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Which middle class, which squeeze?



By Gillian Tett

‘From a global perspective, the middle class is increasing – not shrinking – and boosting growth’



Are you middle class? A decade ago, that question was of greatest interest to sociologists – or snobs. Now it is political dynamite.

Last month the Pew Research Center released a survey which showed that the proportion of Americans who consider themselves “middle class” has been shrinking sharply, as median incomes have stalled. Back in 2008, or just as the financial crisis hit, the ratio apparently stood at 53 per cent. Now it is just 44 per cent.

And that is not because Americans are rising in self-confidence: just 15 per cent define themselves as upper class, down from 21 per cent in 2008. The real problem is that two-thirds of Americans think (quite correctly) that the gap between rich and poor is widening – and that they themselves are sinking: 40 per cent of people now define themselves as lower class, compared with 25 per cent previously.

This is startling. It helps to explain why the phrase “middle class” is now creating such political anxiety. When Barack Obama presented his recent State of the Union address, for example, he billed it as “a set of concrete, practical proposals to speed up growth, strengthen the middle class, and build new ladders of opportunity into the middle class”. And it is not just an American problem. In the UK, David Cameron keeps tossing the “m” word around, following in the wake of Ed Miliband, who recently insisted: “I know our country cannot succeed and become collectively better off without a strong and vibrant middle class... [we must] rebuild our middle class.”

As that “m” word creates western angst, it is instructive to look at the issue from a wider perspective. Last month I took part in a debate at the World Economic Forum in Davos about the global middle class with western economists (such as Laura Tyson, a senior official in the Clinton administration and a Berkeley professor) and emerging-markets figures (such as [Marcelo Côrtes Neri](#), Brazil’s strategic affairs minister, Ernesto Zedillo, former president of Mexico, and Rob Davies, South African trade minister). Two crucial points emerged which tend to be ignored in the American political debate. First, from a global perspective, the middle class is increasing – not shrinking – and boosting overall growth. Second, the definition of middle class is a very slippery thing.

A 2013 report from professional services firm EY called “Hitting the Sweet Spot” illustrates the point. This study analysed growth trends and concludes that during the next two decades, the number of middle-class people in the world will increase by three billion. Indeed, by then two-thirds of the world’s so-called middle class will be living in emerging markets such as China, India and Brazil, not in the west – let alone the mythological American suburbs. And even before this, “in Asia alone, 525m people can already count themselves as middle class – more than the total population of the European Union”. According to Alexis Karklins Marchay, co-leader of EY’s Emerging Markets Center, “By 2030, as more and more people enter the middle class it is hoped that this growing cohort of consumers with new money and new demands can help to keep the floundering global economy afloat.”

But there is a catch. Those cheery EY consultants define a middle-class family as one earning between \$10 and \$100 per day, since “at this

level, consumers start having the kind of disposable incomes that will allow them to buy the cars, televisions and other goods. People in this income bracket can be considered a 'global middle class' – middle class by the standards of any country.” But I doubt many Americans earning \$70 a week feel middle class. Even those earning \$700 a week might hesitate to use that term, given the stagnation in median incomes (even if their homes are filled with material goods inconceivable a few decades ago).

So does that mean Americans are wrong to complain about falling out of the middle class? Is EY wrong to say that so many Chinese families are middle class? Or is the key defining trait the direction – not absolute level – of your income, and the perception of relative wealth? Is being middle class, in other words, just a state of mind (say, about feeling optimistic, stable and surrounded by social cohesion) rather than anything to do with consumer goods?

There are no easy answers. But the next time that politicians such as Obama or Cameron invoke that middle class tag, it is worth pondering on those EY projections. If nothing else, it shows the paradox around this potent term. And, of course, why western voters feel so unnerved by a world marked by rapid geopolitical flux.

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