonging.

Syriza's radical left program and rhetoric was not popular before the 'Greek government debt crisis.' So, the question that comes next is: What was the moral order of the Greek polity? How did Greek citizens understand their collective or social becoming, and how was this becoming related to the transition from protest to passivity, even though the harsh external economic conditions remained unchanged?

In order to work with these questions, it was necessary to construct an economic-sociological theoretical context, based on Gabriel Tarde's concept of free imitation and Charles Taylor's social imaginary, which could shed light on how individuals understand and practice their social becoming.

### Theoretical steps towards the construction of imaginary credit and debt

The concept of *social becoming* was conceptualized in chapter two through Marx's early writings, where he refers to it as "species-becoming." This refers to the process of how individuals understand and practice their social transformation – their conscious relation to society. According to Marx, individuals' social becoming is realized through labor, but the form that wage labor takes in the capitalist mode of production alienates individuals from their species-being. The

understanding and practice of the social is mediated mainly through the “animal functions” of individuals, that is, more through their consumption and less through their creative, productive labor. Individuals thus come to understand both the ‘social’ and the ‘political’ as facilitating constant improvements in their standards of consumption.

The study then explored how individuals reproduce the consumption sphere as the space of their social becoming. In order to do this, the concept of ‘working class’ was replaced by that of the *conformist subject*, which includes individuals whose working activity (wages), various incomes, or consumer credit are a means of conforming (socially becoming) within the consumption sphere. Althusser’s methodology was then applied to construct an initial abstract scheme of how individuals transform themselves into conformist subjects through the construction of a *Unique Subject*. The Unique Subject represents what the individual has not yet achieved, reminding her/him what s/he lacks; at the same time, however, it functions as a symbol similar to, and a reflection of, the individual, which emphasizes the individual’s potential to become like the Unique Subject.

In chapter three, the relation of the conformist subject and Unique Subject within the consumption sphere was examined more thoroughly through the works of James Duesenberry and Thorstein Veblen. Duesenberry argues that one of the most important factors that defines an individual’s desire to increase her/his consumption (even without any change in her/his income or in the prices of goods) is the kinds of goods that her/his frequent social contacts consume (*the demonstration effect*). Individuals’ habitual consumption patterns are based on a compromise between their income, their desire for consumption, and their desire for savings. This compromise forms the *walls of resistance* towards consumption patterns that individuals cannot afford. The demonstration effect (the influence of frequent social contacts) breaks down the walls of resistance and forces individuals to increase their consumption.

Veblen puts forward a similar argument. Individuals who have frequent social contact with people who consume superior goods will suffer chronic dissatisfaction, as they will always be reminded of what they lack. Veblen also conceptualizes the Unique Subject as the *neighbor*, “the unsympathetic observer of one’s everyday life.”<sup>582</sup> Both Duesenberry and Veblen argue that modern societies with high social mobility facilitate the rapid spread of social comparison (or of the demonstration effect) and that the neighbor thus becomes the individual’s social benchmark. Duesenberry does not indicate what happens if individuals cannot reduce their savings in order to increase their consumption, but underlines that the demonstration effect will continue to be

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<sup>582</sup> Thorstein Veblen, *The Theory of the Leisure Class* (Pennsylvania State Electronic Classic Series Publication, 2003): 59.

present. This study argues that the answer can be found in mass credit expansion. Furthermore, though Duesenberry notes that the demonstration effect can function without imitation, his scheme cannot operate without the historical shift from heredity to free imitation within democratic social organizations. The sociological limitations of his work became apparent here.

These limitations were overcome through the work of Tarde, in which imitation is in fact the precondition of the demonstration effect. An individual's possibility to freely compare and adopt the practices of another, as well as the expansion of this possibility in "formally classless societies,"<sup>583</sup> as Duesenberry writes, is the result of what Tarde defines as free imitation, a phenomenon that develops within democratic social organizations (in contrast to aristocratic social ones) that are characterized by heredity imitation and restricted social mobility. The concentration of free imitation within the consumption sphere for a large part of society is a structural socioeconomic condition.

In chapter four, Tarde's sociology of imitation served as the theoretical basis for investigating the function of imitation between the conformist and the Unique Subject. According to Tarde, there should be an understanding of conformity in order for the individual to be able to conform and individuals will seek to imitate not the most superior thing in general, but the most superior thing in their proximity. This is known as the law of the imitation of the nearest. Despite the different epistemologies, this argument can be found in Veblen's, Duesenberry's, and Althusser's works.

The next question was to explore how this similarity between the conformist subject and the Unique Subject reproduces social conformity.

In chapter five, an answer was found by drawing from the works of Taylor and Tarde. Taylor defines the process of how an individual is socially orientated and understands her/his practices as a *social imaginary*, and argues that the modern social imaginary, which takes the form of a moral order, is the fundamental equality between individuals. However, how do income inequality and fundamental equality function together in modern societies? Tarde expands on Taylor's work by arguing that fundamental equality can only function as a modern moral order through the free imitation of individuals, that is, through an imaginary of social mobility. For a large part of society, this imaginary social mobility operates within the mass consumption sphere by orientating individuals towards constantly improving their consumer goods, thus enabling the reproduction of hierarchical social structures and securing a certain social coherence and moral order between individuals. Veblen has also argued that the more individuals have the chance to imitate those of

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<sup>583</sup> Duesenberry, *Income, Saving, and the Theory of Consumer Behavior*, 29-30.

higher social status, even only in appearance, the more the social opposition and distance between individuals will transform into a social bond. This chapter then discussed how the imaginary of social mobility (the free imitation which historically developed in democratic social structures) has to be established in order for an individual to become a conformist subject within the consumption sphere.

*Imaginary credit*, based on Tarde's concept of free imitation and Taylor's social imaginary, was defined in chapter five as society's promise of upward social mobility to the individuals (through the free imitation of practices that reflect high social status), which appears as a moral telos (the Unique Subject). Simply put, imaginary credit is the imaginary of social mobility based on free imitation. The process of repaying this imaginary credit (for example, by acquiring real consumer credit) is conceptualized as *imaginary debt*. Thus, if imaginary credit corresponds to the socially recognized potential of social becoming, consumer credit does not refer to the future, but to the past: It is the means for repaying an imaginary debt. Before consumer credit is acquired, there already is an imaginary debt which orientates individuals towards a certain understanding of their polity. After the conformist subject has acquired imaginary credit, the process of closing the distance between her-/himself and the Unique Subject is not perceived as a social obligation, but as a desirable everyday condition. It is very difficult to refuse imaginary debt because, by doing so, the individuals refuse their ability to socially become or to improve their status among their 'neighbors,' the subjects-Subjects.

The individual's understanding of the social and political is shaped by the degree to which they facilitate the repayment of imaginary debt. For example, refusing and repaying real debt in periods of crisis may appear to be opposite responses, and yet they might serve the same purpose: the repayment of imaginary debt. In other words, refusing the debt (a popular argument of leftist theorists) may express a social inertia.

Chapter five also undertook the next theoretical step in examining how imaginary credit and debt have a moral dimension through the analysis of the consumption sphere as a moral system (or moral order, according to Taylor) with certain moral bonds between individuals. This investigation began by using Marcel Mauss's concept of the gift to conceptualize imaginary credit, i.e., the acceptance of free imitation by the conformist subject. Returning the gift was compared to taking on imaginary debt or, in other words, an individual's conformity and acceptance of hierarchical social relations out of a desire to (and the conviction that s/he is able to) improve her/his social status. The return of the gift, taking the form of imitation within the consumption sphere, closes the distance between the conformist subject and the Unique Subject and restores the prestige and

honor that had been given away the moment the conformist subject took on imaginary credit. Mass credit expansion extends this process within the consumption sphere, which mediates the moral becoming of individuals. The moment that individuals take on consumer credit, they receive a moral acknowledgement that they can fulfill their obligations. The acquisition of consumer credit is thus part of the process of imaginary debt; it helps individuals to restore their lost prestige, the loss of their morality. The imaginary debt, as has been seen, cannot be refused; it is a moral obligation, but the obligatory character is concealed, and it appears as a desire to socially become. Even if, hypothetically, consumer debt is refused, this does not result in a refusal of imaginary debt, which is still in operation. Otherwise, the conformist subject would need to lose “face,” as Mauss writes, that is, her/his social status. So, the conformist subject is forced – but again, this obligation appears as a desire – to seek other ways (in cases when s/he cannot repay her/his real debts) of repaying her/his imaginary debt.

Imaginary credit and debt create a moral bond between individuals and shape the moral coherence of their polity. This argument was seen in Veblen’s and Tarde’s works. Durkheim expresses it as well. According to him, morality begins with membership of a group, and moral facts are characterized by obligation and desirability. Durkheim’s understanding and definition of society were used to approach the concept of the Unique Subject, the moral end of the conformist subject within the consumption sphere. According to Durkheim, morality must be not only obligatory, but also desired (just like imaginary debt). The moral bond between the conformist subject and the Unique Subject should not be understood as a relation of two individuals, but as a social structure which forms a moral system. Durkheim also discusses how society embodies the end of all moral activity. The conformity of individuals towards the constant improvement of their consumption through the imitation of the Unique Subject is the process through which they achieve their social and moral becoming or ‘end,’ as well as an understanding of what their polity is. Individuals are bound together through their collective imaginary debt and have an interest in reproducing their social group – their polity – which constitutes the context of their social and moral recognition. Thus, when a certain consumer lifestyle is in crisis, its social defense, beyond the instrumentalist logic that nobody wants her/his standard of living to decline, represents a collective defense of the moral viability of the polity.

According to Tarde, the moral bonds between individuals are a form of governance. One precondition for this governance to function is, as Tarde writes, the recognition of the similarity between the wants and needs of different individuals. The imaginary of social mobility through free imitation and the function of this process, conceptualized as imaginary credit and debt within the consumption sphere, thus describes how individuals are transformed into conformist subjects.

### The Greek example

In the third part of this study, the theoretical concepts laid out above were used to frame empirical data that illuminated the fundamental challenges to social cohesion during the political-economic crisis in Greece.

Chapter six presented data revolved around the mass credit expansion (consumer and housing loans) that reached its peak after Greece had joined the EMU. The outstanding balance of consumer credit grew every year from 1999–2008 by around 30% and housing loans by more than 25%. The impact of this very intense and aggressive credit expansion is often neglected because Greek household indebtedness was considerably lower than that of other European countries' at the time.

Brissimis et al. identify the supply-side factors for the mass credit expansion as the liberalization of credit, the participation of Greece in the EMU, and the relatively low level of household indebtedness. The first apparent demand-side factor of the credit expansion, or what led individuals to acquire loans, was the decrease in the cost of the loans (low interest rates). However, the most decisive factor was individuals' expectations of higher future incomes. Despite evidence in the existing literature that the political-economic dynamics cannot be understood without resorting to assumptions about individuals' underlying social expectations, no theoretical context has yet been offered which reflects upon the societal structures that make such expectations explainable. The social mechanism of imaginary credit and debt serves this purpose. The demand for loans can be understood as part of the social desire and obligation to conform (imaginary debt), but even before this debt comes into play, the individuals have already been granted an imaginary credit. The question here was: What were the political-economic conditions that activated the mechanism of imaginary credit and debt in Greece? How was imaginary credit, the promise of social upward mobility, constructed?

Chapter seven proved that there is no evidence that Greek households increased their spending proportionally to their income. Even before Greece had joined the EMU, during the beginning of the credit boom in 1999/2000, the level of disposable income among Greek households was decreasing annually, while spending remained high. This tendency did not change after Greece joined the EMU. Having established that economic conditions did not play a role in constructing households' expectations of a future rise in social status, the next sections investigated the political environment of Greek households and the banks' strategies of mass credit expansion.

The main conclusion of this investigation was that, since 1996, Greece's participation in the Eurozone had been politically constructed as the only way for Greece to become trustworthy, secure, and equal to other European countries. The idea that joining the EMU was the only way for Greece to belong in Europe dominated political discussions. Another popular argument concerned national security: If Greece did not move closer to Europe, it would be at risk of becoming a Turkish satellite. Seen through the lens of imaginary credit and debt, it was shown that these developments constituted the creation of a national, collective imaginary debt. This helps to explain the attitudes of a large part of Greek society towards the euro before Greece entered the EMU, but also – more importantly – during the later era of austerity and crisis.

The Unique Subject in this case is 'Europe,' or the European countries and the European consumer-citizen worthy of being imitated. The Greek conformist subject needed first to believe that s/he could freely imitate the European becoming of other countries. Political elites told the Greek citizens that they had the capability to become part of Europe, but that this was inconceivable without membership in the EMU. Thus, a distance was created between Greece and Europe: Greece was not secure, not trustworthy, not equal to other European countries – but it could become so. The national imaginary debt was the obligation which appeared as a desire to conform, to become like the European Unique Subject, Greece's neighbors. The imaginary debt also represented everything that Greek households had to accept (austerity measures for the meeting of the convergence criteria) in order to become European (participation in the EMU).

Popular support for the euro (which persisted even during the crisis and the rise of the radical left) cannot be understood only through economic arguments about the value of the single currency. The euro also symbolized a cultural and national becoming, and the loss of this fetishized symbol was thought to mean a loss of social, national, and cultural status. This perhaps explains the following paradox: In 2000, according to the Eurobarometer polls, 70% of Greeks supported joining the EMU; at the same time, 75% stated that they were not very well informed about the single currency, and only 35% believed that EU membership offered more advantages than disadvantages.

The political construction of imaginary credit included, beyond the more abstract promises of financial security, trustworthiness, and equality, the promise of higher annual growth in wages and pensions, which would benefit every sector of the Greek economy. It also included the promise of easy access to consumer and housing loans (the imaginary debt needs to be desired). The imaginary credit – the political promise (also made by the banking sector) of improved standards of living and lifestyle for Greek households and of socioeconomic mobility through Greece's

elevated status within the EMU – was paid back by the conformist subject through real economic debt.

Beginning in 1997, the low interest rates anticipated after Greece's entry into the EMU led the banks to advertise loans that would have fixed interest rates for the first three to four years before switching to floating rates. The banking sector followed an aggressive and carefully planned credit expansion targeting the Greek family, as this approach offered the highest chance of profitability and security and was least vulnerable to foreign competition.

At the beginning of the credit boom, loans were offered for extreme consumption or for playing the Greek stock market, which crashed in 1999. However, the profitability of the credit expansion caused the banking sector to intensify its efforts towards an even greater credit penetration into the Greek household market. This included the systematic promotion of credit cards; the creation of family-oriented loans and marketing schemes involving telemarketing, phone banking, and the internet; as well as the creation of small neighborhood branches that would be more attractive to borrowers. In 1999, some strategies were planned involving banking offers of hypothecation of homes (as Greece has high rates of homeownership) as a condition for cheaper loans. This strategy was especially appealing in light of the rising real-estate prices that followed Greece's entry into the EMU.

Over the following decade, the rapid credit expansion gave many households a chance at imaginary social mobility within the consumption sphere (including the real-estate market) and integrated them into a specific social and moral becoming. This becoming forged moral bonds between Greek households, giving them a collective sociopolitical orientation and understanding of both Greek and European polity based on imaginary social mobility, which functioned through free imitation in the consumption sphere. In other words, the social mechanism of imaginary credit and debt mediated the social cohesion of a large part of Greek society.

Therefore, the question that brings us back to the initial and central purpose of this study is: How did this part of society, which orientated itself through imaginary debt, respond to a political and economic crisis? This investigation brought us to the apparently baffling and abrupt shift from a period of social protest and support for a radical leftist political program to one of sociopolitical passivity and tolerance of austerity measures.

In order to answer this question, chapter seven discussed how this response needs to be examined beyond the strategies of Syriza, which swung from a radical leftist agenda to the continuation of austerity measures. In 2015, one out of two Greek households was in arrears, and real estate in

Greece had lost 40% to 50% of its pre-crisis value. The former standards of living were rapidly deteriorating, but the imaginary debt and social cohesion of the Greek moral order were still fully functional. The initial popular protests and support for a radical left agenda were theorized as analyzed as an attempt to defend a specific social becoming which had no alternative in the period before the crisis. The moral viability of the Greek polity had to be defended. The integration of a large part of Greek society into an imaginary social mobility within the consumption sphere had thus created a specific understanding of the ‘social’ and ‘political.’

Then, a temporary social reorganization of the means of reproducing the process of repaying imaginary debt, the gift of the imaginary of social mobility, took the form of a social and political protest. This protest has been conceptualized as an effort to defend the past moral order, society’s previous social and moral cohesion. Subsequently, the later sociopolitical passivity of the conformist subject, even before Syriza’s first electoral win, highlights the social mechanism of imaginary credit and debt and presents the social phenomena of protest and passivity as non-contradictory.

The question of whether Syriza succeeded or failed at facilitating the process of repaying the imaginary debt is of secondary importance because this only represents the means, not the end; the social mechanism of imaginary credit and debt remains intact. One example of this is the continuously high support the majority of Greeks expressed for the single European currency, including the majority of Syriza voters, throughout the whole period of austerity measures. This support was accompanied by a distrust of and feelings of negativity towards the EU and the ECB. This is again not a contradiction, as the euro – unlike the EU itself – had become endowed with part of the “soul” (in Mauss’s terms) of the conformist subject.

This project’s first contribution is its shift of the research question from “What happened to Syriza’s radical leftist program?” to “What happened to the people who supported that program?” Furthermore, what were the social structures that mediated individuals’ understanding of the political and social before the crisis, and how is this sociopolitical orientation related to the protests against, and then gradual acceptance of, the austerity measures? Its second contribution lies in the epistemology used to investigate these questions and the theoretical formulation of the social mechanism of imaginary credit and debt, which combines Tarde’s sociology of imitation with Taylor’s social imaginary.

The implication of imaginary credit and debt based on imitation as a theoretical context for understanding the transition from social protest to passivity, as well as the larger social responses

of individuals in periods of political or economic crisis, could also be significant beyond the case of Greece. The concepts of imaginary credit and imaginary debt belong to the theoretical construction of a subjectification theory that consists of two main components: 1) Interpellation and Unique Subject and 2) Imitation and Social Imaginary. This theory could also be used to provide a new perspective for numerous international examples of social and political movements around the world, which, despite their initial impact and prominence, proved unsustainable in the long term, especially wherever the mass consumption sphere and the credit market develop rapidly in concert. The short- and, especially, long-term social responses to crisis can be better understood by examining the moral order of the society in place before the crisis, the direction of free imitation, and the function of the imaginary credit and debt which define a polity's social and moral cohesion.

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