

“Political conflicts can flare up when new, increasingly vocal lower-middle-income groups enter the political arena and when this threatens the advantaged positions of established middle classes.”

## New Middle Classes Reshape the Developing World

FRANK-BORGE WIETZKE

Six years ago, Anirudh Krishna noted in this journal that “progress in poverty reduction has been spectacular, unprecedented, and widespread over the past quarter-century.” While Krishna’s essay was primarily concerned with the remaining challenges in the fight against global poverty, his observation also points to a momentous shift: there is now a large (and growing) number of people in the developing world who

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no longer have to live from one day to the next, struggling for immediate survival. Although it would be premature to call the majority of these people “middle class” by most conceivable standards, there is often an expectation that the presence of large upwardly mobile populations will lead to fundamental changes in the politics and social relations of developing countries.

Rapid growth in the numbers of the moderately better off indeed significantly improves prospects for social and political reform in the long term. However, it also creates the potential for new distributional divides and conflicts that need to be carefully managed to avoid economic and political upheaval in the short and medium term. But before developing this argument, it is necessary to briefly outline what researchers typically mean when they talk about the developing world’s “new middle classes.”

### ELUSIVE DEFINITIONS

The problem of defining the middle class is not new; it has long posed a riddle for researchers in

developed as well as developing regions. Political scientists and sociologists interested in the role of class and socioeconomic status groups in the politics of developed countries have often relied on traditional indicators of class, such as an individual’s access to capital and other means of production (the Marxist approach), or their education, employment status, or “life chances” (the sociological approach). However, the class concept has remained notoriously elusive and there are almost as many definitions as there are studies of middle class-based politics.

In the developing world, these definitional problems are typically exacerbated by the relatively low living standards of people living “in the middle” as well as other structural characteristics of local labor and product markets. Although lower-middle-income growth over the past few decades was usually accompanied by broad-based shifts into self-employment or service-related jobs, this often did not lead to the emergence of large entrepreneurial classes or manufacturing sectors in developing countries. Most political observers would agree that this hampers or even precludes the emergence of large movements of organized labor or middle-class professionals, which have played an influential role in historical accounts of the development of today’s advanced welfare-state democracies. Similarly, other indicators of middle-class status, such as a university education or ownership of costlier assets, like a car, often have not improved much for large parts of the population—and certainly not at the lower end of the income distribution, where most of the recent progress in poverty reduction was concentrated.

The most common approach that has emerged in the recent literature is to focus only on people’s incomes, where quite significant improvements

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FRANK-BORGE WIETZKE is an assistant professor at the Institut Barcelona d’Estudis Internacionals (Barcelona Institute of International Studies).

can be documented even at relatively modest levels of development. For instance, estimates by the economist Branko Milanovic suggest that the population living on incomes equivalent to between \$2 and \$16 a day more than doubled from 1988 to the start of the 2008 financial crisis (from 1.16 billion to almost 2.7 billion). While this was largely driven by China's well-documented growth miracle, significant improvements were also registered in other regions—including in sub-Saharan Africa, where economic performance was more mixed. This trend continued even after the 2008 crisis, though with some estimated slowing in the pace of global poverty reduction.

When we try to define middle classes in this way, another important distinction arises in regard to the population that we use as a reference to identify who is in the middle and who is not. Earlier research about the new middle classes typically borrowed from analytical traditions in the developed world and focused primarily on the relative position occupied by an individual in the income distribution of his or her country. This approach would typically define as “middle class” those who fall in the middle-income deciles of their respective societies: say, those between the 20th or 80th percentiles of the national income distribution. While this framework has the advantage of capturing social-status comparisons that people make between themselves and others in their vicinity, it too often struggles to account for the low living standards in many developing regions. Many people in low- and lower-middle-income countries who are technically in the middle of their national income distributions often are still very close to extreme poverty.

The currently dominant approach focuses only on people's absolute incomes or expenditures and compares them at the global level. (Incomes typically are adjusted for exchange rates and local cost-of-living differences to facilitate comparisons between countries.) A prominent example is Milanovic's “elephant chart,” which shows recent income growth for different groups organized over a global distribution. By directly comparing people's incomes, regardless of where they live, Milanovic was able to document the widely debated shift in economic well-being from the “old” middle classes of the developed world to the “new” middle

classes of developing countries. The “hump” that constitutes the back of the elephant shape in Milanovic's chart is made up of large upwardly mobile groups in populous countries like China, while the base of the trunk is made up of lower and middle classes in developed countries who have experienced income stagnation. By contrast, the raised end of the trunk at the highest percentiles represents the gains of smaller affluent groups and elites, especially in the global North.

To better understand what life is actually like for people in the developing world's bulging middle, it is helpful to consider further information about living conditions in different segments of the global income distribution. A widely employed approach in the recent literature on the new middle classes is to use the international \$1.90 poverty line (raised from \$1.25 by the World Bank in 2015 to reflect updated conversion rates) as a lower threshold to distinguish the growing populations who are beginning to be able to meet their basic needs from the

extremely poor. This is typically followed by a second threshold at the local equivalent of around \$10 per day, above which people begin to enjoy more meaningful levels of economic security.

The resulting income segment from \$1.90 to \$10 includes many of the people who have recently moved out of extreme poverty but are still so close to the poverty line that they can easily be pushed back under it by economic shocks such as a financial crisis or an illness in the family. This group now dominates in regions like Asia, the Middle East, North Africa, Latin America, and even in some sub-Saharan African countries. Despite the still precarious circumstances of people in this segment, they have benefited from some of the most widely noted improvements in living standards that have occurred in developing countries. Among these are the dramatic increases in ownership of basic consumer goods like cell phones, television sets, and even motorized scooters, as well as associated changes in housing quality (brick instead of mud walls, tin instead of straw roofs, and so on).

Genuine middle-class status is typically ascribed only to economically secure populations above the \$10-a-day threshold. However, recent income growth within this group was concentrated at the lower range of the segment (such as \$10 to \$20 a day) and mostly in more affluent

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regions like Eastern Europe, Latin America, and parts of East Asia including China. Affluent populations with incomes that begin to resemble those of middle classes in advanced economies (around \$110 a day) still account for very small population shares in most developing regions. Nonetheless, in countries like China and India their absolute population numbers can be quite significant. By some estimates, these groups even exceed the size of middle classes in developed countries.

### NEW DISTRIBUTIONAL DIVIDES?

It is realistic to assume that economic transformations of the magnitude observed in developing regions over the past few decades should have significant impacts on social and political order at the global and local levels. Even at the relatively low living standards that still prevail in many developing countries, widespread mobility out of poverty can upset existing status relations if the newly non-poor join or even replace more established income groups.

In developed countries, this possibility has received a good deal of attention given concerns that trade with developing countries and technological change are leading to the relative decline of the world's "old" middle classes. Whether accurate or not, these fears have been cited widely to explain recent political upheavals in advanced economies, such as the rise of populist politicians like Donald Trump and isolationist turns like Britain's plan to exit the European Union. However, since lower-middle-income growth has occurred mostly in developing regions, it is just as legitimate to ask how it has affected social and political relations in these parts of the world as well.

Two scenarios can be envisaged. In the first, widespread movements out of poverty result in changes in status relations within developing countries in ways that resemble those linked to transformations in the global income distribution—for instance, established local middle classes are more frequently exposed to downward mobility, or their previously advantaged position gets watered down as more people join their class. Since the chances of becoming part of the middle class would be more evenly distributed across individuals regardless of their initial position, poverty reduction would be accompanied by high levels of

equality of opportunity. Nonetheless, the threat of downward mobility for established middle classes in developing countries could increase the risk of political conflict if they organize around their fear of status decline.

A second, potentially less conflictual scenario would involve income growth that is spread across different segments of society without accompanying systematic changes in relative status positions—a "rising tide lifts all boats" scenario. Improved living standards for large parts of society would considerably reduce the risk of protest from established middle classes. Nonetheless, conflicts may still arise over the longer term—for instance, if slower growth reduces prospects of continued upward mobility, or if a perception arises among lower-income groups that economic development has done little to change existing inequalities and status differences.

Unfortunately, the data available from developing countries typically does not indicate which of these two scenarios better captures local realities.

Most developing countries either do not run longer-term household panel surveys that follow individuals as they move up or down the income ladder, or the time periods covered are too short to provide insight

into longer-term mobility trends. In most cases, what we know about the recent growth of middle-income groups in developing regions is based on relatively crude snapshots derived from irregular household surveys that do not allow for tracing who moves in and out of the middle class and how this affects existing status relations.

Nonetheless, we can make informed guesses. A first relevant indication is provided by the fact that family background and other circumstances at birth typically have a stronger influence on people's life chances in developing countries than in the developed world. This is particularly so for regions with historically high levels of socioeconomic inequality, like Latin America. However, high levels of opportunity inequality have also been documented in other parts of the world where inequality has traditionally been less of a concern, such as sub-Saharan Africa. It is unlikely in these contexts that movements out of poverty have resulted in significant changes in status relations.

Second, we can make inferences from the joint evolution of local poverty and inequality rates.

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For instance, an expected outcome of a situation where the poor are able to catch up to established middle classes because of faster rates of growth in lower incomes would be a simultaneous decrease in poverty and inequality. In practice, however, the correlation between poverty and inequality across developing regions has been far from perfect, and inequalities within countries actually have often increased during the recent period of rapid poverty reduction. (It is worth noting, though, that most global inequality still reflects differences in average living standards between developed and developing countries.)

A prominent example is China, where progress in poverty reduction was driven by widespread improvements in real wages for lower-income groups, but accompanied by much faster growth in higher incomes, which resulted in greater inequality. Rising inequalities also are often fueled by other structural features of the economic transformation that has led to recently decreasing poverty levels in many developing countries—particularly job growth in the service sector.

There are indications that these trends increase the risk of conflict over distributional outcomes. For instance, the growing frequency of demonstrations against economic inequality in countries like Chile and Brazil over the past few years indicates that tolerance for inequality weakened as the regional economic outlook deteriorated, and that many feel economic change did little to remove more structural causes of status inequality. It is also noteworthy that these protests often occurred when political parties that ran on explicitly leftist platforms were still in power and had implemented social policy and welfare reforms to benefit lower-middle-income groups (such as the Workers' Party in Brazil and Michelle Bachelet's center-left government in Chile). This suggests that the patience and political loyalties of groups still in relatively precarious circumstances are not unlimited.

Even in nondemocratic regimes where political outlets for the frustrations of lower-income groups are more restricted, decreasing tolerance for inequality can drive political change. This is illustrated by more proactive stances against corruption and excessive displays of wealth in countries like China.

## CHANGING ATTITUDES

The risk of distributional conflicts in developing countries is often exacerbated by the relatively

precarious circumstances of many people in the middle of local income distributions. This can result in individual behaviors that may contradict important assumptions about the political consequences of lower-middle-income growth.

Modernization theory and models of electoral preferences derived from developed countries typically predict that widespread movements out of poverty will result in a moderation of individual preferences, away from radical demands for redistribution. But my own work and that of other authors suggests that people in countries with large lower-middle-income groups that are still vulnerable to poverty often demand higher social spending to protect them from the uncertainties of rapid economic and social change. This finding is also indirectly supported by a large number of earlier studies that found inconsistent associations among inequality, personal incomes, and self-reported preferences for redistribution in lower-income regions.

More worryingly, there are signs that upwardly mobile but economically vulnerable groups often feel woefully underrepresented by governments and political elites in their countries. In Latin America, where the attitudes of lower-middle-income households are relatively well-studied, surveys suggest that people in the large segment below the \$10-a-day “vulnerability threshold” often feel disenfranchised, and that these groups are more likely to support radical short-term solutions proposed by anti-establishment candidates instead of more moderate long-term political and economic reforms.

Other behaviors that would be described as middle class tend to emerge only at average income levels that are well above those attained by countries where the majority of the population earns around \$10 a day. For instance, “post-traditional” belief systems based on preferences for individual rights, gender equality, and religious tolerance, which have been documented as important correlates in the shift toward stable democracy, are typically only observed in high-income or upper-middle-income countries that already have much larger affluent middle classes.

It is important to note, however, that these findings are again subject to the same data limitations that hamper the analysis of socioeconomic mobility trajectories in developing countries. With few exceptions, the perception surveys that produced these data are based on cross-sectional snapshots that do not tell us whether people's attitudes and

behaviors are causally affected by movements up the income ladder.

A potentially more optimistic perspective emerges if one focuses more directly on the impact of increased incomes and opportunities for consumption on economic aspirations. I have argued elsewhere (in an article in the March 2018 issue of the journal *Perspectives on Politics* coauthored with the economist Andy Sumner of King's College London) that even moderately well-off households often become more vocal about the protection of their modest wealth and economic interests as they begin to accumulate assets. This can result in new pressures for political reform if the same groups also demand more accountable and inclusive styles of government.

Possible manifestations of these dynamics include the recent spike in anticorruption protests in countries in very different regional contexts, such as Brazil, China, and India, where governments have been moved by public pressure to take more assertive action to curb bad behavior among government officials. Likewise, Mohamed Bouazizi, the Tunisian street vendor whose self-immolation in December 2010 triggered the uprisings in the Arab world, has been described by some commentators as a member of the global vulnerable class who protested against what he claimed was routine obstruction of his modest business interests by local government authorities. His action inspired protests across the region by lower- and middle-income groups frustrated over the lack of economic opportunities in their countries.

However, these examples also illustrate the many obstacles that often prevent lower- and middle-class mobilizations from leading to successful regime transitions. In most of the Arab world, institutional frameworks were clearly too fragile to channel mass protest into stable forms of democratic governance, while anticorruption protests in China have often stopped short of demands for deeper democratic reforms. In India and Brazil, public exasperation with corruption has been successfully exploited by anti-establishment and right-wing populist parties and candidates, such as the Hindu nationalist Bharatiya Janata Party (BJP) in the 2014 Indian national election and more recently Jair Bolsonaro in the 2018 Brazilian presidential election.

In these contexts, affluent middle classes often display behaviors that have little to do with the ideal type of the politically moderate and liberal citizen who populates the traditional accounts of middle class–driven development. The electoral successes of anti-establishment parties in Brazil and India were also driven by support from higher-income groups. In Thailand, affluent middle classes actively endorsed the unwinding of democratic institutions by the country's military, leading to a 2014 coup, when they felt that policies enacted by the populist governments associated with former Prime Minister Thaksin Shinawatra undermined their economic interests.

### IDENTITY POLITICS

Another important dimension to consider is the interaction between upward socioeconomic mobility and other social identities that shape political affiliations in developing countries. A well-known feature of politics in developing regions like sub-Saharan Africa, Asia, and the Arab world is that political loyalties and party affiliation are often organized around social and cultural identities that are not necessarily grounded in economic categories like class. Key examples include the long tradition of ethnic voting and patronage in parts of Africa or the rise of parties with explicitly religious platforms, such as the BJP in India and various Islamist parties in the Middle East and the wider Muslim world. While the underlying cultural identities that facilitate these forms of political mobilization may shift during times of rapid economic change, it is clear that they will not disappear overnight.

In Africa, for example, media reports and data from perception surveys suggest that emerging class identities often begin to compete with existing cultural affiliations along the lines of ethnicity or religion. However, case studies and the same surveys also indicate that this can vary quite significantly with political contexts, such as the proximity of an election. Recent presidential elections in Kenya are a case in point: politicians easily activated ethnic and tribal identities in their efforts to build competitive political movements.

Another contributing factor is recent income growth—especially in the vulnerable \$2 to \$10 per day segment—in many countries in Asia, Africa, and Latin America that has benefited sizable

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populations in rural areas, where cultural or religious identities are often stronger than in cities. A fairly well-documented example is the rise of the anti-secular Justice and Development Party in Turkey, which has often been attributed to support from upwardly mobile but culturally conservative voters from rural Anatolia. In India, the Hindu nationalist BJP similarly drew support from the country's rapidly expanding rural lower-middle classes, albeit on a campaign platform that prioritized economic and anticorruption messages over questions of religious and cultural identity.

Overall, what these examples illustrate is that class-based differences in political and economic behaviors are often best described as latent factors that are reinforced, suppressed, or otherwise shaped by preexisting social affiliations and institutional contexts. But new forms of political mobilization and conflict will rarely play out along the lines of economic class alone.

### ASPIRATION AND INSTABILITY

Widespread growth in lower-middle incomes in developing regions has offered prospects of improved living standards to billions of people. However, it also often puts new pressure on political and social institutions that are already fragile. Political conflicts can flare up when new, increasingly vocal lower-middle-income groups enter the political arena and when this threatens the advantaged positions of established elites and middle classes.

Emerging political coalitions and affiliations in developing regions are unlikely to remain stable over time. With large groups of people harboring increasingly ambitious aspirations, support for incumbent governments often will be only as strong as the prospects for continued economic improvements. When leaders fail to show credible evidence that their citizens' aspirations will be met, support may crumble quickly—as some traditionally pro-poor and center-left parties have painfully experienced in recent years (such as the Congress party in India and the Workers' Party in Brazil).

Do these findings portend difficult times ahead? There are at least indications that unguarded optimism is not warranted. While lower-middle-income growth over the past few decades often rode on the back of a fairly sustained economic

boom (based on rising commodity prices, cheap credit, and rising trade with China), the economic outlook has now darkened considerably for a range of developing countries. Even short of full-fledged financial or economic crisis, governments' capabilities to promote a sustained expansion of the lower-middle classes looks less promising.

There are also reasons to be skeptical about the ability of developing nations to provide the type of inclusive safety nets that many of their lower-middle-income citizens appear to crave. In developing countries, welfare systems tend to be fragmented between social assistance programs for the poor and contributory insurance schemes for relatively well-off employees in formal sectors of the economy, with large gaps of coverage in the middle. This is often accompanied by regressive tax systems (based mostly on value-added and consumption taxes) that impose comparatively heavy burdens on lower-middle-income groups. It is less likely under these conditions that a stable social contract will emerge with the support of expanding majorities in the middle of the income distribution.

These trends are exacerbated by a lack of international mechanisms to help developing countries with large lower-middle-income groups during times of economic difficulty. Although poverty reduction is recognized as a high priority in the United Nations' Sustainable Development Goals, financial pledges from international donors to support social protection systems outside of the least developed countries have remained fairly modest. Combined with growing questions about the ability of organizations like the International Monetary Fund and the World Bank to bail out larger middle-income countries in economic distress, this raises serious concerns about global preparedness for a systemic crisis that could threaten the living standards of hundreds of millions of people in the world's bulging new middle classes.

We should be optimistic that the continued ascent of more people into the world's lower-middle classes can lead to fundamental transformations in social and political relations in developing regions in the long run. But it looks less likely that these outcomes will be achieved without considerable risk of economic and political upheaval in the short term. ■