

Where is the Virtue in the Middle Class?

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ABSTRACT

It is widely agreed by economists and political scientists that the middle class is vital to progress because of its many virtues. But it is difficult to define a middle class by income in a manner that does not either include a lot of very poor people or suggest that most countries have no middle class to speak of. Survey evidence suggests the middle class is not culturally unique, particularly socially progressive, or entrepreneurial. When the middle of the income distribution sides with poor people in demanding equitable access to quality government services (instead of siding with the wealthy for small government and unequal access), pro-poor policies are far more likely to emerge. But this necessary role should not be confused with virtue.

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Where Is the Virtue in the Middle Class?

In the nineteenth century, a social campaigner and member of the British parliament called David Urquhart found the secret to declining class relations since the Industrial Revolution. Like Marx, Urquhart thought that class conflict was on the rise, but he was repelled by the idea that proletarian revolution was a necessary and inevitable conclusion. Indeed, the real problem was simply one of odor. Fix the smell and the risk of class war would vanish.

In the preindustrial era, noted Urquhart, no one washed. Lords and commoners alike went months between bathing and the stench of stale sweat and grime was all-pervasive. But then, in the late eighteenth century, rich people began to concern themselves with personal cleanliness. They took baths more often and kept away from muck. They stopped smelling. And an obvious external indicator of class was born. The poor stank on while the rich—and solid middle class folk that aped them—did not. “Our intercourse with the lower orders is broken off . . . by the want of cleanliness in their persons” warned the campaigner in his book *The Pillars of Hercules*.

The solution, then, was to clean up poor people. And the method would have to be efficient to be affordable—on a suitably industrial scale for the new era. So was born Urquhart’s movement to put public Turkish baths in every town and city. The poor would sweat out their stench, and the sweet fragrance of class comity would pervade. Urquhart’s program did not reach the scale he had planned. Having said that, it reached London’s Jermyn Street at the least, where he built a public bathhouse himself. And there was no revolution in Britain—so perhaps it spread far enough.

One hundred fifty years later, although Marxism has died as a practical political system and Urquhart’s Turkish bath is shuttered, the analysis of class lives on strongly in thinking about both history and development. But the element of such analysis that holds most appeal to political science is not Urquhart’s attempt to make the working class like the rest of us. Instead, it is the key role for the middle classes as champions in the fight for the democratic capitalist system. As the *Communist Manifesto* put it, monopolistic guilds had been “pushed on one side by the manufacturing middle class” which “developed [and] increased its capital” as it reformed economies and polities. The middle class had “created more massive and more colossal productive forces than have all preceding generations together,” it argued. And the view that middle class virtues are vital to progress in world history is by no means limited to the remaining Marxist theoreticians festering in university sociology departments. It is a view almost universally held amongst middle class historians and middle class political scientists.

This fascination builds on a long history of writing about the virtues of middling folk—neither the idle landed gentry nor the idle poor. It is the middle class that stands for family, country, and hard work. They go to church, fear their God, and ensure neither

threats of radical redistribution from below nor the suffocation of competition from above gets in the way of steady progress toward the end of history and a utopia of the unobjectionable. Those in the middle have the patience to invest in their education and save for rainy days. They have the entrepreneurial spirit to build new companies and industries, and they demand a quality of services and goods that spurs government reform and private-sector innovation. Why did Britain lead the world in the nineteenth century? Because of “the great English middle class,” answers Harvard economic historian David Landes in his magisterial *Wealth and Poverty of Nations*.

But is there any evidence to support the argument that the middle class is so vital to prospects for stability and economic growth? As it turns out, the “middle class” isn’t culturally unique, particularly socially progressive, or entrepreneurial. In fact, all they are (as usually defined) is the big block in the middle of some distribution of incomes. As self-defined, they are an even larger chunk of the population—91 percent of Americans self-identify as upper-middle, middle, or lower-middle class, as do 48 percent of Indians.¹ Politicians might want to pander to them as a result, but political scientists and development economists should know better.

Everyone Is Middle Class—Or No One Is

The problems start—and perhaps end—with defining who we are talking about. In Marx’s day, most variation in incomes was within countries rather than across them, so that it made some sense to talk about a global proletariat and (so) a global middle class. But the world does not look like that anymore. Branko Milanovic estimates that in the mid-nineteenth century, about half of global inequality could be accounted for by unequal incomes within countries and the other half to inequalities in average incomes across countries. Today the split is 80 percent in favor of cross-country income differences, with only 20 percent of global inequality accounted for by income differences within countries.² This change bedevils attempts to define a globally relevant, income-based definition of class.

Absolute Middle

In their paper “What is Middle Class about the Middle Class around the World,” Abhijit Banerjee and Esther Duflo use a historical estimate based on the (great) British middle classes.³ They suggest that per capita incomes for a family living off the wages of a clerk in his thirties in the UK in 1825 would be about \$10 a day in today’s money. They take \$10 as their upper end estimate of middle class and the international poverty line of \$2 as a lower end. Meanwhile, Martin Ravallion at the World Bank has written a paper on what he calls the bulging middle class and suggests something similar—between \$2 a

¹ Taylor et al., 2008.

² Milanovic, 2011.

³ Banerjee and Duflo, 2008.

day and the U.S. poverty line of \$13 a day defines a middle class standard of living in developing countries.⁴ The good news is that, thanks to country income growth, the proportion of the developing world living in that \$2–\$13 income range increased from one-third to one-half between 1990 and 2005—amounting to 2.6 billion people.

But imagine taking a higher line for our definition of poverty—perhaps the U.S. poverty line. Ravallion estimates the proportion of people in the developing world living on more than \$13 a day was around one in twenty—about 250 million people. Only 1.3 percent of sub-Saharan Africa’s population had an income above the U.S. poverty line in 2005. Homi Kharas at Brookings, who uses \$10 as his “floor” value for being middle class, is more optimistic and suggests there are 181 million people living in India on between \$10 and \$100 a day, 32 million in sub-Saharan Africa, and 1,845 million in the developing world as a whole⁵ (that compares to 284 million people in the United States⁶).

Nonetheless, both Ravallion’s and Kharas’s numbers still suggest that according to any absolute standard, either pretty much everyone in the United States is middle class or pretty much no one in Africa is.

More broadly, with any absolute definition and given the very slow rate of change in income distribution in countries over time, what will primarily determine the percentage of a population above any given income level is national GDP per capita. And given that, in turn, any hypothesis that links the size of the middle class defined by an absolute dollar amount to growth is an argument for a poverty trap. Poor countries will necessarily have smaller middle classes than richer countries. If the middle class is the secret to growth, poor countries will stagnate.

And the problem with the poverty trap argument is that lots of countries that had only 1 or 2 percent of the population living on over \$10 a day a while ago now have nearly everyone living on over \$10 a day. If \$10 a day is really needed for people to feel comfortable with launching a business, for example, Africa would be in real trouble. The good news is that a number of African countries grew incredibly rapidly over the last 10 years. Eight out of nineteen economies worldwide that doubled in size over the past decade are in sub-Saharan Africa. And the region is following a large set of precedents—no country in the world had many people living on more than \$10 a day 300 years ago.

Surely if there is a “culture of poverty” that bedevils productivity and that middle class people have no part in, it is at least in part one of *relative*, not absolute, poverty—otherwise, nearly everyone in sub-Saharan Africa would share cultural values far more self-destructive than the worst ones sometimes attributed to the underclass in the

⁴ Ravallion, 2009.

⁵ Kharas, 2010.

⁶ Birdsall, 2010.

United States. And certainly when you ask people themselves what class they are in, the answers suggest a relative element. For example, the 48 percent of Indians that self-identify as middle class according to the World Values Survey is a proportion about ten times higher than would be suggested by a definition based on an income of \$10 a day or more.

Relative Middle

So why not take a relative definition, and call anyone middle class who is in the middle 60 percent of the income distribution? Critics of the relativist approach complain that “middle class-ness” is meant to capture something more than that—sufficient income to be happy taking risks and investing for the long term without the fear of falling into absolute poverty, as it might be. (In addition, it is hard to come up with policy prescriptions that will increase the proportion of people in the middle 60 percent of the income distribution, so it isn’t a very “action-oriented” definition.)

This issue bedevils discussions of the potential impact of the middle class. Under a relative definition, every country has a reasonably large middle class, so it is hard to see how vastly different development outcomes around the world can be the result of a slightly larger or smaller income share of the middle 60 percent. But under an absolute definition, it is hard to see how a large middle class can be a vital part of the development process either—because under an absolute definition, the question “why does having a large middle class matter to development?” becomes “why does having a higher proportion of rich people matter to having a lower proportion of poor people?”

One answer to the definitional challenge, proposed by Nancy Birdsall after an examination of national poverty lines, is to combine relative and absolute measures.⁷ Use a global \$10 cut-off as the lower band and the country’s 95th income percentile at the top. But even then we are left with an Africa with no middle class and a North America with almost nobody at the bottom. One could tweak those numbers—\$5 at the bottom and 80% at the top, anyone? But it then becomes an exercise in defining the middle class to ensure reasonable variation across countries rather than anything constructed on the basis of a theory about what makes the middle class special.

The Elusive “Virtues” of Middling Folk

Even leaving the relative-absolute problem aside, there is little evidence of a particular set of beneficial attitudes or behaviors which are notably middle class. What, for example, do we like about the British middle class in the nineteenth century? The fact that they thought the only decent pursuits for a gentlewomen were crochet, song, or nursing? Their jingoistic support for Empire? Their cringing loyalty to the Queen? In defense of the middle class, these attitudes were common to rich and poor alike. But

⁷ Birdsall, 2010.

that only illustrates a broader problem—it is hard to find a set of characteristics or values that are consistently and uniquely middle class across countries and time.

It is true that *richer* people (and countries) across the world are more likely to share particular characteristics. They are more likely to be urban, educated, and salaried, for example. And they are more likely to have particular attitudes *at any one time*: a Pew Research study on the attitudes of “the Global Middle Class”—defined as people who had incomes greater than \$4,268 per year—found them to have different values than those earning less than that amount. The middle class on average were more likely to think honest elections with at least two parties and free speech were very important, and they were somewhat less likely to prioritize freedom from poverty from a list that also included freedom from crime and violence, free speech, and freedom of religion.⁸ But it doesn’t follow from such analysis that the middle class is uniquely virtuous or income-creating. Not least, Pew only compared (absolutely) richer against (absolutely) poorer—there is no “middle” between two groups.

Again, looking at people who live on somewhere between \$2 and \$10 across a range of developing countries around the world, Banerjee and Duflo suggest that the middle class spend somewhat more of their income than the poorest on health care, but about the same percentage on education. They do have fewer kids (perhaps related to greater income stability). But when it comes to business investments, they suggest the striking fact is “how little difference there is between those of the middle class and those of the poor.”

The majority of enterprises owned by the poor and the \$2–\$10 group alike worldwide are shops. Many of those shops sell the same small stock of goods as the ones just down the road—basic foodstuffs, sweets, soap, and a few other products. They make a few sales a day—and make an average profit somewhere around \$133 a year. These are not enterprises that are going to become the next Infosys. Banerjee and Duflo suggest that owners “make more or less the same amount of money than if they worked for someone else in exchange for longer but less intensive hours. . . . It is difficult, therefore, to view the middle class as particularly entrepreneurial.” The same holds true of small business owners in richer economies like the United States. According to survey evidence from Erik Hurst and Ben Pugsley of the University of Chicago, “most small businesses intend to provide an existing service to an existing customer base. . . . Most have little desire to grow big or to innovate in any observable way.”⁹

Instead, the key distinction between the bulk of the middle class and the poor identified by Banerjee and Duflo is that poor people who are employed work as casual labor, usually paid by the hour, often going stretches without employment, while the middle

⁸ Pew Research Center, 2009.

⁹ Hurst and Pugsley, 2011.

class workers have more permanent and secure jobs, paid by the week or month. Between 67 and 99 percent of those on between \$2 and \$4 a day in their sample across countries were paid weekly or monthly compared to 38–83% of those earning less than a dollar a day. Banerjee and Duflo suggest one of the big factors expanding the size of the (absolute) middle class in rural India in the last two decades of the twentieth century was a tenfold increase in rural factory employment.

What Banerjee and Duflo's analysis suggests is that becoming middle class doesn't suddenly turn you into an entrepreneur. Indeed, quite the opposite. The reason that the middle classes are richer is because they have stable 9-to-5 jobs. If being richer than \$10 a day made you into an entrepreneurial wonder, people on welfare in the United States would all be the next Bill Gates. What most people more realistically aspire to be is the next Wal-Mart associate. Fitting with the Banerjee-Duflo focus on the relationship between type of employment and income, John Goldthorpe and Abigail McKnight, who are focused on class in the UK, use a class definition based around type of employment. They show in the UK that income, unemployment risk and wage variability is much higher among unskilled workers commonly on a piecework or hourly labor contract than it is among professional workers with longer-term contracts less closely related to output.¹⁰ Again, then, richer people have more stable incomes because they have more stable employment. But this tells us little about their entrepreneurial or democratic spirit.

Another finding from the Banerjee and Duflo data is the lack of any discontinuity between poor people and richer people. Yes, those on \$4 a day are more educated on average than those on \$2 a day, but those on \$6 are more educated than those on \$4. The average education levels climb in a smooth line. There's no sudden jump over some magical middle class threshold. Again, at any one point in time, richer people are more likely to educate girls or vaccinate their kids, to eat well, have salaried employment, have small families, have access to credit, like elections, and mistrust God. But there's no evidence that when you reach 75 percent of average income, or a living standard of \$10 a day rather than \$9.99, that you suddenly assume a whole new set of values. So it isn't clear what separates middle from poor (or rich) beyond an arbitrary line.

Similarly, Lopez-Calva and Ortiz-Juarez of the World Bank and UNDP use data on Mexico, Chile, and Peru to suggest that an initial income of \$10 a day reduces the chance that a household will fall below national poverty lines (between \$4 and \$5 a day) over a four-to-six-year period below 10 percent. They also note, however, that the type of shocks which might reduce income appears similar across income quintiles (between 2002 and 2005, the risk of such a shock in Mexico was 0.249 percent in the second income quintile and 0.242 percent in the fourth quintile). And they admit it is "difficult

¹⁰ Goldthorpe and Mcknight, 2004.

to anchor a threshold solely to vulnerability” because the evidence does not suggest “structural behavioral changes” across income groups.¹¹

And when it comes to values, Deepa Narayan, Lant Pritchett, and Soumya Kapoor’s book *Moving Out of Poverty*, which interviewed 60,000 poor and near-poor people across 15 countries, suggests the idea of a culture of poverty is considerably at odds with the activities and attitudes of most poor people themselves. Poor people “seldom seem apathetic. Instead, they take initiatives, often pursuing many small ventures simultaneously to survive and get ahead,” argue Narayan and colleagues. Detailed analysis of thousands of life stories suggest the poor take as many initiatives as the rich. They have considerable aspirations for the future—78 percent of households interviewed believed their children would be better off in years to come. Poor people valued education and hard work, and they wanted to save in ways that appeared very middle class. And just as with richer people, poor people suggest their successes are due to personal initiative and their failures to external factors.

This all suggests that if there is a middle class with a particular set of values, it is probably growing by the fact that norms of behavior thought to be “middling” are being adopted more widely by all people. Such an interpretation surely makes more intuitive sense than a theory that somewhat richer (but not too rich) people, somehow through the inevitable laws of the dialectic, assume values more solid. To the extent that development is driven by changing attitudes, then, what is making for change is that the opinions of *everyone*, rich and poor, are changing—toward minorities, toward democracy, toward girls’ education.

Take global attitudes toward homosexuality over time. According to the World Values Survey, the proportion of people in Argentina who thought homosexuality was never justifiable in 1990 was 58 percent. By 2006, that had dropped to 26 percent. In India, 86 percent felt homosexuality was unjustifiable in 1990; by 2006 that had dropped to 48 percent. In South Africa the same numbers are 67 percent and 46 percent. Have all three countries seen a massive growth in their middle class, however defined? More plausibly, cultural changes over time are driven by factors other than just income growth.

Again, it isn’t just the middle classes that are sending their kids to school so that primary enrollments are reaching 100 percent even in the poorest of the world’s countries—it can’t be. Or if 80 percent of the population in Africa thinks that democracy is the best system of government, it isn’t a middle class value in any traditional sense of the word. The Arab Spring, meanwhile, was set off by a Tunisian man forced into life as a harried street vendor by the lack of other opportunities. It was sustained by a reserve army of the young unemployed. If anything, the middle classes in the Middle East resembled the

¹¹ Torche and Lopez-calva, 2011.

foreign policy position of the United States—supporting the dictators until it seemed safer to support the protestors. And on the subject of the massively middle class United States, if about half of Americans think that waterboarding is an acceptable tool of interrogation, that suggests that a lot of supposedly middle class people aren't exactly champions of human rights.

The Middle Still Matters

None of this is to say that income inequality is unimportant—far from it. There is a considerable literature about the importance of equality of incomes to better provision of public services and political stability as well as growth. Bill Easterly among others has argued that a higher share of total incomes for those in the middle of the distribution is associated with improved outcomes in health, education, stability, and growth.¹² That's plausible, but the story might just as well be about the instability caused by poverty and inequality than the benefits of a large share of income in the middle class. Chiapas is one of Mexico's poorest states, for example, and it is not clear that transferring wealth from the rich to the middle classes countrywide would have done much to stem the uprising there. Gross inequality is a bad thing, but that's not because we'd really love a couple more people earning at exactly the average wage. It isn't that the virtues of the middle are beneficial; it is that the suffering of the bottom and the privilege of the rich are problematic.¹³

Still, the middle class defined in relative terms does matter, precisely because they are the middle—the swing vote. It isn't that they are especially worthy, more that they are essentially in between. If they make up the 60 percent between the bottom thirty and the top ten, which side they back is going to be important. So if we want to design policies that get implemented, we will want to consider them. That is, for example, a reason to consider transfer mechanisms that target the bottom 60 percent rather than the bottom 20 percent. Depending on country circumstances, it might make the transfer more politically attractive even while dramatically increasing its cost and reducing targeting efficiency. But that is a matter of the middle class's statistical strength, not its social characteristics; indeed, it suggests we think of the middle class not as especially virtuous but as usually selfish.

And returning to the “absolute” middle class, the last thing we should want to do is try to push as many people over the magic \$2 or \$5 or \$10 line by slashing subsidies to the

¹² Easterly, 2000.

¹³ As to the hypothesis that the median voter in more unequal societies would force governments to create larger social transfer programs than would the median voter in more equal societies (thereby increasing inefficiency and slowing growth), Francisco Scervini of the University of Pavia concludes there was little evidence to support the theory (Scervini, 2009). Indeed, Scervini finds redistribution to the middle class is lower in more unequal societies (perhaps the theory mixes up cause and effect).

poorest and giving them instead to those near absolute middle class, which is the logical conclusion for those who believe middle class share is economic destiny.

Even though the middle class may not be a unique force for greater development, it is of course fantastic news that fewer people are living on less than \$1.25 or \$2 a day worldwide. Many definitions of middle class contrast them to poor people—they are those confident of not slipping into deprivation, those who would not have to sell assets to survive an income shock, or those who have the ability to spend on things other than survival. Certainly, we want fewer people who fear slipping into deprivation, are secure in their assets, and can spend on things other than basic necessities. And if you are in an environment where everyone earns more than \$10 a day (or even better \$100 a day), where they all have secure employment based on long-term contracts, where everyone saves, gets educated, votes, and pays taxes, and where income inequality is low, you are definitely in a place that is nicer to live than where the reverse of all of those conditions hold. But worrying about the middle class really doesn't answer the challenge of how to get to such a utopian situation. Economic growth, the spread of different norms, high marginal tax rates, and social transfers to the poorest are probably better tools.

David Urquhart's seemingly odd views about class conflict might have a stronger basis in reality than much of the recent writing about the middle classes, then. He at least pinpointed a real issue—the potential for shame in going out in public that can affect the most disadvantaged and had been a concern of economists going back to Adam Smith (who worried about the shame of Englishmen without shoes). It is a concept that has been given new life by subjective well-being polls that point up the considerable impact on self-reported happiness of very low incomes and unemployment, for example.¹⁴ Conversely, the idea that there is a virtuous middle just doesn't fit with the evidence. When the middle of the income distribution sides with poor people in demanding equitable access to quality government services (instead of siding with the wealthy for small government and unequal access), pro-poor policies are far more likely to emerge. But this necessity for middle class support should not be confused with virtue.

¹⁴ Di tella, Macculloch, and Oswald, 2001.

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