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FUTUREFOCUS

SPECIAL SECTION INSIDE

RISE OF THE **Global Middle Class**

IT HAS LONG BEEN AN AMERICAN DREAM. NOW, MORE SOCIETIES ARE PUSHING UPWARD — IN NUMBERS THAT SURPASS ANY EXPLOSION OF AFFLUENCE IN HISTORY.

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Up with the middle

THE WORLD IS EXPECTED TO BE MORE MIDDLE-CLASS THAN POOR BY 2022: WHAT DOES THE SURGE OF AFFLUENCE MEAN IN THE BALANCE OF GLOBAL POWER?



BY CHRISTA CASE BRYANT / STAFF WRITER

Touting tigers, the Taj Mahal, and the towering Himalayas, India opened the 21st century with its “Incredible India” campaign to attract tourists from around the world. But the unexpected happened. A surprising new face showed up on the Indian tourism scene to fill hotel rooms and tour bus seats: Indians themselves.

They were people like Ash Narian Roy, who grew up in a rural hut but today has a PhD and works in Delhi. They are the new Indian middle class, who have begun exploring new horizons of education, culture, and leisure.

“Ten years ago,” muses Dr. Roy, whose increasing ability to travel parallels the past decade’s explosive growth of the middle class, “we may have gone near Shimla in our own car.” But now he hires a driver to take his family into the heart of that cool summer resort in the Himalayas. And he even jets off to the beaches of Goa in the south.

The curious and free-spending domestic traveler like Roy, says Amitabh Kant, an Indian development official who wrote the book “Branding India: An Incredible Story,” is an “economic savior” for India. And, to boot, Mr. Kant says, middle-class Indians are a powerful market abroad, now outspending Americans in London, for example, by 10 percent.

The “Incredible India” surprise is part of a surge of prosperity that is rapidly expanding the world’s middle classes. By 2030, the global middle class is widely projected to at least double in size to as many as 5 billion – a surge unseen since the

Industrial Revolution. This boom, however, is more global, more rapid, and is likely to have a far different – and perhaps far greater – impact in terms of global power, economics, and environment, say economists and sociologists.

“This dwarfs even the 19th-century middle class explosion in its global scale,” noted economists Dominic Wilson and Raluca Dragusanu in a 2009 Goldman Sachs report. And they predicted, “the pace of expansion ... is likely to pick up.”

The world will, for the first time in history, move from being mostly poor to mostly middle-class by

2022, the Organization for Economic Cooperation and Development projects. Asians, by some predictions, could constitute as much as two-thirds of the global middle class, shifting the balance of economic power from West to East. Already, some analyses of International Monetary Fund data suggest that the size of the Chinese economy could eclipse that of the United States in just five years.

In just one example of the rising clout of this new global middle class, in a mere seven years China has gone from buying 1 General Motors car for every 10 sold in the US to becoming the American automaker’s biggest customer – not to mention becoming a big competitor at the gas pumps.

But today’s middle-class boom is unlike the Industrial Revolution, in which rising prosperity became a catalyst for increased individual and political freedom. Those in the emerging global middle classes – from an Indian acquiring a flush toilet at home to a Brazilian who can now afford private school to a Chinese lawyer with a new car in the driveway – are likely to redefine their traditional roles, and in doing so, redefine the world itself.

“I would expect that as the global middle class gets transformed by the entrance of hundreds of millions of Indian, Brazilian, and Chinese families,

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Defining 'middle class'

Even experts can't agree. Is it income, or the way it's spent? Education, or social status? Can salary denote more intangible characteristics of the middle class, like being cultured and idealistic? The answers are complex and imprecise at best.

"[In India,] there is no direct correlation between your studies and what you are earning, what you are earning and what you are spending, what you are spending and how you are spending," says Yashwant Deshmukh, an Indian pollster with Team CVoter. Instead, spending is sometimes a function of social insecurity among relatively poor families or groups. "Even if they have this much of earning," he says, pinching his fingers close together, "in order to buy that kind of social equality they will spend." For example, the most luxury cars are sold in the debt-ridden state of Punjab.

In China, most analysts and economists use criteria such as disposable income; occupation; education; and home-, car- or stock-ownership, and end up with largely white-collar workers.

Brazil's middle class is more modest. "It's a world middle class," says economist Marcelo Neri — one you'd find if you lumped the world together and then divided it into rich, middle class, and poor. "Being in the Brazilian middle class is to be able to consume what public services offer — education, health, social security — but with better quality in the private sector. It also can mean having a car, computer, access to credit, a cellphone. The main symbol is formal employment, a work contract."

But even comparing the relative value of salaries is complicated. If you earn \$100 a day in

China, where dinner costs \$5, how does that compare with a Brazilian who only earns \$20 but can fill up on a \$2 meal? To even out the numbers, economists use purchasing power parity (PPP), which is basically how much \$1 will buy in that country. But even then, economists can't agree. Some define the middle class as those who spend as little as \$2 a day in PPP terms; others go as high as \$100 a day.

What's important is how the purchases, perspectives, and pressures of this loosely defined global class are shaping the future.

— Christa Case Bryant

esthetic that keeps political discontent manageable," says Brink Lindsey, whose book "The Age of Abundance" links America's post-World War II prosperity and its mind-opening educational opportunities to the social and political upheaval of the 1960s and '70s. "But already [in China] things are dramatically different. People have much more freedom in their lives."

That's a sneak preview, he says, of what lies ahead for developing countries — particularly the awakening giants of the middle class: Brazil, Russia, India, China, and South Africa, the so-called BRICS economies.

Mall-ified consumers

Far from Rio de Janeiro's beaches and boutiques, Shopping Jardim Guadalupe is emblematic of the global economic boom fueled by Brazil, India, and China. "I want your store in my mall," reads a recent ad for the megacomplex due to open in November. It will be a hub of middle-class aspiration with not just a food court, eight anchor stores, six "megastores," and 250 smaller shops, but also a university, private high school, gym, medical center, movie theaters, and a bowling alley. More than 84 percent of the property has been sold.

Millions have long lived in Rio's poor suburbs, but only recently have they had enough money to attract a mall developer. From 2003 to 2008, 24 million people left poverty in Brazil, where the middle class now accounts for more than half of its roughly 191 million citizens. At home, they enjoy color TVs, refrigerators, washing machines, and vacuum cleaners. Half have a computer; more than a third have Internet access.

Estimates of just how big China's middle class is range widely from a low of 157 million (which would be second only to the US) to more than 800 million. With such a large middle class driving consumption, China has seen an average 15 percent growth in retail sales in recent years and is already the world's largest market for cellphones and cars (in 2009 passenger car sales increased 53 percent). India's middle class is projected by the NCAER to grow by 67 percent in the next five years, to 267 million people, or nearly a quarter of its population.

What's driving this bulge? State policies such as Brazil's increased minimum wage and India's reduced tax rates have boosted incomes. Foreign investment is giving more people salaried jobs, and those in turn are driving demand for everything from mechanics to more fashionable clothes, says economist Homi Kharas of the Brookings Institution in Washington. And more are

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YANG YUE/XINHUA/NEWS.COM/FILE

the concept of what we see as the middle-class values may change," says Sonalde Desai, a sociologist with the National Council of Applied Economic Research in Delhi (NCAER). "Historically, sociologists have defined 'middle class' as those with salaries.... I think 'middle class' is very much a state of mind."

Who are they?

From Aristotle to Alexis de Tocqueville, Western thinkers have championed the middle class as essential for prosperous, enlightened societies. They held it up as the engine for economic growth, the guardian of social values, and an impelling and protecting force for democracy.

The new members of the middle class have been praised for their work ethic, like the shopkeepers, tradesmen, and professionals who spurred the Industrial Revolution.

But they also differ in fundamental ways. They come from communal societies that rein in the individualism prized in 1800s America. Their exposure to the pitfalls of the West's extravagant consumerism often makes them more frugal and environmentally conscious. And they are hesitant — for now, at least — to risk prosperity for political freedom.

"China's rapid growth has been a kind of an-



NEWS.COM/FILE

Chinese girls pose in front of the Beijing Gucci store (opposite page). A Brazilian takes an upscale coffee break (above) in the Ipanema neighborhood of Rio de Janeiro.

More money, more pollution?

As a greater percentage of global citizens approach the living standards enjoyed by the West, the need to find innovative ways to balance growth with natural resources is increasingly urgent. Developing nations' demand for energy is expected to grow 70 percent by 2030, according to ExxonMobil's Outlook for Energy 2011.

The number of cars in Rio de Janeiro grew 40 percent in the past decade, and China recently surpassed the United States as the world's largest car market.

Air travel has been growing by double digits in India, and air cargo is likely to expand because of rising demand for middle-class products like fashion clothing and medical equipment, says John D. Kasarda, coauthor of "Aerotropolis: The Way We'll Live Next."

But there's also a tradition of frugality that could mitigate the rush on natural resources. In India, for example, recycling newspapers means selling them to another customer.

"At this point in time, the cultural influence of recycling, getting things repaired, saving electricity because it will save money remains strong," says Indian environmentalist Chandra Bhusan. While people are becoming more wasteful, he says, the West's example provides a strong reminder.

"We have to learn from the failures of others," he says. "The Western world failed to solve its mobility challenge... We have to provide state-of-the-art public mobility."

Close to 40 percent of the Delhi government budget this year has gone toward public transportation – bike lanes, a rapid-transit bus system, and subway expansion.

And innovative technology could help the whole world become more environmentally friendly. China is already a leader in wind power and is designing battery-powered cars, while nearly one-third of India's primary energy comes from renewable sources.

"These countries have demonstrated a tremendous amount of innovation to serve the needs of these middle classes," says Homi Kharas of the Brookings Institution in Washington.

– **Christa Case Bryant and Ben Arnoldy**

▶ *Continued from previous page*

getting better education.

That presents opportunities both for local entrepreneurs and multinationals – and could change the products available to the West.

Last year, Levi's specifically targeted Asians with its launch of dENiZEN, a new line for the "global citizen" complete with pink T-shirts that say "Chase Your Dream." In a reversal of the usual currents of global markets, dENiZEN will come to the US this summer, where Target will carry a line adapted for Americans.

There are other pioneers on this East-West route, particularly in consumer electronics, auto parts, and construction equipment, says Elizabeth Stephenson of the global consulting firm McKinsey & Company. In 2007, Finland's Nokia introduced seven low-cost cellphones in India; at least three of them are now marketed in the US. Last year, General Electric developed a low-cost electrocardiograph machine for rural India, and within weeks 500 units were en route to Germany.

"As companies have begun to sell into emerging markets, they've had to innovate – both multinationals and local companies. They've learned to do things at a much better value-to-price ratio," says Ms. Stephenson, co-author of a 2010 McKinsey report on emerging-market growth. "Now, what you're starting to see is a lot of that innovation flow back. These new low-cost innovations are beginning to disrupt Western markets. The emerging market story is really a global story."

Within a decade, Americans could start to see some of the inexpensive cars now being launched in China, such as GM's new Baojun 630, which began selling last month starting at \$10,800. But due to higher US standards for emissions and safety, along

with consumer desire for sound systems and other amenities, even such cars will cost much more in America.

"At this point, they're not ready to play here with the level of expectations in the US market," says David Cole, chairman of the Center for Automotive Research in Ann Arbor, Mich. "But they are getting there. As the internationals work there, they are introducing state-of-the-art technology."

With such growth, China, India, and Brazil are projected to become among the world's top-five economies by 2050. As these nations gain clout, understanding the people behind



PHOTOS BY MONIQUE JAQUES/SPECIAL TO THE CHRISTIAN SCIENCE MONITOR

Ash Narian Roy (above, l., with his wife and daughter) grew up in a rural hut, but earned a PhD and now heads a think tank in Delhi. His daughter, Martina (r.), is given freedom to drive.



their governments becomes crucial to discerning the world's future.

Values under pressure

Roy, the Indian traveler, directs a think tank in Delhi, where he lives in an upscale neighborhood with his wife and daughter. It's a long way from his childhood hut in Bihar, one

of India's most undeveloped states.

In March, Roy flew home for his father's funeral – a 12-day ceremony involving four feasts. Electric power was available only three hours a day, and Roy's new cellphone, with a power-hogging color screen, kept running out of juice. By Day 2 he was wondering how he could escape.

"I realized that the place is so traditional I had to do all the rituals, even against my wishes," he says. He drew the line at shaving his head. His excuse: Airport security wouldn't accept his photo ID if he showed up bald.

His experience epitomizes the tension between traditional values and upward mobility that is playing out across the developing world.

But in India, the tightly knit family structure has kept values from chang-

ing dramatically and will have an effect on the character of change.

That has benefits in terms of educating children and feeling socially connected. But even as Indians become wealthier, they are unlikely to gain full autonomy to decide careers, marriages, and major purchases.

"Being independent is not really in the concept of Indian social fabric in that way that being independent is in the Western fabric," says Yashwant Deshmukh, an Indian pollster.

That's particularly true in the case of women, despite their becoming more educated.

"We have this conflicting push-pull going on – education and modernizing," says Ms. Desai. "One is getting education, one has a social status, but it is meant to be used in the service of the family rather than in individual freedom."

That contrasts with the Industrial Revolution, in which economic freedom spurred a growing sense of individualism and freedom of thought

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that transformed everything from gender roles to political rights.

But Mr. Lindsey is confident that today's middle-class explosion will also result in similar personal and political freedoms, though perhaps the process will be more gradual – and thus involve less upheaval.

“If you're a poor peasant, you're not in charge of anything in your life [from where you live to who you marry],” he says. “[S]o why would you presume to have anything to do with how the laws in your life are made? It's just completely out of your hands.”

But people start thinking differently when they can choose their work and “it's something that requires thought and judgment, not manual labor,” he adds. “Politically it manifests itself in democratization.”

An opening for democracy?

But there's no political revolution waiting to happen in China – perhaps just new inklings of what it means to be a citizen.

Much of the generation joining the Chinese workforce now, who are shaping the aspirations of the middle-class bulge, were just toddlers during the 1989 Tiananmen Square uprising. Young Chinese at that time were seeking political reform to match the economic reforms introduced by the Communist Party in the late 1970s, but they were infamously put down in a massacre by the government.

Frances Sun, a Chinese senior vice president for the international public relations firm Hill & Knowlton, describes today's prosperous generation as more talented but less interested in its country's history and government. “They did not experience the hard time of China,” says Ms. Sun, who oversaw the massive public relations effort for the 2008 Beijing Olympics. “They have no memory of the hard time. So they care less about politics, the country, the big issues.”

It's typical historically that as people gain economic freedom, they seek a stronger rule of law, based on principles rather than personalities. While nothing like the Tiananmen consciousness is brewing today, the middle class is, however, spawning a

small but growing number of activists who look beyond their own relative prosperity to the growing social inequalities that mar Chinese society.

“Volunteer organizations defending the environment or helping disadvantaged people are all set up and run by middle-class people,” says Zhang Wanli of the Chinese Academy of Social Sciences in Beijing.

Such activities are fairly localized, if only because the ruling Communist Party does not tolerate wider networks of citizens that might threaten its control over society. “We are a long way from a full-blown civil society,” says Jie Chen, a professor at Old Dominion University in Virginia. “Maybe when 50 to 60 percent of the population is middle-class they may feel more confident.”

Even if many middle-class Chinese are dissatisfied with government policies, they are currently “a force for stability,” says Bruce Dickson, a politics professor at George Washington University in Washington. “So many of them have benefited directly from government policies and they want them to continue.”

On the personal level, though, the price of social and

material success is high, says Helen Wang, author of “The Chinese Dream”: “A lot of middle-class people in China are suffering from extreme anxiety ... because of peer pressure to keep up with the Joneses, because of the high cost of health care for their parents and of education for their kids.”

As many from China to Brazil improve their lives, global income and spending power are becoming more evenly distributed worldwide. But within individual countries, particularly in Asia, inequality is increasing because the rich are getting richer faster than the middle class can expand its share of the national pie. The growing middle classes could, however, pressure governments to adopt

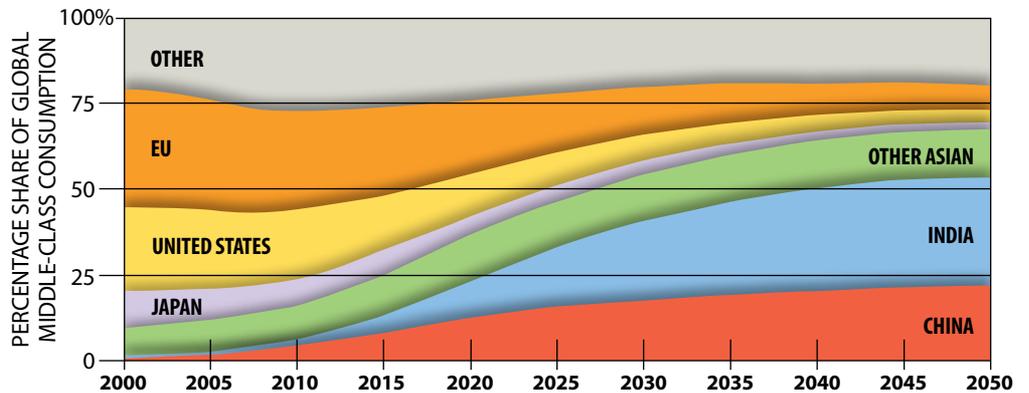
economic and social policies aimed at protecting them against inequality, inflation, and bubbles such as the real estate ones that have hit the US and Europe. On a more personal level, it could cause individuals to seek something more lasting than economic prosperity.

“Under the current social circumstances of big changes, people lack a sense of security,” says Ms. Zhang, noting the rising popularity of religion in China. “It means they will have a greater desire and need for spiritual succor.”

■ Peter Ford in Beijing, Ben Arnoldy in Delhi, and Julia Michaels in Rio de Janeiro contributed to this report.

The global middle-class wave

Global middle-class consumption will shift heavily toward China, India, and other Asian countries (excluding Japan) as the high-income countries see their share decrease.



SOURCE: H. Kharas (2010), 'The Emerging Middle Class in Developing Countries,' OECD Development Centre Working Paper No. 285

RICH CLABAUGH/STAFF



After work, middle-class Indians fill a dance class at a gym in Delhi.

MONIQUE JAQUES/SPECIAL TO THE CHRISTIAN SCIENCE MONITOR

INDIA | FOR INDIANS, THE CLIMB IS A FAMILY AFFAIR

BY BEN ARNOLDY / STAFF WRITER

FATEHGARH, INDIA

By Indian standards, Aditya Kumar has made it. He has a secure government job and his mother, wife, and two kids live in one of the largest homes in this village.

What he – and many in the Indian middle class – don't have is much autonomy. Mr. Kumar dreams of being an entrepreneur living in a big city. Instead, he's stuck halfway.

During the week, he lives and works as a youth development officer in Agra, the nearest city. On weekends, he takes a four-hour bus ride back here to his family.

With his mother's pension, Kumar's family has purchased three taxis. He wants to scale up this side business and quit his job. But such decisions in India aren't left to one person. "I do not have the ability to choose the business I want to because [my mother] won't approve," says Kumar, who is 38. As for moving, "she said 'I will never leave this home.' I did not find it right to leave my mother alone."

His wife, Babita, also wants him to stay in his "respectable" job. She, meanwhile, wanted to work as a teacher, but her husband convinced her to take care of the home because he and his mother already work.

"A lot of these choices become more family choices than individual choices," explains Sonalde Desai, a sociologist with the National Council of Applied Economic Research in Delhi. But it would be incorrect to say that economic growth isn't expanding freedom, she says. "It's a freedom that

BUT AFFLUENCE – LIKE A SEPARATE BEDROOM FOR THE KIDS AND A GOOD EDUCATION – COULD CHANGE THE CULTURE.

you can transcend the circumstances that you came from, that your children can transcend those circumstances – transcend as a family."

Kumar's mother, Reshmi Devi, prays cross-legged before Hindu gods arranged in a shrine she had built in a quiet, upstairs nook of the house. At age 63, she has achieved serenity unimaginable even two decades earlier, when she lived on this same land in a one-room mud hut with a dirt floor.

The matriarch hauled her family into the middle class through education, even though she was removed from school after Grade 5 and sent to live with her husband at age 13. At that tender age, she realized that her new husband was a struggling carpenter who couldn't support a family.

"I went up to him and asked, 'How can we supplement it?' There was no other thing I could think of than getting educated," says Mrs. Devi. Her father-in-law forbade it. Women weren't supposed to leave the home. But at 18, with her husband's permission, she returned to the classroom alongside girls as young as 8.

Five years later, Devi had enough education to qualify for a well-paid government job as a nurse in a hospital. Her husband, "a good man," she says, braved village derision and agreed to be Mr. Mom to their kids.

A framed photo of Devi's late husband hangs close to the living-room ceiling, centered above the TV and



the framed honor roll certificates of her grandchildren.

Devi's sole purpose for the money she earned was educating her three children well. She then turned to building a proper house because "I had to get my kids married off. Where will my daughter-in-law stay? Where will my son's children live?"

She stayed put in this rural region where migrant workers returning by train pull the emergency chain and jump into the wheat fields to save a long trip from distant stations.

Devi's house has two stories, marble floors, and four bedrooms. She sleeps in one. The rest of the family – the Kumars and their 10-year-old, Lavanya, and 6-year-old Aryan – share a big bed in another. A third is a fully furnished guest room.

The fourth bedroom, Kumar is finishing for the two kids to share. "I think they feel more secure sleeping with their mother, but this will certainly make them more independent," she says.

A child having her own bedroom is new to India, says Christiane Brosius, author of "India's Middle Class: New Forms of Urban Leisure, Consumption and Prosperity." Withdrawing to your own room, playing your own music, having your own friends over, and that you "want to be with them," says Ms. Brosius, is new: "That belongs to a kind of privacy that distinguishes you from your parents."

Kumar's salary, Devi's pensions, and taxi proceeds bring in the equivalent of \$17,670 a year.

Kumar's family income puts them within the top 10 percent of all Indian homes. The consulting firm McKinsey & Company classifies those making \$7,200 to \$18,000 as "seekers," the bottom level of the Indian middle class. As of 2010, the seeker income bracket made up only 14 percent of the Indian population, and two higher brackets just 3.5 percent. Seekers, however, may be the Indian middle class of the future: McKinsey projects growth in this bracket, to one-third of India's population by 2025.

It's hard to define middle-class, says Ireena Vittal, a McKinsey partner. "The question becomes middle-class for what? We're trying to understand a classification of the Indian economy from a consumption point of view."

Ms. Desai and others argue that aspirations more than income define the middle class. So she includes people much poorer, she says, recalling giving a talk in the United States that included a slide of how many "middle class" Indians didn't have flush toilets. "The moment I presented that toilet statistic, people just shut off," she laughs. "I suspect we will have to come up with a more indigenous definition because the family buying a Toyota Corolla is wealthy.... A middle class can't be 5 percent of society."

Kumar's family does own a car, but a low-end Maruti Swift. They also have an older IBM ThinkPad laptop, an Internet connection, and cable TV.

Mrs. Kumar quickly gave up learning to drive: Many vendors bring goods to their home, so she only goes out with a driver for monthly shopping trips or school meetings. She has more education than anyone in the house, but the least mobility.

The middle class is more "retrogressive" on women's freedom than lower classes, says Desai: "One of the most striking things about India is that [the] female employment rate falls with more education and income."

Families can afford the social status of not having women working or even going out much. Yet the middle class is pushing to educate daughters like never before.

Everyone in the Kumar family wants Lavanya to be highly educated – and they envision greater freedoms for her, including choosing her husband. Mrs. Kumar, in particular, wants her to drive, get a good job, and "be dependent on ... nobody else." ■



PHOTOS BY BEN ARNOLDY

Babita Singh (top), at the front gate of the home built on the land where her in-laws' old mud hut once stood, has more education than anyone in the family, but stays home because her husband, Aditya Kumar (above, at a market), has a good job.

EDUCATION HAS BOOSTED HALF THE BRAZILIAN POPULATION INTO THE MIDDLE CLASS.

BY JULIA MICHAELS / CORRESPONDENT

RIO DE JANEIRO

A paper cap corralling her long, curly hair and a white paper mask muffling the lilt of her salon gossip, Meire adjusts a neon ring of light and peers businesslike at the calloused foot of a client lying on a white leatherette recliner. Pedicures are serious business in this mecca of sun worship and sandals.

As lowly a job as it may seem to bathe, poke, pluck, and massage other people's feet, this job is golden. It has boosted Meire up the socioeconomic ladder and out of the slums: By serving the middle and upper classes in her cubicle at Ipanema's Spa do Pé (Foot Spa), she has herself entered

now estimated to include half the nation's population of 191 million. The burgeoning consumer appetite, say economists, buffeted the country from the world recession that began in 2008: Unlike the United States and much of Europe, Brazil's economy is booming, with 7.5 percent gross domestic product growth in 2010.

Thanks to a constitutional provision for universal education enacted in 1987, Meire got a high school diploma. She worked at a General Electric light bulb factory for six years after high school. But when incandescent bulbs lost market share, the factory closed. Meire's diploma saved her: It qualified her to take an 18-month specialized salon course.

extortion bid.

Her parents still live there, in a house of concrete rooms stacked atop each other in three stories, so close to a house across the alley that a neighbor can lean over and serve lemonade to visitors.

Even for those most determined to get ahead in life, *favelas* are full of pitfalls. Meire's first boyfriend, a cocaine addict, promised he'd stop using drugs if she had sex with him. She became pregnant at 16 – in 1994 – with her first daughter. But the boyfriend was killed in 2001 by a drug lord because his habit was leading to crimes that stirred up trouble for the community.

Despite being left alone in difficult circumstances, in November 2008 Meire performed some financial acrobatics and took out one of the Brazilian government's increasingly available low-cost 20-year loans to buy a 1930s-era yellow two-bedroom house with a front porch.

"My mother said 'You're crazy,' and I said 'You get things done if you're crazy,'" Meire recalls. "Otherwise I'll be here in Jacarezinho seeing the days go by."

Later, she made a sentimental discovery: The bungalow with its decorative stone chimney had been her mother's dream home. As a child, her mother had walked by it on the way to school, dreaming daily of it being hers. "She wept when she saw my new bedroom set," says Meire, who paid the equivalent of \$47,000 for the home.

To realize her mother's dream a generation later and make her down payment, Meire withdrew the equivalent of \$4,700 from her government-stipulated workers' fund account, and sold her furniture. She also had to prove to the bank providing the home loan that she had a hefty balance in her account. But after scrounging for the down payment, she didn't have a hefty balance. So friends shifted cash into her account to make it look that way.

This is what economists call "social capital." The fact that Brazilians turn mostly to family and friends for help is one of the fragilities of the new middle class. Analysts say government institutions need to be stronger, more reliable and accountable, offering greater access to microcredit and low-cost housing.

Meire's oldest daughter, now 16, was joined by a half sister, now 12. Thanks to their mom's determination and resourcefulness, both study at a private school and plan on college; they share a computer and regularly use the Internet. In summer, all three sleep in one air-conditioned bedroom.

It is a peaceful place Meire has made for her family. Though she leaves a bill unpaid each month to make ends meet, she says her financial scramble is nothing.

"In the *favela* you wake up in the night hearing shootouts," she sighs, stretched out one late-summer Sunday morning in her air-conditioned bedroom. "The peace of mind [here] is worth the cost." ■

BRAZIL | UPWARDLY MOBILE: FROM RIO SLUM TO A MORTGAGE



CHANTAL JAMES/SPECIAL TO THE CHRISTIAN SCIENCE MONITOR

Meire, a Brazilian pedicurist, has lifted herself out of a Rio de Janeiro slum and bought a house. She qualified for the mortgage using 'social capital' – that is, with help from her friends.

Brazil's burgeoning middle class.

"I love what I do," she often says, as she straightens up from hunching over a client's newly buffed feet. And that's despite a three-hour round-trip bus commute to work five days a week – and frequent house-call detours she makes for extra cash.

Meire, who asked that the Monitor not use her real name for security reasons, is living the middle-class dream that is spreading across the globe. Her income – the equivalent of \$1,000 a month – has enabled her to get a mortgage on a small house on a tree-lined street 15 minutes from her parents' home in the giant Jacarezinho *favela*, or slum. Brazil's middle class, swelling with people like her who have achieved higher levels of education than their parents, is

"Brazilians are consuming more because they're working more, and they're working more because they went to school," says economist Marcelo Neri, who last year produced the Getúlio Vargas Foundation study "The New Middle Class in Brazil: The Bright Side of the Poor." Mr. Neri adds that enrollment in technical schools such as the one where Meire got her training grew 75 percent from 2004 to 2010.

The *favela* where Meire grew up is famous for a section where drug addicts openly use crack, undisturbed. And security is hardly provided by police: She recalls how she and a companion awoke in a *favela* apartment four years ago surrounded by police who threw a packet of cocaine on their bed in a mistaken-identity



Members of the newly minted Chinese middle class checked specs of apartment models (left) at a real estate fair in Beijing last month. Liu Likang and his wife, Xu Yao (below), rent a Spartan apartment, but they own a new car, travel, and have a savings account.

and teachers – make up the middle class. By those criteria, these 300 million Chinese (25 percent of the population) are middle-class. The international consulting firm McKinsey & Company forecasts that by 2025 those numbers will have more than doubled to constitute 40 percent of the population.

But Liu and Xu do not think of themselves like that.

“We are better-paid working class,” says Liu, for whom only an annual income of \$150,000 would put someone in the “middle class” bracket, able to enjoy all the material perks he associates with that status. “I dream about that day and night,” he adds with a laugh.

Money, he believes, is the only possible passport to some sort of personal autonomy in the absence of political freedom.

“The current political situation means that ordinary people have no influence,” Liu says. “For my parents, so long as their interests are not violated they don’t care who is in charge. But we are different.”

That does not make Xu hopeful, though. “We’d like more influence, but I don’t think it’s going to happen in China,” she laments.

“In theory, the Constitution gives everyone the right to vote; but in reality, the law is not enforced,” adds her husband. “Nobody has ever asked me to vote, and I’ve never even seen a ballot paper. Even my class monitor in elementary school was not elected.”

But even if they have little faith in government

accountability, they do have faith in the power of the yuan to ensure well-being. Two years ago, Liu recalls, thousands of Chinese infants were poisoned by adulterated locally made baby formula. “Middle-class people could afford to buy imported formula. Ordinary people had to use the poisoned stuff. If you have money, you can have a better life. We can only try to earn as much as possible to reduce the government’s influence over our lives to a minimum,” he explains. “All we can do is earn a lot of money to avoid harm.”

Thinking about anything else of more social or political import, Liu sighs, “is useless. I forget all of it when I work. The only thing we can do is to busy our heads and earn money.”

CHINA | IT'S AFFLUENCE, NOT INFLUENCE

CONSUMER CHOICE MAY BE THE ONLY FREEDOM CHINA'S MIDDLE CLASS ENJOY.

BY PETER FORD / STAFF WRITER

BEIJING

The cramped two-room apartment filled with cheap, mismatched furniture where Liu Likang lives with his wife, Xu Yao, would hardly pass for a middle-class dwelling in America. Uncarpeted, lit by a harsh light bulb hanging from the ceiling without a shade, the rented bedroom-cum-sitting room looks more like temporary student lodgings. Outside on the street, however, sits their brand-new Volkswagen sedan, a sleek status symbol that proclaims the young couple’s achievements and ambitions as a pair of Internet start-up employees who are going places.

These are the sort of people whose historical equivalents in 18th- and 19th-century Europe developed political ambitions to match their economic status and fueled the rise of democracy.

Mr. Liu laughs at the suggestion that the same thing might happen in 21st-century China. “Undeniably, the people in power hope the country will develop and people will have a better life,” he says. “But the bottom line is that the people should not challenge their power. We have given up hope of changing the government.”

Still, Liu and Ms. Xu are thankful for the enormous differences between their lives and those of their parents: Liu’s dad was a truck driver, Xu’s was an electrician, and both were assigned their jobs by the government. “My parents earned just enough to feed the family, and they thought only about how to support us, not about making a better life or im-

proving themselves,” says Xu. “Our generation has the opportunity to do that.”

She is now a product development manager at Alibaba.com, China’s biggest online trading site, and her husband is a software engineer at another Chinese Internet success story, Kaixin001, a Facebook-style site. Unlike their parents, says Liu, “I can either stay with this company or find a job at another one. I am totally free to do that.”

Those jobs earn the couple about \$30,000 a year between them – not much by Western standards, but twice the average salary in Beijing and five times the national average in China. Recently they went on their first holiday abroad – a trip to Singapore organized by Liu’s employer – but most of their spare money goes to car payments, and they do not indulge in luxuries like fancy clothes, preferring jeans and T-shirts, which allows them to save a little each month.

By most yardsticks, they are a middle-class couple – beneficiaries of the economic boom driven by China’s state-dominated capitalism. A range of different sorts of white-collar people – entrepreneurs, employees of large state-owned enterprises and multinational companies, party and government officials, lawyers, doctors,



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