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GLOBALISATION FROM THE BOTTOM UP

THE ASPIRING MIDDLE CLASSES IN EMERGING ECONOMIES

Susanna Vogt

"Thus it is manifest that the best political community is formed by citizens of the middle class, and that those states are likely to be well-administered in which the middle class is large [...]; for the addition of the middle class turns the scale, and prevents either of the extremes from being dominant."¹

(Aristotle)

The financial and economic crisis has thrown large parts of the established countries of the OECD world into a deep recession and a subsequent state debt crisis. Many emerging economies of the "Global South", on the other hand, have been affected less severely by these developments. Most of these countries had already enjoyed comparatively high macro-economic stability over the preceding few years. After the crisis, the economic recovery quickly took off again in the emerging economies and the growth forecasts for countries such as China, India and Brazil are already back in the upper single percentage figures.² This development is part of the shift in the global distribution of economic – and these days also political – power towards the up-and-coming countries of the developing world. Key drivers of this phenomenon are the aspiring middle classes in the emerging markets, which have come to occupy an

1 | Aristotle, *Politics*, translated by Benjamin Jowett, <http://www.fordham.edu/halsall/ancient/Aristotle-politics-polis.asp> (accessed November 2, 2011).

2 | Cf. International Monetary Fund, *World Economic Outlook: Slowing Growth, Rising Risks, World Economic and Financial Surveys*, 9/2011, <http://www.imf.org/external/pubs/ft/weo/2011/02/pdf/text.pdf> (accessed November 2, 2011).

important economic position in the relevant countries. This segment of the population is gaining in size at a rapid rate in the emerging economies. What remains to be seen is what the social and political effects of this development will be in the near future.

THE MIDDLE CLASSES – SUBJECT AND OBJECT OF A GLOBAL POWER SHIFT

It was in particular the demand in the emerging economies, which supported the recovery in the industrialised countries to a large extent after the global recession following the financial market crisis.³ Since the mid-1990s,

it was mainly the BRICS⁴ countries that drove industrialisation and privatisation forward, and both new production sites and new sales markets developed. Contrary to the

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resource-driven growth phases of the past, the growth driven by the export of manufactured goods of many emerging markets has benefited an up-and-coming middle class in the broad sense. Its members have been able to achieve middle-class status according to both relative and absolute defining criteria.⁵ At the same time, absolute poverty has been reduced globally – this development also being primarily located in the emerging economies.⁶ Foreign direct investments, an indicator of the intensity of globalisation, have increased strongly and are exerting direct influence on the development of salary structures in these countries. There is now an increasing need for well-trained skilled staff in the target countries of the investments to perform management tasks as well as jobs in research and development. Numerous private households have already been able to better themselves and rise into higher income groups. In China, for instance, the strongest growth since 1991 has taken place in the

3 | Cf. Zhang Yuan, Guanghua Wan and Niny Khor, *The Rise of the Middle Class in the People's Republic of China*, ADB Economics Working Paper Series No. 247, 2011, 1.

4 | Brazil, Russia, India, China, South Africa.

5 | Cf. Jan Peter Wogart, "Global booms and busts: How is Brazil's middle class faring?", in: *Brazilian Journal of Political Economy*, Vol. 30, No. 3, 2010, 398.

6 | Cf. World Bank (ed.), *Global Economic Prospects: Managing the Next Wave of Globalization*, Washington D.C., 2007, 29 et sqq.

income bracket between four and ten U.S. dollars.⁷ Back in 1991, only ten per cent of all households were in this income bracket. By 2001, it was already 33 per cent and by 2007 47 per cent, both in rural and urban areas.⁸

There is a considerable expansion of the middle classes taking place around the world. They are both subject and object of the described shift of power towards the emerging economies. This development is strengthened by an environment that is frequently also very dynamic demographically. The BRIC countries on their own are home to 40 per cent of the world population.⁹ Positive growth and income dynamics in these countries can also develop considerable impact, and therefore also influence, on a global scale.

The economic growth, which has taken effect particularly in the emerging economies over the last 20 years, has been able to increase the purchasing power of an

The middle class frequently enjoys stable living conditions and an income that can in part be spent on goods other than those for their daily needs and on leisure activities.

expanding middle class. This class frequently enjoys stable living conditions, options for health care provision and affordable education for their children, old age provision, job security and an income that can in part be spent on goods other than those for their daily needs and on leisure activities.¹⁰ It is this class that underpins the strengthened global demand especially for consumer goods. It is the driver of the domestic consumption in the emerging economies as well as the target of global export markets. Generally, the members of this middle class are viewed as the actors who will play a central role in the further strengthening of economic growth in their country, growth that can also have a positive effect on poverty reduction locally.¹¹

7 | Cf. Yuan, n. 3, 8.

8 | Cf. *ibid.*

9 | Cf. Mechthild Schrooten, "Brazil, Russia, China, India and South Africa: Strong Economic Growth – Major Challenges", *DIW Economic Bulletin* 4/2011, 18.

10 | Cf. Homi Kharas, "The Emerging Middle Class in Developing Countries", OECD Development Centre Working Paper No. 285, 1/2010, 7.

11 | Martin Ravaillon, "The Developing World's Bulging (but Vulnerable) Middle Class", *World Development*, Vol. 38, No. 4, 2010, 445.

Fig. 1
Growing middle class

Number of people with an annual income
 from 6.000 up to 30.000 U.S. dollars (in bn)

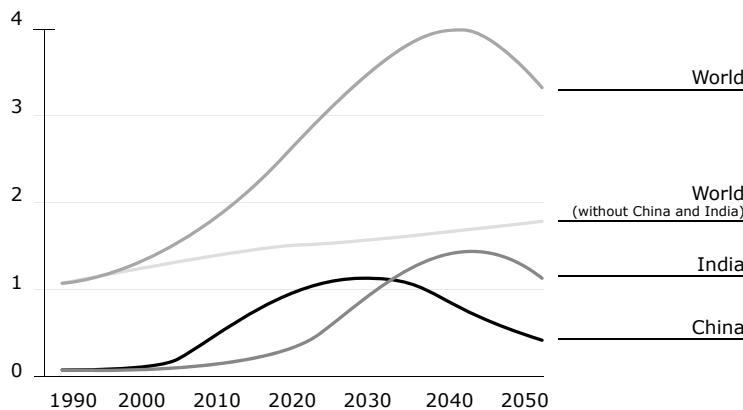


Fig. 2
Share of the middle class in selected regions

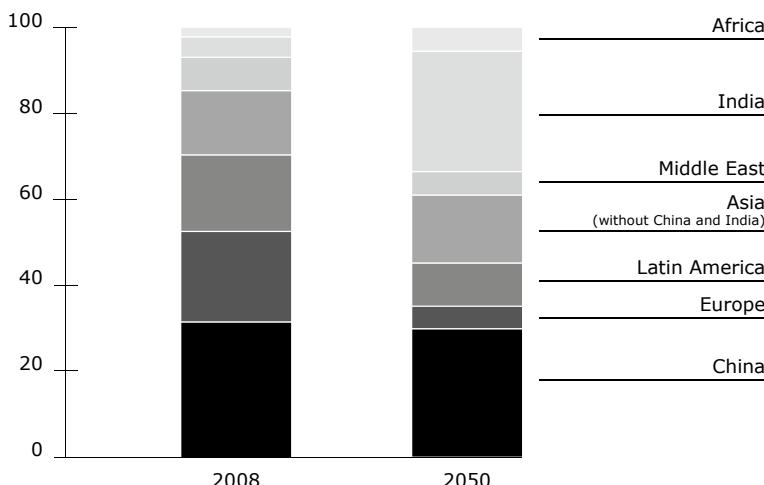
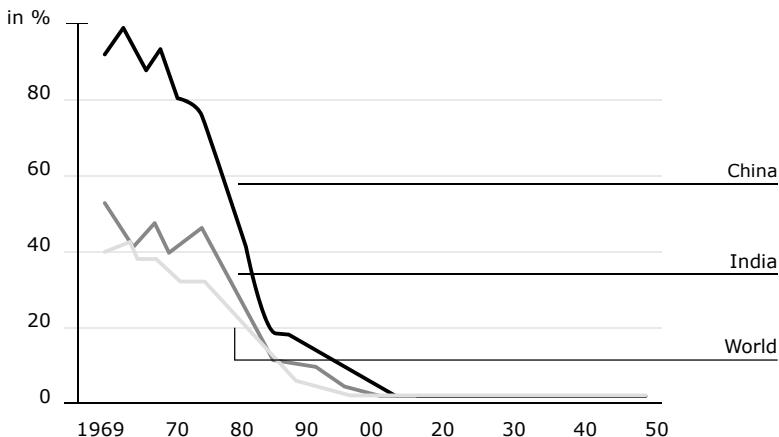


Fig. 3

**Share of the population with an annual income
less than 500 U.S. dollars**



Source Fig. 1-3: Goldman Sachs / *Frankfurter Allgemeine Zeitung*

CHALLENGES OF A DEFINITION

A critical examination of the socially ambiguous term middle class first of all involves the challenge of finding a definition. Although the concept of the middle class is recognised, there is no consensus about the parameters defining this section of the population – contrary to the term poverty, there is no generally accepted description. The “delimitation issue”¹² of finding a generally acceptable concept of the middle class through delimitation from the poor and the rich, is a field that economists and sociologists are working on with great intensity. The simplest definition of the middle class that most people would probably agree on is its description as that section of the population that belongs neither to the poorest nor to the richest in a society. At an international level, this comprises “those who are not poor by median developing country standards but still poor by developed country standards”.¹³

12 | Mark R. Thompson, “Mittelschichten und Demokratie: Soziale Mobilität und Politische Transformation”, in: Bert Becker, Jürgen Rüland and Nikolaus Werz (eds.), *Mythos Mittelschichten: Zur Wiederkehr eines Paradigmas in der Demokratieforschung*, Bonn, Bouvier, 1999, 25.

13 | Cf. Ravaillon, n. 11, 445.

There are some economic definitions of the middle class, which make reference to the income or spending behaviour of its members. Two different approaches need to be distinguished here. On the one hand, the definition of the middle class with respect to the income distribution in the respective country. On the other hand, an absolute definition method, which allows international comparison. Birdsall, Graham and Pettinato, for instance, conduct their studies by looking at the domestic income in a country and defining the middle class as those who fall into the range of 75 to 125 per cent of the median income in the country under investigation.¹⁴ This is also the approach pursued by Easterly, who defines the middle three income fifths of a country as the middle class in order to determine the variation in size of the middle class in relation to the economic growth of a country.¹⁵ The relativistic definition allows comparisons to be made between the purchasing power or income level of the middle class and lower or higher income segments in a country.

An international comparison of the position of the middle class is only possible if an income range specified in absolute terms is used. The bottom definition limit is usually an income above the international poverty threshold of two U.S. dollars a day; there are varying definitions of the upper limit. Banerjee and Duflo, for instance, include everybody living on between two and ten U.S. dollars a day as the middle class.¹⁶ This definition focuses more on the lower middle class. Milanovic and Yitzaki position their definition at the level of 12 to 50 U.S. dollars per day,

The bottom definition limit is usually an income above the international poverty threshold of two U.S. dollars a day.

14 | Cf. Nany Birdsall, Carol Graham and Stefano Pettinato, "Stuck In The Tunnel: Is Globalization Muddling The Middle Class?", Center on Social and Economic Dynamics", Working Paper 14, Brookings Institution, Washington D.C., 8/2000, 3, <http://brookings.edu/es/dynamics/papers/middleclass/midclass.pdf> (accessed November 2, 2011).

15 | Cf. William Easterly, "The Middle Class Consensus and Economic Development", in: *Journal of Economic Growth*, 6/2001, <http://springerlink.com/content/k22j04j648150615/fulltext.pdf> (accessed November 2, 2011).

16 | Cf. Abhijit Banerjee and Esther Duflo, "What is Middle Class about the Middle Classes around the World?", *Journal of Economic Perspectives*, Vol. 22, No. 2, Spring 2008, 4.

equivalent to the median incomes of Brazil and Italy.¹⁷ According to this measure, the middle classes in the emerging economies reached a size of 250 million in 2000, a figure that is expected to grow to 1.2 billion by 2030. This sounds sizable in absolute figures, but actually only represents six per cent of the world population, rising to 15 per cent by 2030. This group can be defined as the upper global middle class. Kharas uses a definition between ten and one hundred U.S. dollars per day and thus also considers a richer income segment.¹⁸ With the approach he uses in numerous comparative studies, Ravallion defines that part of the population in a developing country

or emerging economy as the middle class,

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which lies between the median poverty threshold in developing countries and the poverty threshold in the US, i.e. between two

and 13 U.S. dollars per day.¹⁹ According

to this definition, the proportion of the middle class in developing countries and emerging economies rose from 33 per cent in 1990 to 49 per cent in 2005. In absolute figures, this represents a growth of the middle class from 1.4 billion to 2.6 billion people. Half of this growth spurt is to be attributed to China, with an increase from 174 to 806 million people. India experienced a growth of the middle class from 147 million to 264 million. Overall, two thirds of this development occurred in Asia.²⁰

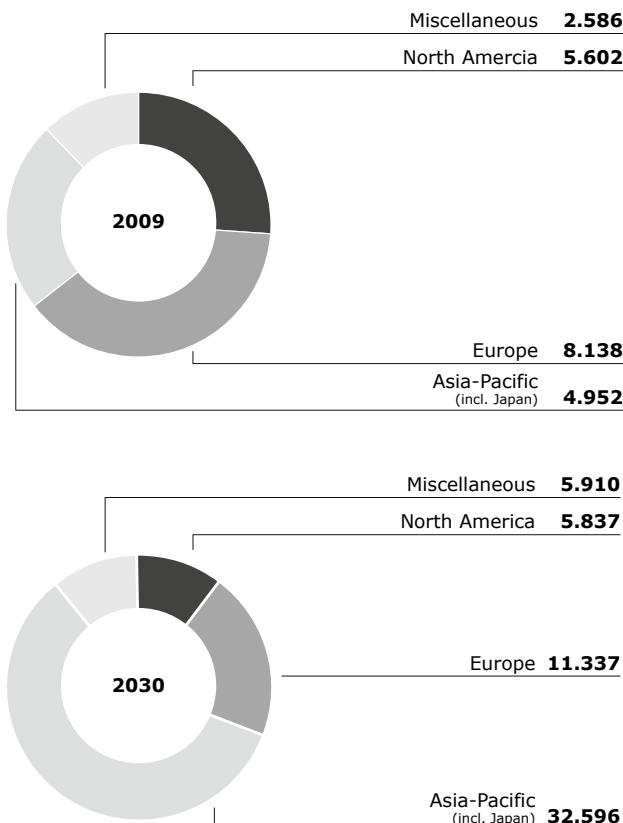
17 | Cf. Branko Milanovic and Shlomo Yitzhaki, "Decomposing World Income Distribution: Does the World have a Middle Class?", in: *Review of Income and Wealth*, Vol. 48, No. 2, 2002, 174, <http://josiah.berkeley.edu/2008Spring/ER291/Readings/2.20-2.26/Is%20there%20a%20world%20middle%20class%202002.pdf> (accessed November 2, 2011).

18 | Cf. Kharas, n. 10, 12.

19 | Cf. Ravallion, n. 11, 446.

20 | Cf. *The Economist*, "Who's in the middle: It's a matter of definition", February 12, 2009, <http://www.economist.com/node/13063338> (accessed November 2, 2011).

Fig. 4
Middle class consumer spendings
(Bn U.S. dollar, in real terms, based 2005)



Source: Kharas, OECD Development Center 2010, n. 10

Whichever definition you go for – the members of these middle classes are already important consumers today, who are viewed especially by multinational companies as actors within a global market with considerable further development potential.²¹ The middle class has the economic

21 | Cf. Diana Farrell and Eric Beinhocker, "Next Big Spenders: India's Middle Class", Mc Kinsey Global Institute, May 19, 2007, <http://mckinsey.com/mgi/mginews/bigspenders.asp> (accessed November 2, 2011); Dominic Wilson and Raluca Dragusanu, "The Expanding Middle: The Exploding World Middle Class and Falling Global Inequality", Goldman Sachs Global Economic Paper No. 170, July 7, 2008, <http://ryanallis.com/wp-content/uploads/2008/07/expandingmiddle.pdf> (accessed November 2, 2011).

means to engage in consumption using resources exceeding those required for their everyday needs. It is thought that the middle class has around a third of its income available on average for discretionary spending.²² It is believed that its members will be the ones to support global demand in the future. They will overtake the corresponding sections of the population in the OECD world purely in numbers in the foreseeable future.²³ Back in 1990, one in three people in developing countries belonged to the middle class; by 2005, this proportion had already increased to one in two.²⁴

Especially in the major emerging economies of China, India and Brazil, the upper middle classes represent a valuable and still rapidly growing market for high-value consumer goods.²⁵ People aspire to a better quality of life, spend relatively less money on food and drink and more on entertainment and on equipping their home. There is an enhanced awareness of health and education issues and this also induces more spending.²⁶

Some approaches to defining the middle class focus on this development and use the ownership of goods as a criterion. Luxury goods such as computers, cars, pianos and video cameras are differentiated from common consumer goods such as washing machines, refrigerators, TVs and mobile phones. According to this sort of definition, a person is deemed to belong to the middle class if they possess at least one of the luxury goods.²⁷ In Brazil, the logic of this type of definition has even spawned a term for the relevant section of the population: The "C" class stands for "casa, carro, computador, crédito e carteira de trabalho"²⁸ – house, car, computer, credit card and, freely translated, social security number.

22 | Cf. *The Economist*, "Two billion more bourgeois: The rise of a new middle class has changed the world. What if they sink back into poverty?", February 12, 2009, http://www.economist.com/node/13109687?story_id=13109687 (accessed November 2, 2011).

23 | Cf. Kharas, n. 10, 8.

24 | Cf. Ravallion, n. 11, 452.

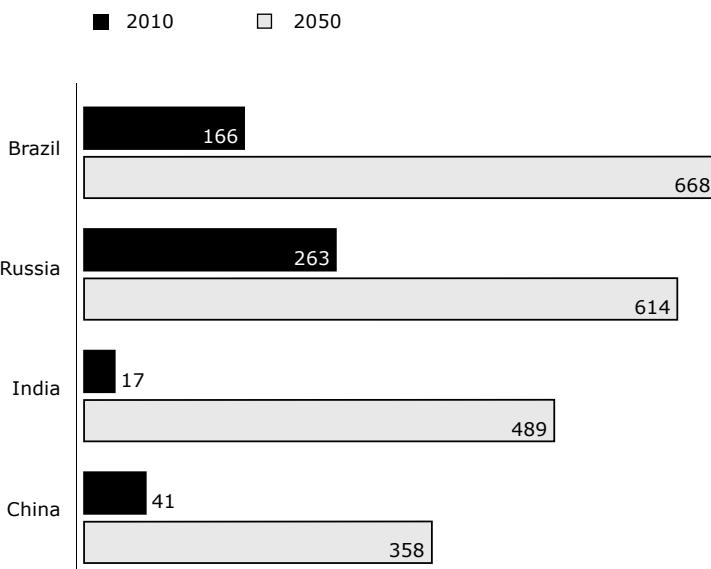
25 | Cf. Wogart, n. 5, 384.

26 | Cf. Banerjee and Duflo, n. 16, 7-10.

27 | Cf. Yuan, n. 3, 12.

28 | Cf. Wogart, n. 5, 382.

Fig. 5
Passenger cars in BRIC States (per thousand inhabitants)



Source: World Bank, Goldman Sachs

According to Western standards, people who live on such an economic basis often are still poor. And no doubt it also has to be distinguished in a more differentiated manner between developments in urban and rural areas. But the described middle class base, which has expanded greatly over recent years both in emerging economies and developing countries, in any case offers considerable development potential for the respective countries – economically, socially and politically.

THE MIDDLE CLASS BEYOND INCOME AND CONSUMPTION – “MORE SOCIOLOGICAL THAN LOGICAL”²⁹

A purely economic concept of the middle class does not go deep enough – it has always also been a significant player in political and sociological terms. Especially in the history of the Western group of states, the bourgeoisie has been ascribed an important role and special responsibility within

29 | Cf. Sashi Tharoor quoted in *The Economist*, “Bourgeoning bourgeoisie”, February 12, 2009, <http://economist.com/node/13063298> (accessed November 2, 2011).

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the community with the revolutionary movements since the late eighteenth century. Both Max Weber and Karl Marx

kept coming back to the special position of

the middle class in their key works.³⁰ The different definitions of the middle class always see this section of the population as a critical mass, whose behaviour and attitudes

are of particular relevance for its country. This view has also been seized on increasingly in recent research in order to go beyond the economic aspect and get a grasp on the sociological influences and the political power of this class.

A larger income as well as greater job security with opportunities for advancement and pay increases offer a certain degree of stability for the bourgeois middle class, which creates the basis for further development compared to more precarious milieus.³¹ Having a steady job that is reasonably to well paid is one of the central attributes of members of the middle class. This is associated with the option of people devoting themselves to matters other than having to provide for basic food and shelter.³² For the members of this class all over the world, the described improvement in economic circumstances goes hand in hand with wider opportunities and ensuing ambitions for themselves.

Ideally, the middle class exerts influence beyond its own group. A strong entrepreneurial spirit often provides opportunities to invest in productive activities, to contribute to the creation of job opportunities for further sections of the population and generally to the economic good, while the members of the poorer section of the population have just about enough for their own survival and no capacities to branch out into such activities.³³ The income of the middle class, its capabilities and the values it supports make it likely that it will be capable of not only improving its own

30 | Cf. Max Weber, *Wirtschaft und Gesellschaft*, Tübingen, Mohr, 1972, 177 et seqq.; Karl Marx, *Der 18. Brumaire des Louis Bonaparte*, Annotation of Hauke Brunkhorst, Frankfurt am Main, Suhrkamp, 2007, 128 et seq.

31 | Cf. Thompson, n. 12, 25.

32 | Cf. Banerjee and Duflo, n. 16, 7 et seqq.

33 | Cf. Natalie Chun, "Middle Class Size in the Past, Present, and Future: A Description of Trends in Asia", ADB Economics Working Paper Series No. 217, 9/2010, 1.

standard of living but also that of the remaining sections of the population.

One of the important characteristics ascribed to the middle class in this context is its general willingness to make both investments and savings that will not pay off until sometime in the future.³⁴ This affects particularly the investments of members of the middle class in human capital in general and in the education of their own children in particular. Experiencing their own economic advancement – frequently in direct contrast to the parents' generation – gives them an insight into further development potential, especially in the area of skilled jobs. Middle class people are aware of the relevant incentive structures, which strengthen their ambitions with respect to the future of their own children, for whose education they are prepared to spend a large proportion of their salaries. The fact that the family size is generally smaller now is also conducive to advancement unlike the situation of both earlier generations and the poorer population.

Middle class as an identifying attribute is being influenced increasingly by globalised values and less by home-grown mores.³⁵ "The economy determines the way of life, creates common interests and informs fundamental values."³⁶ In this context, the middle of the society places particular emphasis on goals such as education, hard work and thrift.³⁷ The middle class is said to support free trade and investment in public goods and to have a fear of economic populism. The fact that the middle class is interested in the creation of capital stock and has the means to achieve it strengthens its role as supporter of economic policy continuity with special attention to price and exchange rate stability.³⁸ It has a genuine interest in the safeguarding of property rights, which can have a positive influence on the furtherance of the rule of law and of democratic participation opportunities. In some countries, there are signs of a broadly based business

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34 | Cf. Banerjee and Duflo, n. 16, 3.

35 | Cf. *The Economist*, n. 22.

36 | Thompson, n. 12, 21.

37 | Cf. Kharas, n. 10, 7.

38 | Cf. Wogart, n. 5, 397.

elite emerging, albeit at a relatively low income level; in Germany, this is also referred to by the term "Mittelstand", which is associated with similar attributes, equivalent to SME (Small and Medium-sized Enterprises) holders in English. It was Joseph Schumpeter who already outlined the relation between the middle class and "Mittelstand" as well as the process of "creative destruction" which especially affects the middle class in a negative way.³⁹

According to the various above-mentioned definitions, the political influence of the middle class is often linked to its heterogeneity. The social differentiation within this class is particularly pronounced. This leads to frequent calls for referring to the "middle classes" in the plural or for making a distinction between a lower and an upper middle class or different milieus within this segment of the population.⁴⁰ In all the described approaches to defining the middle class, its members are characterised by differences in background, job and ultimately also in income. It therefore represents an interesting area for political focus, since it involves a variety of interests. For political actors, the objective to serve these interests at least in part is particularly appealing, since it is linked to the hope of attracting voter support that is large in number and therefore desirable.

HIGH EXPECTATIONS FROM AN ASPIRING SOCIAL CLASS

Classic modernisation theories have repeatedly attempted to establish correlations between economic growth and the political development in a country.

A great deal is expected from the middle class, not least due to the described economic potential and the ascribed attributes beyond that. It is supposed to be the dominant force for the global consolidation of democracy and to form the backbone of a global market economy.⁴¹ Classic modernisation theories have repeatedly attempted to establish correlations between economic growth and the

39 | It was Joseph Schumpeter who already outlined the relation between the middle class and "Mittelstand" as well as the process of "creative destruction" which especially affects the middle class in a negative way. Cf. Joseph A. Schumpeter, *Capitalism, Socialism & Democracy*, Introduction by Richard Swedberg, London and New York, Routledge, 2003, 131 ff.

40 | Cf. Thompson, n. 12, 24.

41 | Cf. Birdsall, n. 14, 1.

political development in a country.⁴² They assume that economic growth induces social mobility. You cannot easily generalise from this, because modernisation theories depend strongly on "snapshots of the correlation between democracy and development"⁴³. But these snapshots show that the economic diversification that goes hand in hand with growth frequently actually leads to the pluralisation of a society. The middle class becomes increasingly politicised, both out of its own accord, but also as a target group of political parties. This is also promoted by the increasing educational standards, which middle-class beneficiaries from the growth are particularly interested in.

A large proportion of the social dynamics, which is attributed politically and socially to the so-called "civil society", arises from the middle class. Compared to other sections of the population, the middle class has a greater involvement in social forms of organisation such as associations, professional groups, trade unions and student groups.⁴⁴ You also see civic engagement happening in the emerging economies – in some cases deliberately outside the realm of established parties⁴⁵ – and it is also supported strongly by the beneficiaries of the growth developments there. Of course, protest movements can also forge a path in this way, as the middle classes in the countries of the Arab world have demonstrated impressively in 2011, where well educated young people particularly demanded an economic future for themselves.

Compared to other sections of the population, the middle class has a greater involvement in social forms of organisation such as associations, professional groups, trade unions and student groups.

A study by the Pew Research Center from 2009 examined the attitudes of the middle class to democracy, religion, values and general life satisfaction.⁴⁶ According to this

42 | Cf. Seymour Martin Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy", *The American Political Sciences Review*, No. 53, 1959, 69-105.

43 | Cf. Thompson, n. 12, 18.

44 | Cf. *idid.*, 14.

45 | Cf. Contribution by Surinder Jodhka and Aseem Prakash in this publication.

46 | Cf. Pew Research Center, "The Global Middle Class: Views on Democracy, Religion, Values, and Life Satisfaction in Emerging Nations", The Pew Global Attitudes Project, Washington D.C., February 12, 2009, <http://pewglobal.org/files/pdf/1051.pdf> (accessed November 2, 2011).

study, members of the middle class place more importance on democratic institutions, freedom of speech and the press as well as freedom of the individual. Religion is seen as less central to one's life and liberal values are generally attributed greater significance. Also, protection of the environment plays a larger role for this section of the population. In addition, the study illustrated correlations between economic well-being and support for democratic processes.⁴⁷

There are hopes that the middle classes will contribute to the continuing stabilisation of their countries and that they might encourage a system change towards a democratic and constitutional opening up.

On the basis of these assumptions, there are hopes that the middle classes, particularly in the emerging economies of the South, will contribute to the continuing stabilisation of their countries and that they might also encourage a system change towards a democratic and constitutional opening up in some cases: the middle classes as "decisive variable in processes of system change".⁴⁸ In his works on the "third wave of democratization" in the 1980s and 90s, Samuel P. Huntington also stated that the strongest supporters of democratisation in almost every country come from the urban middle class.⁴⁹

The middle class often indeed possesses the economic and intellectual prerequisites for such a pioneering role. Also, the access that this section of the population has to new media and new means of communication should not be underestimated. These have considerably increased transparency with respect to events worldwide and they are creating new spaces of information and organisation.

However, the described heterogeneity of the middle class also entails large differences in the influence of its members. Not least in China, there is a middle class that depends to a large degree on the state and is closely linked to it by personal bonds.⁵⁰ Modernisation theories, however,

47 | Cf. ibid., 1-2.

48 | Bert Becker, Jürgen Rüland and Nikolaus Werz (eds.), *Mythos Mittelschichten. Zur Wiederkehr eines Paradigmas in der Demokratieforschung*, Bonn, Bouvier, 1999, 9.

49 | Cf. Samuel Phillips Huntington, *The Third Wave. Democratization in the Late Twentieth Century*, University of Oklahoma Press, Normann, 1991, 67.

50 | Cf. Contribution by Peter Hefele and Andreas Dittrich in this publication.

Atend to focus on a middle class that is removed from the state and founded on the growth of the private sector. The members of this class form a group eager to safeguard its autonomy from excessive interference by the state, as is also shown by their generally liberal attitudes to market and state. But the state playing its role in line with this thinking has not had a long tradition in many emerging economies.⁵¹

Of course, a broad middle class can to the same extent also be a stabilising force in a negative sense, totally opposed to the potential generally attributed to it. Out of fear of political protests and the revolutionary intentions of workers, the middle classes in Brazil and Argentina, for instance, repeatedly proved to act as opponents of political change in order to retain their middle-class way of life.⁵² Even today, there is still insufficient critical mass in countries such as China and Russia to actively support democratic reform processes. Instead, the economically established middle class there is more interested in furthering its own development and sets itself apart from the poorer section of society all the more deliberately. Mark Thompson speaks of "prestige hierarchies"⁵³ in this context, which are particularly pronounced in the middle class. Especially in countries characterized by state socialism, dominated by one strong ruling party, the middle class is often deeply intertwined with the state apparatus thanks to whom it achieved a better positioning as well as the influence it has. This implies a weak interest in changing the status quo. The surrounding political and social circumstances strongly influence the positioning of the middle class as well as its potential and interest in shaping its environment.

The economically established middle class is more interested in furthering its own development and sets itself apart from the poorer section of society all the more deliberately.

In many cases, what the middle class wants to see is the state performing a clear, delimited role with an effective and efficient democratic form of government, where the right decisions for its own members are taken. The focus here is on security or its restoration after upheavals; on stable conditions for economic growth and a generally

51 | Cf. Thompson, n. 12, 34.

52 | Cf. ibid., 16.

53 | Ibid., 25.

successful economic policy; on the state taking a back seat in the economy; on the enforcement of the rule of law and of political participation rights, and on the containment of social movements and their political representatives.⁵⁴

THE MIDDLE CLASS AS FUTURE POLITICAL AND SOCIAL STAKEHOLDER?

The worldwide growth of the middle classes is bringing with it new economic realities, a growing class of consumers and changes to social and political structures.⁵⁵ Awareness of and interest in this development are increasing, the phenomenon is moving into the global spotlight: How is this class positioned economically? How does it deal with crises? What are its social and political aspirations?

With all the opportunities that the globalisation process brings with it for the middle class, there is also a downside. The challenges and problems going hand in hand with the rapidly increasing global networking affect the growing middle class worldwide to a particularly high degree and are putting it under considerable pressure:⁵⁶ the changing role of the state, which has an impact particularly on the jobs of middle-class public sector workers and is resulting in a backwards move into informal jobs for some; the greater vulnerability of the world economy, which has particularly caused a massive increase in the volatility of the flow of capital into the emerging economies; a further increase in inequality with a simultaneous reduction in poverty and economic growth; the globalisation of standards in consumption, which are equalising globally and putting excessive strain on the middle classes in emerging economies and developing countries. Also, the middle classes in these countries will see their growth curbed by the scarcity of resources and they will also be affected by the environmental changes brought about by growth.⁵⁷

54 | Cf. Wolfgang S. Heinz, "Mittelschichten: ein zentraler Akteur im Demokratisierungsprozess?", in: Becker et al., n. 47, 271.

55 | Cf. Steffen Dyck, Syetarn Hasakul and Rachna Saxena, "Asiens aufstrebende Mittelschicht", *Deutsche Bank Research Aktuelle Themen* 468, December 22, 2009.

56 | Cf. Birdsall et al., n. 14, 6 et sqq.

57 | Cf. Chun, n. 33, 30.

In the emerging economies, it is the members of the lower middle class who are in a particularly precarious situation. In Asia, for instance, the strong growth of a new middle class is still primarily found in the income bracket between two and four U.S. dollars. The members of this segment are permanently veering at the edge of poverty, and any burdens resulting from changes in personal circumstances such as illness or job changes can affect the position of this lower middle class negatively and push individuals back into poverty.⁵⁸ This milieu is highly dependent on a social security system, which in most cases is yet to be set on a sustainable footing. Besides, members of the middle classes in Latin America, for instance, are burdened with high amounts of private debt – often via credit cards – and therefore also under particular threat of a possible social descent back into poverty.⁵⁹

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At the same time, expectations from the “global middle class” are high. They are linked to the general, overriding hope that the new global centres of power will assume greater responsibility. This involves above all international challenges related to climate change issues and the safeguarding of energy and resources, increased economic policy coordination – not least within the G20 – as well as the resumption of the international trade negotiations of the WTO. Positive impulses for a solution to these issues would need to be initiated by the governments of the relevant countries, but then supported and sustained through the political involvement of their populations. How the emerging and developing countries will perform in this area and which forms the cooperation between them and the countries of the Western world will take is an open question. “The global future of democracy will inevitably be shaped to a large degree by the newly rising economic powers. [...] The big question for the future is what role these countries will play in the global order: Will their international behaviour be motivated purely by national advantage and by the common interests that they share with fellow developing countries, or will they also pursue foreign-policy goals that reflect the democratic character

58 | Cf. ibid., 2.

59 | Cf. Wogart, n. 5, 393.

of their regimes?"⁶⁰ The national populations will also play an important role in this. Great hopes are particularly invested in the middle class in democratic developing and emerging economies in this connection.

Apart from this, an important issue is that of progress on the domestic policy front in the emerging economies, which are frequently facing great internal challenges. In spite of widespread positive developments during the last 20 years, these countries are confronted by serious social and ecological problems. Especially in the emerging economies, the unequal income distribution still represents a large problem, in spite of the emergence of a growing middle class. Studies have proved that strong inequalities generally impede poverty reduction in emerging and developing countries and result in a lower rate of economic growth.⁶¹ At growth rates of around ten per cent, the issue of the distribution of the generated wealth will be increasing in urgency for many of these countries. What these problems are also crying out for is increased awareness and effective action by a class with political and civic responsibility.

The danger of the middle class becoming overburdened is high. But the potential and the dynamics of this section of the population, which are developing in many countries, are immense. It is essential for the middle class to become aware of this common potential, to be capable of creating a uniting group identity founded on commonalities and critical mass, prioritising the common ground over the undeniable differences and to use them for a positive progress of the societies as a whole.

60 | Cf. Marc F. Plattner, "From the G-8 to the G-20", *Journal of Democracy*, Vol. 22, No. 1, 1/2011, 36-37.

61 | Cf. Chun, n. 33, 1.