

## Two billion more bourgeois

*The rise of a new middle class has changed the world. What if they sink back into poverty?*



*Illustration by Brett Ryder*

People love to mock the middle class. Its narrow-mindedness, complacency and conformism are the mother lode of material for sitcom writers and novelists. But Marx thought “the bourgeoisie...has played a most revolutionary part” in history. And although *The Economist* rarely sees eye to eye with the father of communism, on this Marx was right.

During the past 15 years a new middle class has sprung up in emerging markets, producing a silent revolution in human affairs—a revolution of wealth-creation and new aspirations. The change has been silent because its beneficiaries have gone about transforming countries unobtrusively while enjoying the fruits of success. But that success has been a product of growth. As growth collapses, the way the new middle class reacts to the thwarting of its expectations could change history in a direction that is still impossible to foresee.

The new middle consists of people with about a third of their income left for discretionary spending after providing basic food and shelter. They are neither rich, inheriting enough to escape the struggle for existence, nor poor, living from hand to mouth, or season to season. One of their most important characteristics is variety: middle-class people vary hugely by background, profession and income. As our special report in this week’s issue argues, their numbers do not grow gently, shadowing economic growth and rising 2%, or 5%, or 10% a year. At some point, they surge. That happened in China about ten years ago. It is happening in India now. In emerging markets as a whole, it has propelled the middle class from a third of the developing world’s population in 1990 to over half today. The developing world is no longer simply poor.

As people emerge into the middle class, they do not merely create a new market. They think and behave differently. They are more open-minded, more concerned about their children’s future, more influenced by abstract values than traditional mores. In the words of David Riesman, an American sociologist, their minds work like radar, taking in signals from near and far, not like a gyroscope, pivoting on a point. Ideologically they lean towards free markets and democracy, which tend to be better than other systems at balancing out varied and conflicting interests. A poll we commissioned for our special report on the middle class in the developing world finds that such people are happier, more optimistic and more supportive of democracy than are the poor.

These attitudes transform countries and economies. The middle class is more likely to invest in new products and new technologies than the rich, who tend to defend their existing assets. It is better able than the poor to leap barriers to entry into business and can therefore set up companies big enough to generate jobs. With its aspirations and capacity for delayed

gratification, the middle class is more likely to invest in education and other sources of human capital, which are vital to prosperity. For years, policymakers have tied economic success to the rich (“trickle-down economics”) and to the poor (“inclusive growth”). But it is the middle class that is the real motor of economic growth.

Now the middle class everywhere is under a great threat. Its members have flourished in places and countries that have opened up to the world economy—the eastern seaboard of China, southern India, metropolitan Brazil. They are products of globalisation, and as globalisation goes into reverse they may well be hit harder than the rich or poor. They work in export industries, so their jobs are unsafe. They have started to borrow, so are hurt by the credit crunch. They have houses and shares, so their wealth is diminished by falling asset prices.

What will they do when the music stops?

Those at the bottom of the ladder do not have far to fall. But what happens if you have clambered up a few rungs, joined the new middle class and now face the prospect of slipping back into poverty? History suggests middle-class people can behave in radically different ways. The rising middle class of 19th-century Britain agitated peacefully for the vote; in Latin America in the 1990s the same sorts of people backed democracy. Yet the middle class also supported fascist governments in Europe in the 1930s and initially backed military juntas in Latin America in the 1980s.

Nobody can be sure what direction today’s new bourgeoisie of some 2.5 billion people will take if its aspirations are dashed. If the downturn lasts only a year or two the attitudes of such people may survive the pain of retrenchment. But a prolonged crash might well undo much of the progress the developing world has lately made towards democracy and political stability. It is hard to imagine the stakes being higher.

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