

## 38. Malaise in the Western middle classes

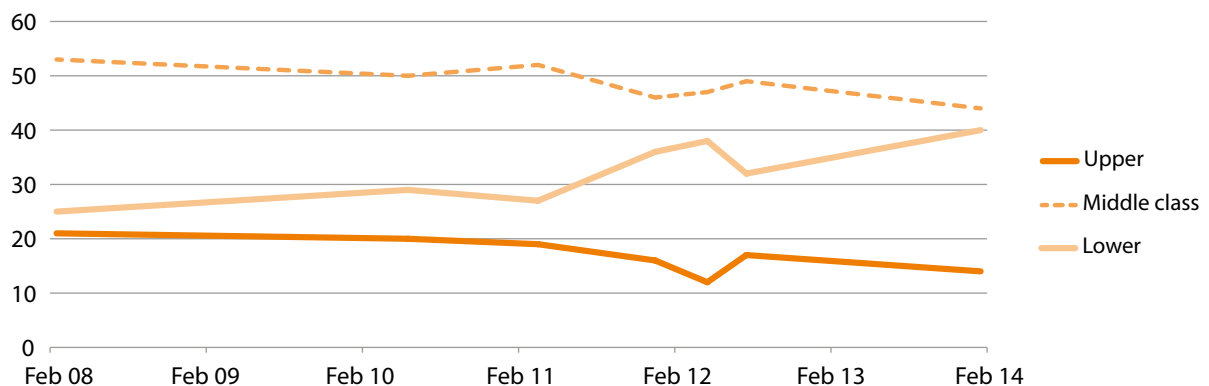
*Louis Chauvel and Anne Hartung*

*The living conditions and well-being of the middle class are traditionally considered an expression of how society is progressing. Yet growing inequality and the polarization of incomes observed in Western countries as a result of globalization, the recession and rapid technological change are leading to what has been described as a ‘malaise of the middle class’. This contribution presents the evolution of the income distribution in selected Western countries, and discusses the possible impact of the threat created by downward mobility and the erosion of the middle class in today’s society.*

Fear among the middle classes, and the threat that this fear presents to the stability of democracies, is a recurrent theme in times of rising inequality and economic crisis. The living conditions and well-being of the middle class are traditionally considered an expression of how society is progressing. But the growing inequality and polarization of incomes observed in Western countries today can have corrosive effects. They can create a situation that has been described as a ‘malaise of the middle class’. This is even more the case if globalization, stagnation and recession have a negative impact, leading to downward mobility and an erosion of the middle class.

The sociologist Theodor Geiger (1930) was the first to underline the importance of this type of distress – or ‘panic in the middle class’ – prophesying its potential consequences in the context of the German economic collapse after the First World War. When the middle class lacks class identity or cohesion, a negative economic context can generate anxiety and frustration, fear and phobias, which can in turn stimulate political unrest in the middle class, including populism and radical extremism. This vulnerability of the middle class implies the need for strong cohesive values to avoid centrifugal trends and the potential spread of violence.

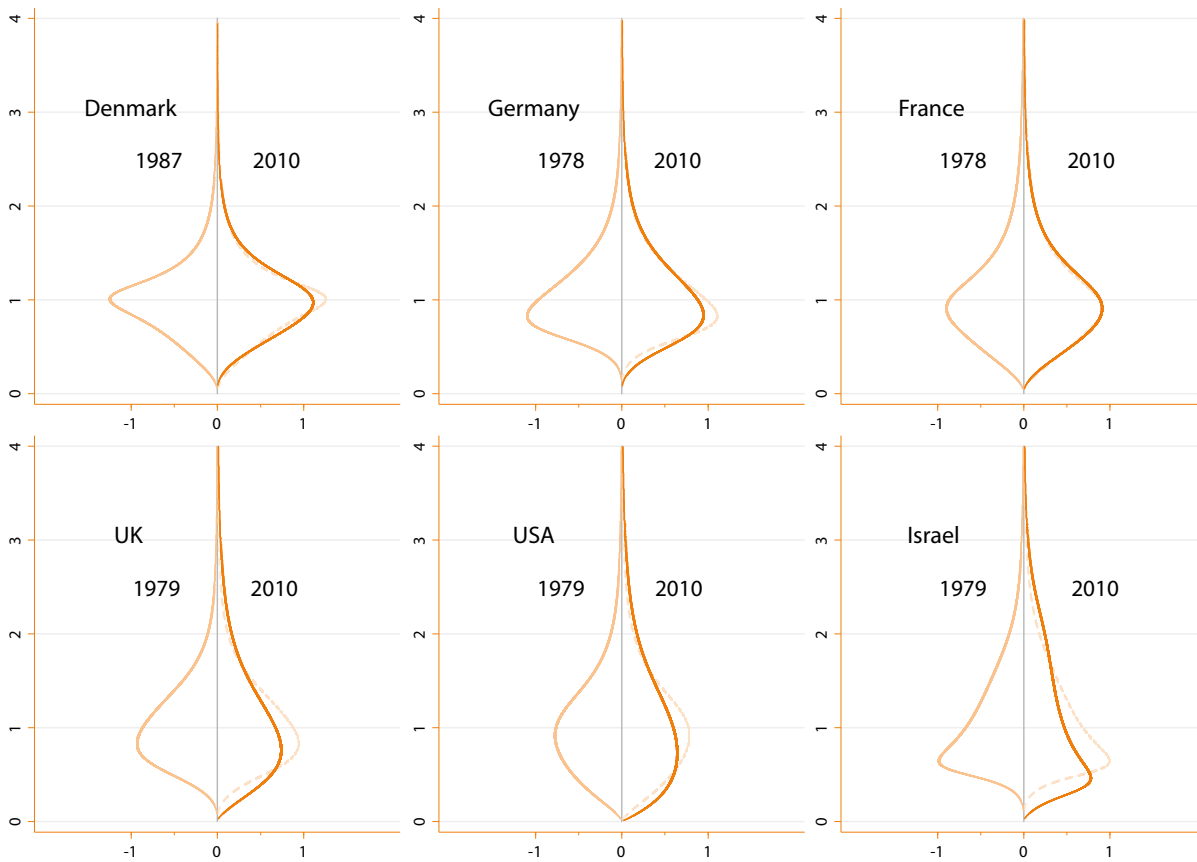
**Figure 38.1** The shrinking middle in the USA during times of economic crisis: percentage of adults identifying themselves as each social class



Note: ‘Lower’ includes lower-middle class and lower class; ‘upper’ includes upper-middle class and upper class.

Source: PEW Research Center.

**Figure 38.2** The shrinking middle: the changing shape of income distribution in Denmark, Germany, France, the UK, the USA and Israel – six typical strobiloids



*Note:* The strobiloid shows the income hierarchy as a vertical axis (1 = country-year median). Exactly 50 per cent of the population is below versus above level 1. The larger the middle class, the larger the curve near level 1. Many individuals are at the intermediate level around the median and their number diminishes at the top (the rich, topped here at four times above the median, are not so many) and at the bottom (impossible to survive near income = 0). Thus, in strobiloids with a larger belly, the intermediate middle class is larger with a more equal distribution (as in Denmark). The Israeli and the US cases are very specific of massive erosion of the middle or median class. The dashed line mirrors the left-hand side of the curve to facilitate comparison over time.

*Source:* Luxembourg Income Study (Chauvel, 2016).

The sociological diagnosis for the middle class in Western society today is not so pessimistic – at least not yet. However, several empirical elements of socio-economic upheaval affecting the middle class need to be underlined to reassess the stability of the middle class in many Western industrialized countries.

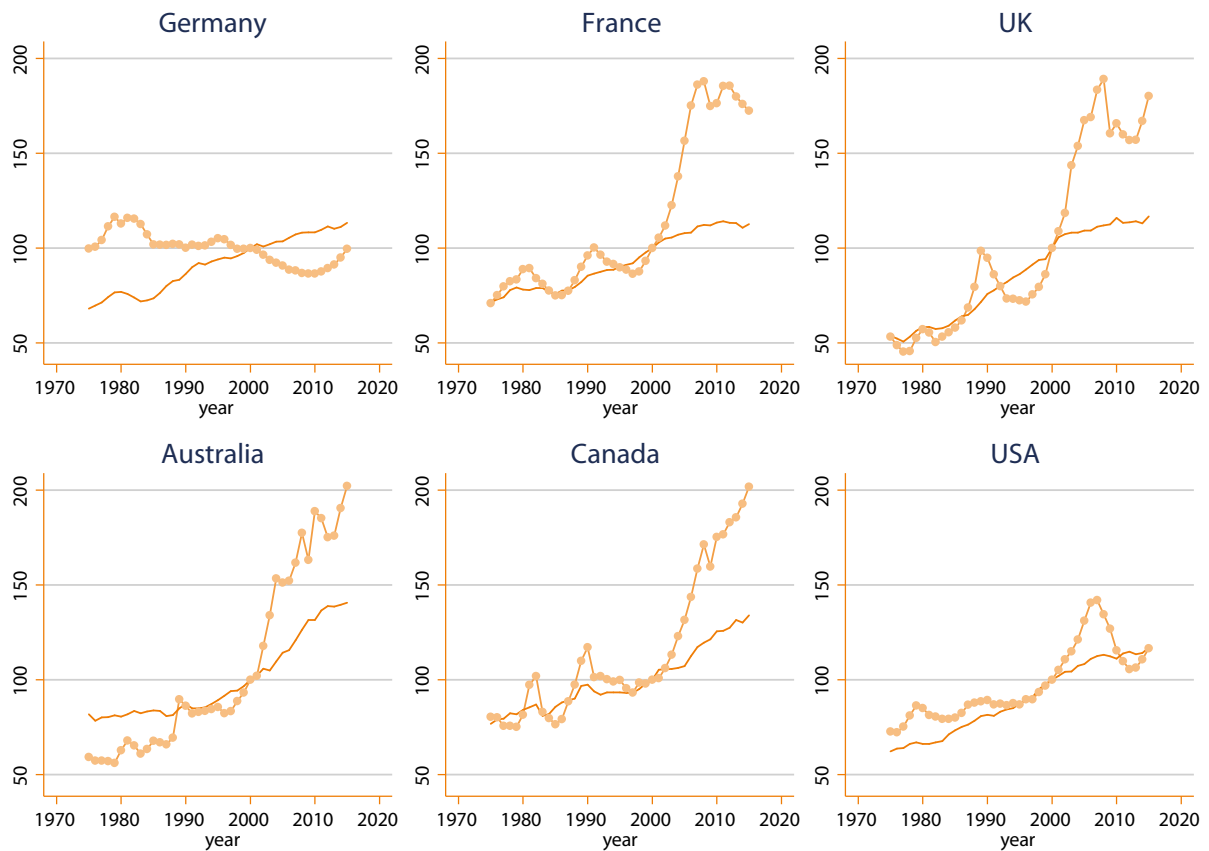
### The middle classes under pressure

Definitions of the middle class are a debated issue in the social sciences. While sociological approaches are typically based on social classes as defined by occupational characteristics, and those used by political scientists are based on belonging to

particular social classes, economists prefer the measurement of income groups. The income-based approach we apply here allows for improved detection of massive local transformations in the shape of societies, and specifically whether and where on the income scale a 'hollowing of the middle class' happens (Chauvel, 2016).

Let's look briefly at class membership during the recent economic crisis. The share of people who consider themselves as part of the middle class in the USA decreased by 9 percentage points from 53 per cent to 44 per cent in only six years (*Figure 38.1*).

**Figure 38.3 Diverging cost of housing (real housing price index, dotted lines) and real household incomes index (thin lines) in Germany, France, the UK, Australia, Canada and the USA**



Note: y-axis: Housing index and household incomes adjusted for inflation, indexed to year 2000 ( $y = 100$ ).

Source: International House Price Database, Federal Reserve Bank of Dallas. Data described in Mack and Martínez-García (2011).

The general diagnosis of the past decades is that the middle classes have been under pressure as a result of increasing economic inequality and polarization (Gornick and Jäntti, 2013; Piketty, 2014; Atkinson, 2016). This is true not only in the USA (Leicht and Fitzgerald, 2014), but also in many other Western countries.

This income polarization has led to a decline in the coherence of the middle classes as a large homogeneous group in the middle of the distribution. *Figure 38.2* compares the relative shape of the income distribution (relative to the median income of the country-year) in 1978/79 (left or dashed line on the right) and in 2010 (right), revealing the changing shape of societies and size of the income groups. In middle-class societies, such as in Germany and France, a large density or large area under the curve ('belly') around the median would be expected. In this respect, the USA and Israel are extreme cases, where the stretching movement of the middle class over these decades is obvious – if not alarming.

Conversely in France, the middle class remained stable between 1978 and 2010 (*Figure 38.2*). However, the skyrocketing trend of housing prices has almost halved the purchasing power of French wages in terms of square metres of housing since the end of the 1990s (*Figure 38.3*).<sup>1</sup> Wealth – and thus home ownership – is one of the most important drivers of middle-class dynamics.

### The seven pillars of middle-class societies

A more systemic approach to understanding the middle class (rather than looking solely at measurements of inequality) can be achieved by incorporating a broader conceptualization of 'middle-class societies'. Drawing on various classical social science works (notably Galbraith), the typical middle-class societies of the industrial age that culminated in the Western world in the eve of the 1980s can be characterized by seven important parameters, or 'pillars' of 'middleization':

### 1. 'Wage-based middle-class society': permanent wage earners become a majority

Well above the level of the working class, a new group of wage earners has emerged with stable and predictable earnings, with controlled volatility around the median wage. This wage becomes a norm, or at least a typical model in the public sector which is imitated by large companies in the service sector such as banks and insurance companies. This model of average wage earners generates a pervasive model of wage-based middle-class society.

### 2. Wage incomes sufficient to live well: the affluent society

In Galbraith's model of the affluent society (1958), the standard of living increases over the course of a lifetime, leading to increasing levels of consumption as well as savings (in particular in home ownership). The wealth-to-income ratio is low and median earnings are sufficient for enjoying comfort. This is a new feature compared with former societies, where wealth was the nodal resource.

### 3. Generalization of social protection including labour stability: the spread of social citizenship

Welfare state development complements the protection provided by the permanent wage earner contract through lower earnings volatility. Major social risks (widowhood, retirement, illness, unemployment, old-age poverty and so on) are better covered by this developed social insurance. In this model, social protection is a form of depatrimonialization: wealth is no longer required for life stability.

### 4. Educational boom and upward social mobility: increasing belief in meritocratic society

Galbraith underlined the specific role of education, not only for obtaining selective skills that define the 'new middle class', but also for the values and identity of middle-class parents who measure their own social success on the basis of the educational performance of their children, itself an entry ticket to upward social mobility. A middle-class society is characterized by a growing tertiary education sector, able to offer younger generations increased educational capital.

### 5. Belief in progress

In the 1970s, middle-class societies were characterized by values of socio-economic progress and an optimistic vision of a never-ending search for personal and collective improvement in human development, as well as economic, technological and scientific progress. For the US middle class, the late 1960s were the climax of the belief in progress, exemplified by the Man on the Moon.

### 6. Political centrality of the middle class

In the context of the post-war Golden Age (in the USA and UK), *Miracolo economico* (Italy), *Rekordåren* (Sweden), *Wirtschaftswunder* (Germany) and *Trente glorieuses* (France), the middle class became an increasingly powerful political force. Traditional politics were based on the fight between the dominant bourgeois powers and the social critique of proletarian streams. Trade union forces were initially devoted to the defence of working-class interests, not the median wage earner. In this political model, the middle class had in many countries a very limited political choice and often joined the bourgeoisie in right-wing voting. Later, with its increasing size, the middle class gained political weight in democratic elections.

### 7. Middle-class moderate politics

Middle-class values in a middle-class society fit with the Aristotelian ideal of moderation, stability and rationality. As a result of progressive change in postmaterialist societies, the older political balance between proletariat and bourgeoisie gave place to the promotion of the middle class as a centred moderated actor, an idea shared by Aristotle and Simmel.

These seven parameters can generate a core of centripetal forces typical of 'middle-class societies'. These forces are defined by a large bulk of middle-class members, but rely too on the awareness of the bourgeoisie and the working class that their own social destination (or that of their children) is in the middle class. These centripetal forces are typical of the 1970s spirit where even non-middle-class actors, in the working class and elsewhere, share middle-class interests.

## Diagnosis on the middle-class societies: are the seven pillars crumbling?

To date, the 'panic in the middle class' has not been assessed systematically. Instead, an array of potential trends of middle-class retrenchment has been observed by contemporary social scientists such as Piketty (2014), Therborn (2013) and Milanovic (2016). As a first step in this direction, we analyse here whether the seven trends mentioned above have gone into reverse with the end of the Golden Age.

### 1. Wage uncertainty: decline in predictability

The loss of stability in careers, and fluctuations in the labour market, generate wage uncertainty and thus make it difficult for the middle class to plan. This creates a new and massive precariat in middle-class societies.

### 2. Wage stagnation and increase in the real cost of life: the post-affluent society

A slowdown in economic growth negatively affects wage earners, even in 'affluent societies' where absolute levels of living are high. People search for other sources of income.

### 3. Destabilization of social protection and repatrimonialization

The model of wage earner protection faces welfare state retrenchment and the erosion of public insurance or its replacement by private insurances, with strong consequences for household incomes. Targeted and means-tested welfare regimes may exclude the middle class from social protection. Savings, business resources and capital gains make an increasing difference in the protection of individuals.

### 4. Mismatch between diploma and socio-economic position: over-education and downward social mobility

In several countries (for example in Southern Europe), even highly educated diploma holders face difficulties in entering the labour market, generating a mismatch between education and positions (*nimileuristas* in Spain). Beliefs in the intrinsic value of skills erode, and middle-class members become conscious of risks of social downward mobility.

### 5. New worries, declining beliefs in progress

Generalized distrust includes declining trust in the future, and new middle-class panic.

### 6. Loss of the political centrality of the middle class

Decline in social democracy; reflux of trade union participation of the middle class; development of lobbies.

### 7. Spreading populism

Problems that were previously limited to socially excluded groups or the working class spill over to the lower middle class. Populist parties progressively gain votes from the middle class.

The inversion of the seven Galbraith parameters is typical of the centrifugal dynamics that characterize today's middle classes. These new middle-class dynamics gain importance in periods of economic retrenchment, risking a social generation becoming marked by a pessimistic *Zeitgeist*. In Geiger's model, economic degradation, downward mobility and the lack of a reliable and stable regulating frame generate fear, frustration and social disorganization. A strong core of shared values and sense of solidarity can limit centrifugal trends but when they are absent, societies face the risk of anomie and social unrest.

## Conclusion: systemic downward mobility and the risks for Western democracies

Later social transformations mean that the situation we face today is more complex than Geiger's seminal ideas suggest. The Western middle classes today are certainly more stable than in the 1930s. However, they also represent a larger share of the populace, and their destabilization could have significantly greater effects. Forecasts of labour market transformations caused by the 'Internet of Things' and by innovation in artificial intelligence suggest that 30 per cent of middle-income jobs could be eliminated (Autor, 2015). In the contemporary post-crisis shock, equality and the middle class are at risk (Atkinson, 2016; Mau, 2015) as a consequence of welfare state retrenchment, declining public employment, restrictive economic policies, unstable housing prices and uncertainty in the credit market, all of which directly affect the middle class.

The risk for today's middle classes involves a systemic threat created by the divide between a still-competitive upper middle class and a downwardly mobile lower middle class. This threat could spread stressors in the social system. The gap between aspirations to upward mobility and the realities of economic hardship, political tension, loss of social cohesion, frustration and support for undemocratic decisions might accelerate a vicious circle of economic decay, in turn exacerbating new social stressors. As Atkinson (2016) has said, a redeployment of the middle class in politics and democracy is the only route to stability.

### Note

1. Note that the curves in *Figure 38.3* follow the dynamics of the two indices over years, contrary to *Figure 38.2*, which represents relative changes in the relative income distribution (shapes net of average transformations). The two figures may therefore reveal different aspects of the middle-class malaise.

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