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# THE MIDDLE CLASSES IN LATIN AMERICA

## MEDIA HYPE AND DETAILED ANALYSIS

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### A GROWING PHENOMENON...

A phenomenon is spreading around the globe: the rise of the middle classes. Many studies have already been conducted on the growth of the middle classes in Latin America and across other regions and continents.<sup>1</sup> However, the trigger for the largely undifferentiated and widespread media euphoria<sup>2</sup> that has been raging since last year was the report published by the World Bank at the end of 2012 entitled *La movilidad económica y el crecimiento de la clase media en América Latina*.<sup>3</sup>

The World Bank's main message is that the number of people in Latin America categorised as middle class grew from 103 million to 152 million between 2003 and 2009. This now represents around one third of Latin America's population.

- 1 | See, for example, Andrés Solimano, *The middle class and the development process: International Evidence*, CEPAL, series 65, Santiago de Chile, Aug 2008, [http://www.cepal.org/de/publicaciones/xml/4/33444/LCL2892\\_P.pdf](http://www.cepal.org/de/publicaciones/xml/4/33444/LCL2892_P.pdf) (accessed 2 Sep 2014); Homi Kharas, "The emerging middle class in developing countries", OECD Development Centre, Working Paper 285, Jan 2010, [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DEV/DOC\(2010\)2&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DEV/DOC(2010)2&docLanguage=En) (accessed 2 Sep 2014).
- 2 | The headline-focused media seldom communicate differentiated approaches. Despite the fact that, alongside headlines like "Middle classes on the move", "A middle class emerges – silent revolution in Latin America", more critical titles exist such as "Middle ground on pumping in Colombia" or "Chile's insecure middle-class".
- 3 | Francisco H. G. Ferreira et al., *La movilidad económica y el crecimiento de la clase media en América Latina*, Banco Mundial, Washington D.C., 2013, [http://siteresources.worldbank.org/LACINSPANISH/EXT/Recursos/Informe\\_ClaseMedia.pdf](http://siteresources.worldbank.org/LACINSPANISH/EXT/Recursos/Informe_ClaseMedia.pdf) (accessed 2 Sep 2014).

As a consequence, the number of poor has fallen from 44 to 30 per cent. This is in stark contrast to the situation just a decade ago, when the poor were 2.5 times more numerous than the middle class.<sup>4</sup> According to the President of the World Bank, Jim Yong Kim, this shows that “policies balancing economic growth while still expanding opportunities for the most vulnerable can spread prosperity to millions of people”.<sup>5</sup> What is more, the growth of the middle classes is not restricted to Latin America. Similar reports on other regions have been produced, also often by banks or consulting firms.<sup>6</sup> Even the U.S. National Intelligence Council published a report in December 2012 after completing a four-year study. It focused on the global rise of the middle class, particularly in developing and emerging countries, and the impact on the structures of a multipolar world.<sup>7</sup>

In Latin America itself, some governments have been trumpeting their success in the fight against poverty and backing up their own statistics with those of international organisations.<sup>8</sup> Yet the overwhelming impression is that

4 | Cf. *ibid.*, 1.

5 | The World Bank, “New World Bank Report Finds 50 Percent Increase in Middle Class in Latin America and the Caribbean over Last Decade”, press release, 13 Nov 2012, <http://worldbank.org/en/news/press-release/2012/11/13/new-world-bank-report-finds-fifty-percent-increase-middle-class-latin-america-over-last-decade> (accessed 2 Sep 2014).

6 | For example, annual analyses by the Asian Development Bank (ADB), “The Rise of Asia’s Middle Class”, in: *Key Indicators for Asia and the Pacific 2010*, Vol. 41, Manila, Aug 2010, <http://adb.org/sites/default/files/pub/2010/Key-Indicators-2010.pdf> (accessed 2 Sep 2014); Michael Andrew and Peng Yali, *The Rise of the Middle Class in Asian Emerging Markets*, KPMG, Apr 2012, <http://kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/Middle-Class-Asia-Emerging-Markets-201206-2.pdf> (accessed 2 Sep 2014). On Africa, see i.a. analysis by consulting firm Deloitte, “The Rise and Rise of the African Middle Class”, *Deloitte on Africa Collection*, No. 1, 2012, [http://deloitte.com/assets/Dcom-India/Local%20Assets/Documents/Africa/Deloitte\\_on\\_Africa-\(1\)\\_rise\\_and\\_rise.pdf](http://deloitte.com/assets/Dcom-India/Local%20Assets/Documents/Africa/Deloitte_on_Africa-(1)_rise_and_rise.pdf) (accessed 2 Sep 2014).

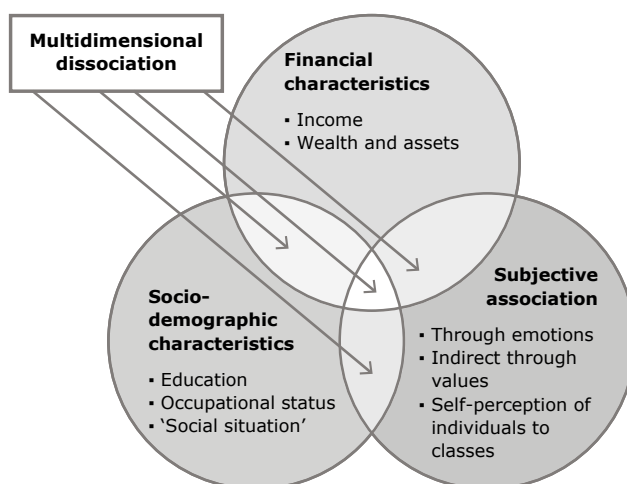
7 | Cf. National Intelligence Council, *Global Trends 2030: Alternative Worlds*, Dec 2012, <http://globaltrends2030.files.wordpress.com/2012/11/global-trends-2030-november-2012.pdf> (accessed 2 Sep 2014).

8 | Before the publication of the World Bank’s report, a number of studies had already looked at the continent as a whole and particular Latin American countries. For example, Francesca Castellani and Gwenn Parent, “Being ‘middle-class’ in Latin America”, OECD Development Centre, Working Paper 305, Oct 2011, <http://www.oecd.org/dev/48938096.pdf> (accessed 2 Sep 2014); OECD, *Latin American Economic Outlook 2011*. ▶

these success stories are drawing to a close. In politics and society there is little debate about whether this development is sustainable. Such a debate would require examining the structural framework of flexible policies that extend beyond assistentialist approaches and cast light on the necessary interdependencies between different policy areas and even the social, socioeconomic, political and institutional consequences of a larger middle class. The political parties are also largely conspicuous by their absence when it comes to setting the agenda in this respect.

Fig. 1

### Multi-dimensional classifications of the middle classes



Source: Christian Arndt, *Zwischen Stabilität und Fragilität: Was wissen wir über die Mittelschicht in Deutschland?*, Konrad-Adenauer-Stiftung, Berlin, 2012, 21, [http://kas.de/wf/doc/kas\\_33016-544-1-30.pdf](http://kas.de/wf/doc/kas_33016-544-1-30.pdf) (accessed 2 Sep 2014).

There is a general sense of positivity: growth appears certain, things on the up and up, life is gradually improving for everyone, eliminating poverty is just a question of time, there is no need for major changes. There is an underlying

*How Middle-Class Is Latin America?*, OECD Development Centre, 2010, [http://www.oecd-ilibrary.org/development/latin-american-economic-outlook-2011\\_leo-2011-en](http://www.oecd-ilibrary.org/development/latin-american-economic-outlook-2011_leo-2011-en) (accessed 2 Sep 2014); country reports such as the study of Mexico by Luis de la Calle and Luis Rubio, *Mexico: A middle class society. Poor no more, developed not yet*, Woodrow Wilson Center for Scholars, Washington D.C., Jan 2012, <http://wilsoncenter.org/sites/default/files/Mexico%20A%20Middle%20Class%20Society.pdf> (accessed 2 Sep 2014).

assumption that the positive trend will continue, but the pre-requisites for this, along with its sustainability and potential consequences are largely being ignored. Even in Germany, a major donor country in the international community, to date there has been little evidence of any broad public or political debate as to what this development means for the way it approaches and sets goals for its development cooperation work. Perceptions and reports on the growth of the middle classes are notably one-dimensional. The growth of the middle classes is generally considered in terms of their potential as consumers and converted into possible growth rates for various consumer areas. However, other questions about social, sociopolitical or international consequences are – if considered at all – skirted or totally ignored.

In order to pre-empt a brutal awakening from this false sense of security with significant social and political consequences, the World Bank report and other studies should provide the impetus for taking stock of this

**It is necessary to question whether non-European countries are likely to share the almost positive connotations of the European perception of the middle classes' growth.**

growth in the middle classes in quantitative terms and studying its quality as a "process of social transformation"<sup>9</sup> with regard to its prerequisites, sustainability and potential consequences. It is also necessary to take a critical look at whether non-European countries are likely to share European and German perception of this trend, which almost automatically is given positive connotations. The following remarks refer only to the trend in Latin America and aim to present the empirical fact of the growing middle classes in a more differentiated way and. The objective is to stimulate debate on the growth-focused approach to this issue.

### **MIDDLE CLASS – AN ATTEMPT AT A DEFINITION**

It is remarkable that the term "middle class" is so freely bandied about, despite the fact that it can be interpreted in so many ways. However, the homogenising political and communicative recognition value of the term conceals the very different implicit realities.<sup>10</sup> The first decisive question

9 | Ferreira et al., n. 3, 1.

10 | Clearly, it has never been easy to define and classify this or other comparable social classes. In 1974, the General Prussian State Law defined the middle classes as "all inhabitants of a state [...] who belong by birth to neither the nobility nor the peasantry".

must therefore be to define the criteria that describe membership of the middle class. The socioeconomic dimensions system provides a way of classifying the middle class in a theoretical and empirical way (see figure 1).

However, it is clear that this multi-dimensional classification has little relevance to the studies on Latin America. People tend to be classified as middle class mainly or exclusively in terms of their income. But even this criterion does not result in a uniform approach.

Table 1  
**Income distribution in Latin America in accordance with varying definitions of “middle class” (2006)\***

	Median in U.S. dollars (2005) ***	0.5-1.5-fold of the median			2-20 U.S. dollars daily per capita income			1-3-fold of the poverty line**		
		lower	middle	upper	lower	middle	upper	lower	middle	upper
Argentina	416	15.8	47.0	37.2	10.8	55.5	33.7	37.7	41.7	20.6
Bolivia	235	26.2	36.3	37.5	18.2	63.2	18.7	55.2	32.3	12.5
Brazil	354	16.4	47.5	36.1	4.5	68.3	27.2	30.2	44.0	25.8
Chile	463	17.2	49.4	33.4	1.8	60.6	37.6	14.0	46.9	39.1
Colombia	293	23.5	43.0	33.5	12.6	62.9	24.4	49.0	33.0	18.0
Costa Rica	386	17.7	49.4	32.9	6.4	63.3	30.3	29.2	45.8	25.0
Ecuador	337	19.9	44.0	36.1	5.1	68.9	26.0	34.2	44.8	21.1
Mexico	503	15.5	50.3	34.2	0.5	59.6	39.9	32.9	47.6	19.5
Peru	293	20.2	45.6	34.3	4.0	76.6	19.4	36.0	46.7	17.3
Uruguay	453	13.8	54.2	32.0	0.5	65.7	33.8	18.8	51.7	29.5

\* Bolivia and Uruguay 2005, Colombia, 2008.  
\*\* National poverty thresholds as specified by UN-CEPAL, 2009.  
\*\*\* Purchasing power parity conversion based on IMF figures.<sup>11</sup>

Source: Lay and Schotte, n. 16, 3. The Chart is based on Castellani and Parent, n. 8, 15.

11 | Defining the median income: “The median income (also average income) is the amount that divides people into two equal groups, with half having income above that amount, and half having income below. If we were to divide the population into two equal groups according to income, the person right in the middle of this division would have the median income.” Definition by the German Institute for Economic ›

## MIDDLE CLASS – OR MIDDLE CLASSES?

Based on its study, the World Bank classifies “key correlates”. In Latin America, it distinguishes between not only three, but four, social classes.

Table 2

### Income and class membership according to the World Bank

World Bank terminology	Income (in U.S. dollars per day)	Percentage of the population
Poverty	0 – 4	30.5
Moderate poverty/“vulnerables”	4 – 10	37.5
Middle class	10 – 50	30.0
Rich/elite	> 50	2.0

Source: Own development of dates in Ferreira et al., n. 3, 2 et seq.

Author’s comment: According to the World Bank, the income distribution described is based on a harmonised survey carried out in 15 Latin American and Caribbean countries, representing 86 per cent of the population (500 million people).

The “moderate poverty” group could also be called the “almost poor” or the “lower middle class”. With this group, it is not possible to talk of the “concept of economic security”, because it has “a relatively high probability of experiencing spells of poverty in the future” (hence the description “the vulnerable”).<sup>12</sup>

Even if income provides a one-dimensional basis for this,<sup>13</sup> this spectrum alone leads to the question of whether it is possible to go beyond the World Bank’s categories of moderate poverty/lower middle class and middle class to draw distinctions within its definition of middle class. The difference between 120 U.S. dollars a month and 1,500 U.S. dollars a month is huge when it comes to the realities of surviving, living and building a future. Although the upper

Research (DIW), [http://diw.de/de/diw\\_01.c.413351.de/presse/diw\\_glossar/medianeinkommen.html](http://diw.de/de/diw_01.c.413351.de/presse/diw_glossar/medianeinkommen.html) (accessed 29 Sep 2014).

12 | Ferreira et al., n. 3.

13 | The income range for the middle class as described in international studies is even wider and may be between two and 100 U.S. dollars a day. Cf. *ibid.*, 36.

income threshold of the middle class no longer necessarily includes some of the occupational categories mentioned in the following quotation, this critical appraisal of how to classify the middle class, carried out in the 1980s, is still basically relevant today: "Attempts to attribute specific characteristics and social and political objectives to the middle classes as a whole suffer from a number of methodological and conceptual shortcomings. The subject of the study is rarely precisely defined, but this is vital when dealing with the social potpourri that is the middle classes. Furthermore, without clear evidence it is hardly plausible that a social group that includes small business owners, office workers, managers of large companies, freelancers, lawyers and doctors – in effect, more a residual category than a social reality – should share the same social and political interests. Despite the fact that everyone stresses the heterogeneity of the middle classes, it is rare for the social components of the middle classes to be studied separately in terms of their interests and behaviours".<sup>14</sup>



High vulnerability: In many Latin American societies, the emerging middle class is at risk. Added to that is a potential for protest, to which recurrent demonstrations in Argentina and/or Chile point. | Source: Leandro Vellón, LaNoticia1, flickr ©①©.

14 | Andreas Boeckh, "Mittelschichten. Lateinamerika", in: Dieter Nohlen and Peter Waldmann (eds.), *Pipers Wörterbuch zur Politik*, vol. 6: Dritte Welt, Munich 1987, 357.

Even at the start of the 21<sup>st</sup> century, Sotelo's diagnosis that the middle classes form "a fairly heterogeneous conglomerate, which ultimately is defined in terms of its contrast to the lower and upper classes of society"<sup>15</sup> has changed little in its key message. It remains true that "the middle class" is a term that is used as an abbreviation when carrying out analytical and prospective studies. It would be more accurate to refer to "the middle classes", whose differences still have to be explored. This goes beyond mere nitpicking about the use of particular terminology. In the context of development cooperation, it is a question of the homogeneity or heterogeneity of target groups and the policy approaches taken towards them. It also relates to the quality of the actors in this social stratum. There is a second point to be made in this respect. The undoubtedly impressive figure of 49 million people who have recently joined the middle classes should not lead us to neglect another reality in Latin American society: the high degree of inequality. We will now examine this issue in more detail.

Table 3

**GINI index in Latin America**

Country	Gini coefficient	Year
Honduras	57.0	2009
Bolivia	53.0	2010
Colombia	55.9	2010
Guatemala	55.9	2006
Paraguay	52.4	2010
Chile	52.1	2009
Panama	51.9	2010
Brazil	51.9	2012
Costa Rica	50.7	2010
Mexico	48.3	2008
El Salvador	48.3	2009
Peru	48.1	2009

15 | Ignacio Sotelo, *Soziologie Lateinamerikas. Probleme und Strukturen*, Stuttgart 1973, 147.



Country	Gini coefficient	Year
Ecuador	47.7	2010
Dominican Republic	47.2	2010
Uruguay	45.3	2010
Venezuela	44.8	2006
Argentina	44.5	2010
Nicaragua	40.5	2005

Sources: The World Bank, "World Development Indicators", 2012, 74-76; Author's comment: 0 = equality of income, 100 = inequality of income. Germany's Gini coefficient was 28.3 in 2012.

**THE GROWTH OF THE MIDDLE CLASSES:  
CAUSES, RISKS, DANGERS AND CHALLENGES**

The tone of the various studies is generally positive or even euphoric. We often get the impression that the rise of the middle classes represents a consolidated, irreversible and unstoppable process. But is this really the case? We will now take a look at some of the key reasons for this growth of the middle classes, along with the risks, new constellations and dangers that may emerge from this trend.

**Causes**

The growth in the middle classes cannot be attributed a sole cause. Each country has a combination of different causal factors that need to be analysed individually. According to existing studies, the main reasons for the growth of the middle classes fall into four areas: economic prosperity, structural changes to the labour market, improved average levels of education and assistentialist government programs.<sup>16</sup>

A major factor is the economic growth experienced since 2003. According to the World Bank, this accounts for 66 per cent of the reduction in poverty and 74 per cent of

16 | See also Jann Lay and Simone Schotte, "Lateinamerikas neue Mittelschicht: nachhaltiger Aufstieg?", *GIGA Focus*, No. 8, 2013, 4 et sqq., [http://giga-hamburg.de/de/system/files/publications/gf\\_lateinamerika\\_1308.pdf](http://giga-hamburg.de/de/system/files/publications/gf_lateinamerika_1308.pdf) (accessed 29 Sep 2014).

the growth of the middle class. This was accompanied by macroeconomic stability in Latin America, which was largely unaffected by the financial crises that struck during the period of the studies. This was mainly reflected in moderate rates of inflation, which generally hit the middle classes the hardest. Another important factor is the structural changes made to the labour market. These include a partial decline in the informal sector, a drop in poorly-paid agricultural employment, larger numbers of women in the workplace and a rise in national minimum wages. At the same time, the average number of years in education has risen from five to eight years since 1990. Assistentialist programs on the part of governments have also played their part. Some of these came with conditions, such as compulsory school attendance or the requirement to join vaccination programs. These conditions are important for unlocking positive, long-term potential.



A major cause for the middle class growth is a higher level of education, which is also due to longer schooling times. A good education is the key to success in the labor market. | Source: Brian A. Goyak, U.S. Navy, flickr ©<sup>1</sup>.

## Risks

As previously mentioned, we should not view the quantitative growth of the middle classes as an irreversible and unstoppable trend. Closer study reveals that the imponderables and dangers to the long-term growth of the middle classes are almost exactly reflected in key growth factors. The generally high levels of economic growth are

**The boom years did not lead to any expansion of national value chains. This continues to be the Achilles heel of economic growth in Latin America.**

mainly based on raw materials, i.e. the high prices of raw materials on the world market, but such growth is vulnerable because of its dependence on this market. It should also be noted that it is largely based on export earnings. These boom years did not lead to any significant expansion of national value chains. This continues to be the Achilles heel of economic growth in Latin America. What is more, a number of export-oriented countries can only supply a limited range of raw materials and there has been inadequate diversification. This makes them even more dependent on the world market. Changes to the labour market and financial viability of assistentialist government programs are also basically dependent on this growth and therefore cannot be considered to be fully sustainable.

Even if it is not generally the case at the moment, in the medium to long term the rise in education levels will lead to an increase in labour supply and hence to a fall in wages, despite the fact that the "net wage effect", which has contributed to around one third of the growth in the middle classes, remains positive.<sup>17</sup>

### **Dangers and Challenges**

There are a number of dangers and challenges involved in the rise of the middle classes.<sup>18</sup> One of these dangers is part of a complex problem that can be summed up in the words "ecological footprint", i.e. the consequences of non-sustainable growth. Concerns in this respect are justified, but this is a problematic argument in the international debate. It is largely voiced by industrial nations, so developing and emerging nations can hardly be expected to accept it without further discussion. In development cooperation work, this argument needs to be accompanied

17 | It is also important to mention the brain drain that exists in certain countries. In contrast to the normal debate on migration and the labour market segments affected, this has not been on the public agenda.

18 | Mark Furness, Imme Scholz and Alejandro Guarin, "Das Wachstum der neuen Mittelschichten in Entwicklungsländern – wiederholt sich die Geschichte des Westens?", *Analysen und Stellungnahmen*, No. 16, 2012, Deutsches Institut für Entwicklungspolitik (DIE), [http://www.die-gdi.de/uploads/media/AuS\\_16.2012.pdf](http://www.die-gdi.de/uploads/media/AuS_16.2012.pdf) (accessed 2 Sep 2014).

by a series of policies and instruments that aim to combine growth and sustainability.



Weak spot in adding value: Sustained economic growth has contributed to widening the middle classes in Latin America. But since the development of value chains had been neglected the limits of that growth will soon become evident. | Source: David Sasaki, flickr ©©©.

Economic growth and the rise of the middle classes are not a guarantee of the social inclusion that is so urgently needed and do not provide a scenario for reform-oriented, stable democracies. The still existing high levels of inequality in Latin American countries harbour significant potential for negative repercussions in the various societies. This is not primarily a problem of more money and programs flowing as part of the North-South cooperation. Instead, national policies will increase in significance.<sup>19</sup>

However, the developments that need to remain in view go far beyond the context of the Latin American countries. The global system also needs to be studied with regard to cooperation between states and global governance from the point of view of the rise of the middle classes. So it is rightly pointed out that “the interplay of increasing

19 | The DIE is very clear in its analysis of this issue: “In future, redistribution within developing countries will play a greater role in global development than flows of funding from North to South. It is clear that it is as important to dismantle inequality as to promote economic growth. The keys to this are supporting progressive taxation, universal health and education systems and long-term, formal employment contracts.” Ibid., 3

incomes, the countries' different political systems and cultural diversity [will] change the essence of international institutions" and that "peaceful cooperation [can] be more complicated when more countries with broad, assertive middle classes attempt to influence global processes".<sup>20</sup>

According to the NIC study, the global growth of the middle classes will also lead to a power shift between states and continents: "We are entering a period of uncharted territory. We've never seen a world ... when the middle class will be the majority in most countries. [...] The traditional West is in many ways in the minority. That's a huge change".<sup>21</sup> The study also points to a particular "megatrend" which has been neglected in previous studies that focused on the role of the state. This trend relates to the dramatic acceleration of "individual empowerment". In concrete terms, the study warns that "individuals and small groups will have greater access to lethal and disruptive technologies [...], enabling them to perpetrate large-scale violence – a capability formerly the monopoly of states".<sup>22</sup>

### **THE MIDDLE CLASSES AND THEIR ROLE IN STATE AND SOCIETY**

This rise of the middle classes is, however, not only linked to the question of which consumer sectors will profit the most, related investment decisions and various risks and dangers. There are other aspects that impact the political and social development of the countries affected and are therefore relevant in terms of development cooperation. Other than income, what characterises this rather diffuse and amorphous "middle" between the "upper" and "lower" classes of Latin American societies? How are they made up? What are the wishes of the people who are defined as "middle class"? What are their medium-to-long-term

20 | Ibid., 4.

21 | Matthew J. Burrows, the lead author of the study, quoted by Carey L. Biron, "Globale Mittelschichten erstarken – US-Report blickt auf Jahr 2030", *neopresse*, 12 Dec 2012, <http://neopresse.com/wirtschaft/wirtschaft-globale-mittelschichten-erstarken-us-report-blickt-auf-jahr-2030> (accessed 25 Sep 2014).

22 | N. 7, 8 and 67-70. This assessment is shared by the European Union Institute for Security Studies, *Citizens in an Interconnected and Polycentric World*, Paris 2012, 131, [http://www.iss.europa.eu/uploads/media/ESPAS\\_report\\_01.pdf](http://www.iss.europa.eu/uploads/media/ESPAS_report_01.pdf) (accessed 25 Sep 2014).

goals, expectations and hopes for themselves and their families? How do they view their role within the state and society? Are these middle classes capable of taking on the role of articulate, constructive and modernising actors in states and societies that are building their democratic systems? Can they instigate a shift towards a democratic system or at least strengthen moves in this direction in countries such as Bolivia, Ecuador and Venezuela? Or is it still a case of "a shapeless middle class"?<sup>23</sup>

**Are these middle classes capable of taking on the role of articulate, constructive and modernising actors in states and societies that are building their democratic systems?**

These questions, which were also tackled some years ago by studies carried out in Germany,<sup>24</sup> now barely play a role in the expert debate on this issue. On the contrary, the one-dimensional focus on quantitative growth dominates the public's general perception of this trend. This is problematic in as much as the middle classes have historically had a positive connotation for Europeans. But it is questionable as to whether this can simply be transferred to the Latin American continent and its middle classes. In terms of the trend during the second half of the 20<sup>th</sup> century, one thing seems clear: "The fact remains that the middle classes were only able to play their part in the theoretical modernisation and structural/functional approaches to a limited extent. This was partly because they were dependent on the state and had been co-opted and integrated into existing power alliances. Their definition was more a result of their presumptive political tasks, their cultural significance, rather than of their real social characteristics. So the function of the Latin American middle classes cannot be compared with that of the middle classes in European history".<sup>25</sup>

In light of the urgent need to analyse the quality as actors of the middle class, including their future potential and possible evolution, it should be noted that the middle classes have become even more diverse since the end of the 20<sup>th</sup>

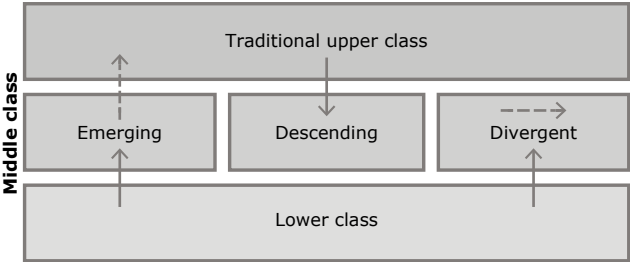
23 | This was how CEPAL, the United Nations Economic Commission for Latin America, described the growing middle class in 1966, quoted by Nikolaus Werz, "Das Konzept der 'clase media' und die Mittelschichten in Lateinamerika", in: Bert Becker, Jürgen Rüland and Nikolaus Werz (eds.), *Mythos Mittelschichten. Zur Wiederkehr eines Paradigmas der Demokratieforschung*, Bonn, 1999, 102.

24 | See for example the anthology by Becker et al., *ibid.*

25 | Werz, n. 23, 116.

century. The following analysis is based on an interesting perspective provided by a Peruvian study.<sup>26</sup> Arellano distinguishes between three types: climbers, sliders, and the (new), diverging middle class.

Fig. 2  
**Arellano’s model for classifying the middle classes**



Source: Chart based on Arellano, n. 26.

The first two groups relate to people who have traditionally belonged to the middle class. They have either moved up from the lower classes or dropped down from the upper class. In contrast, the third group is new and does not display the normal characteristics of the middle class.

The *emerging middle class* is the group that generally lives in countries with consistent, sustained growth, who have aligned themselves with the criteria of modernity such as high industrialisation, a policy of openness in terms of globalisation and protection for private property. This is particularly the case in Chile, but also – though to a less homogeneous extent – in Brazil and Mexico. This middle class emerged between the 1960s and 1980s. It followed the Western model of the urban middle class who were staunch defenders of the status quo and generally conservative on political and social issues. Its members were generally employed by or indirectly dependent on the upper class, which is why their ambition was to integrate themselves into this class through their own efforts. The middle class feels that its influence and status is threatened by migration to the cities (a new “migrant class” which it does not understand but is also economically successful).

26 | Rolando Arellano, “Cómo clasificar a la clase media en América Latina?”, *América economía*, 8 Jul 2013, <http://americaeconomia.com/analisis-opinion/como-clasificar-la-clase-media-en-america-latina> (accessed 2 Sep 2014).

On the other hand, the *descending middle class* includes members of a group that was already losing its economic influence during the 1950s in countries such as Argentina, Uruguay and Venezuela. It is mainly made up of employees who follow urban and Western examples by living close to the wealthy area and wanting to be part of the upper class but increasingly feeling betrayed by them. They realise that the lower classes are gaining on them. In contrast to the climbing middle class, this leads to them adopting more populist or traditional leftist views. Many of them are forced to move to larger cities or even abroad, leading to the loss of their carefully nurtured status and hence to a deep sense of frustration.<sup>27</sup>

According to this theory, the *diverging middle class* emerged from the major wave of urban migration that began in the 1960s. The rejection of these internal migrants by the government, upper class and traditional middle class led them to turn to the informal sector and the creation of a parallel economy with its own dynamic. This new middle class no longer modelled itself on the upper class because it was not dependent on them. This led to new models of "social co-existence" with many diverse expressions, even in the architecture of their houses. The majority are self-employed in some form and very open to change and new trends, which they adapt without the "advancement filter" provided by the upper class. Arellano believes this new middle class will be the main change agent of the future.

This attempt to distinguish the various middle classes clearly shows the necessity of country-specific categories. Only then can the political, economic and social consequences be assessed. Related to this is the question of whether and to what extent the middle classes, or elements of them, can become established actors in Latin American countries.

**Only a categorisation by country allows to assess the political, economic and social consequences for middle classes.**

The World Bank is also aware of the problem of the quality as actors of the middle class. In its report, it states: "Latin America stands at a crossroads: will it break (further) with the fragmented social contract it inherited from its colonial

27 | Arellano quotes an Argentinian who says, "no longer being a member of the middle class means no longer being". Ibid.



past and continue to pursue greater parity of opportunities, or will it embrace even more forcefully a perverse model where the middle class opts out and fends for itself?"<sup>28</sup> The fear expressed here reflects a "role potential" that Heinz describes as follows. The middle classes do not "as a rule want to see a process of fundamental democratisation prevail over the introduction of or return to procedural democracy. They live in fear of the striving 'lower classes', unions and left-wing parties, who could make the redistribution of property and income into a political issue", (this raises the question as to what the prevailing concept of democracy might be in the sense of procedural versus substantive democracy). They also rarely support social programs "that are run by the state and largely funded by them as taxpayers". Also, "in the event of a conflict where they feel they have to choose between supporting an elite that protects the status quo or the 'lower classes' who are threatening the status quo, they will almost always choose to support the elite. A small section of society, the 'middle class radicals', may provide an exception to this rule, but they only rarely get involved and are hardly a representative group."<sup>29</sup>

The World Bank admits that the study does not answer these questions, but simply poses them because they flow naturally "from the recent trends in economic mobility and the size of the middle class, trends that combine the good news of recent income growth and poverty reduction with the reality of limited mobility between generations and persistent inequality of opportunity". The World Bank report goes on to suggest "that the middle classes may not automatically become the much-hoped-for catalytic agent for reforms".<sup>30</sup> The quality of democracy in Latin American countries<sup>31</sup> would suggest, however, that there is a need for precisely these kinds of agents. Others have also warned against an overly-optimistic vision of the political role of

28 | Ferreira et al., n. 3.

29 | Wolfgang S. Heinz, "Mittelschichten: ein zentraler Akteur im Demokratisierungsprozeß?" in: Becker et al., n. 23, 269 et seq.

30 | Ferreira et al., n. 3, 13.

31 | See also the annual *Índice de desarrollo democrático de América Latina* (IDD LAT), latest edition: 2013, Buenos Aires, <http://idd-lat.org/2013> (accessed 29 Sep 2014). For a sub-national study, see the *Índice de desarrollo democrático de México*, latest edition: 2013, <http://idd-mex.org/2013> (accessed 29 Sep 2014).

the middle classes. There is plenty of evidence to suggest that “there is no direct link between the growth in levels of income and the spread of democratic values”

and that “the growth of the middle classes does not automatically lead to democracy” or social inclusion. We also do not know whether the middle classes<sup>32</sup> will be a driving force for

**We do not know whether the middle classes will be a driving force for change or whether they will simply seek to defend their own position.**

change or whether, once they have become established, they will simply seek to defend their own position.

## **A “MANTRA” IS NOT ENOUGH – ISSUES FOR FURTHER CONSIDERATION**

It is clear that we are dealing with a highly complex, multi-faceted issue with potentially far-reaching consequences that cannot be conveniently summed up by the simple mantra “the rise of the middle classes”. A more in-depth analysis is required. Let us now take a brief look at the key issues involved, along with the conclusions, questions, requirements and desiderata that emerge.

1. There is no generally recognised and accepted definition of the middle class, even amongst the leading categorisation systems. It is not a homogenous group; indeed it is a sector of society that is becoming increasingly diverse, so it is more appropriate to talk of the “middle classes” and focus more strongly on “internal differentiation within this definition”.<sup>33</sup> So it benefits no-one, and particularly not the middle classes or the sections of the population that want to join the middle classes, to talk of Latin America as a whole without some form of differentiation. There is no “one” Latin America and within each individual country there are a number of “Chiles”, “Mexicos” and “Bolivias”. What is needed, therefore, is a clearly differentiated analysis of each of the countries and their very different historical and current sociopolitical, socioeconomic and cultural situations.

32 | Furness, Scholz and Guarín, n. 18, 3. However, the authors’ somewhat vague recommendation is that: “Open political systems should be encouraged regardless of the outcomes of potentially ‘unwelcome’ (election) results”. Ibid., 1

33 | Heinz, n. 29, 268.

2. In the past, the traditional approach to research into issues relating to democracy has focused primarily on institutions. This approach should be strengthened by the addition of country-specific analysis of the (potential) agents and actors that are involved in political development. This includes the Latin American middle classes, who are not a homogenous group, but made up of number of very heterogeneous groups. In order to understand their potential role, we need to look more closely at their particular interests and behaviours, at the types, forms and structures of their style of participation, and at their values and orientation.
3. The economic approach to analysing the growth of the middle classes focuses on economic growth and the potential for increased consumption. But this alone is no longer sufficient if we are to gain a better understanding of this phenomenon, as to a greater or lesser extent it tends to exclude a number of important questions and problems. The growth of the middle classes does not represent a consolidated or irreversible process. Indeed, the economic situation and growth factors at both global and country-specific level mean that fears for the long-term structural sustainability of this trend are well-founded.
4. Economic and income growth do not in themselves automatically lead to "social cohesion" or the development of an integrated society, nor to using Western democracies as role models. In reality, it is more likely that the inertia inherent in *sociedades estamentales* will be reinforced at all levels of society. The question remains as to whether the generally positive cultural, political and social connotations associated with the term "middle classes" in Europe can actually be applied to the emergence and continued growth of the middle classes in Latin America. There is no guarantee that there will be an automatic repeat of the essentially positive European experience of the middle classes as a reform-oriented section of society which has demanded and stabilised the growth of democracy.

5. The middle classes can be the agents of political and socioeconomic change at global and national level. Once this change has been achieved, however, they may also block any further processes of social change. This is why it is important to carry out a country-specific analysis of the interests, values and beliefs of the various middle classes if we are to judge their quality and orientation as actors.
6. An analysis that is limited to economic indicators alone could even be counter-productive in terms of qualitative changes to political systems. So this process needs to include a degree of awareness of the values and sociopolitical orientation of these classes and the constellation of their actors. The question also remains as to whether the current party systems are in a position to absorb and dissect these particular developments in order to formulate specific policies that are capable of gaining widespread or majority support.
7. The fragility of the fight against poverty and the growth of the middle classes is further exacerbated by a widespread lack of structural economic, fiscal and political reforms, leaving the traditional power structures (*poderes fácticos*) largely untouched. In the context of the social market economy, policies aimed at the long-term reduction of poverty and the structural expansion and strengthening of the middle classes therefore continue to be justified as an overall long-term approach. However, in addition to dealing with the social market economy as a macro concept, thought should also be given as to how other intersecting individual issues of an integral agenda can be also be used as a kind of political spark. As the forerunner to an anticipated practical social encyclical from Pope Francis, the *Evangelii Gaudium* apostolic exhortation could turn out to be a significant catalyst for sociopolitical debate in Latin America.
8. The fragility of this trend and the as yet unanswered questions that it raises, along with the desiderata in the area of *políticas públicas*, all carry with them the risk that in a few years' time we will be facing a form of "growth without development" and will once again

be complaining about the politically incalculable risks of “lost decades”. So there is a need for an ongoing agenda of structural change in the wake of the predominantly quantitative growth of the middle classes.

9. This agenda should be made up of two parts: (including relevant overlaps)
  - a. Structural issues: the education and healthcare systems; social insurance systems; taxation and banking systems; bureaucracy and administration; often endemic corruption; the development of a fully functioning constitutional state; and the whole issue of good governance. One of the main problems with this structural approach is the challenge of reducing the risk of a split in society caused by the fact that access to private systems is often income-dependent.
  - b. Policies for change with a high potential for (decentralised) participation: this affects areas such as infrastructure, public transport, urban and transport planning and water and sanitation, to name but a few.



New social contract: The role of economic integration initiatives such as the Pacific Alliance has to be more emphasised beyond the national level. | Source: Alfredo Guerrero, Estados Unidos Mexicanos, Gobierno Federal, flickr ©①③③.

10. The concept of statehood in Latin America has always been influenced by changes in economic fortunes. It is worth considering whether – after the extremes of the phase of neoliberalism and the left-wing, populist-inspired changes that on occasion resulted in a distinct lack of democracy – it is not now time for a new debate about the role and function of the state at all levels of domestic policy and administration and how it relates to society.
11. The rise of the middle classes could be a vehicle for developing and strengthening Latin American civil societies. However, recent history has shown that this is not necessarily an automatic consequence. In a number of countries, economic and income growth have clearly been accompanied by the development of a very rudimentary civil society. The promotion of civil society structures as a central approach, including for development cooperation, should not be self-referential but a direct consequence of a targeted approach to key issues. Political parties are unlikely to pursue policies aimed at promoting civil society. And indeed, if they do so, they are often quickly suspected of instrumentalising civil society for their own party political gain.
12. Political parties do, however, have an important role to play, as the World Bank explains in this realistic assessment: "During most of the 2000s, Latin America's improved policy framework allowed many countries to take advantage of a benign external environment to begin an impressive transition toward a middle-class society. This has created enormous expectations, which risk turning into frustration if this transition stalls. But the region cannot count on the external environment remaining as friendly as in the recent past to achieve further social and economic gains. A much greater policy effort will thus be required to consolidate and deepen the process of upward mobility and to make it more resilient to potential adverse shocks. In the end, the onus will mainly rest on the shoulders of the political leaders and democratic institutions of

the region: they face the challenge of overhauling its social contract.”<sup>34</sup>

13. In this respect, it will be of critical importance to ensure that the challenge of creating a new social contract will attract broad support in politics and society, so that the necessary changes to national policy do not fail because of factions that favour inertia or the traditional redistribution of wealth. In order to constructively counter these erratic blocks, there is a need to form bold and innovative “creative coalitions”. At international level, more consideration should be given to the role that can be played by economic integration initiatives such as the Alianza Pacífico (Pacific Alliance) between Chile, Columbia, Mexico and Peru in the creation and consolidation of the middle classes.
14. There has been inadequate assessment of the consequences of the rise of the middle classes in terms of the domestic policies required for the long-term reduction of poverty and consolidation of the middle classes, and the effect that the continuing rise of the middle classes may have on national political systems.
15. The strengthening of the middle classes is also likely to have an impact on international relations. The “West” that has dominated the 20<sup>th</sup> century will now have to face a diverse range of challenges and changes. These also include the fact that the European concept of a middle class which helps to maintain the peace at both national and international level is not necessarily one that can be transferred per se to all emerging economies.

The media hype surrounding the rise of the middle classes needs a diagnostic basis. This can and should not be the sole preserve of university sociologists and economic workshops. The opportunities, risks and dangers associated with this phenomenon are likely to add a socioeconomic dimension and an extremely complex political component to the development of many countries and regions, which must be part of the analysis of how trade-oriented levels

34 | Ferreira et al., n. 3, 14. Translation by the author.

in the political decision-making processes of the affected countries and also of the respective partner countries should be handled in the context of development cooperation activities. It will be a major undertaking to meet the challenges posed by this complexity.