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Bric middle classes are eclipsing global poverty

The growing clout of this section of society will change the balance of power and reshape traditional values

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Image Credit: AP

A salesperson at a mobile phone shop in New Delhi describes the workings of the Apple iPhone 4 to a customer

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 such as 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, which has 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 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 traveller such as Roy, says Amitabh Kant, an Indian development official who wrote the book *Branding India: An Incredible Story*, is an "economic saviour" for India. And to boot, Kant says, middle-class Indians are a powerful market abroad, now outspending Americans in London, for example, by 10 per cent.

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 five 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 sociologists and economists.

"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 Organisation 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 the 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 one General Motors car for every ten sold in the US to becoming the American automaker's biggest customer — not to mention becoming a big competitor at the petrol 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, the concept of what we see as middle-class values may change," says Sonalde Desai, a sociologist with the National Council of Applied Economic Research (NCAER) in Delhi.

"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, such as 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 anaesthetic that keeps political discontent manageable," says Brink Lindsey, whose book, *The Age of Abundance*, links America's post-Second World War prosperity and its mind-opening educational opportunities to the social and political upheaval of the 1960s and 1970s. "But already [in China] things are dramatically different. People have much more freedom in their lives."

That is a 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.

Far from Rio de Janeiro's beaches and boutiques,

Shopping Jardim Guadalupe is emblematic of the global economic boom fuelled by Brazil, India and China. "I want your store in my mall," reads a recent advertisement 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, a private high school, a gym, a medical centre, film theatres and a bowling alley. More than 84 per cent 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 colour 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 ranges 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 per cent growth in retail sales in recent years and is already the world's largest market for mobile phones and cars (in 2009 passenger car sales increased 53 per cent).

India's middle class is projected by the NCAER to grow by 67 per cent in the next five years to 267 million people, or nearly a quarter of its population.

What is 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 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 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 mobile phones 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 learnt to do things at a much better value-to-price ratio," says 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 in April starting at \$10,800 (Dh39,636). 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 Centre for Automotive Research in Ann Arbor, Michigan. "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.

Values under pressure

Roy, the Indian traveller, directs a think-tank in Delhi, where he lives in an upscale neighbourhood with his family. It is 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 mobile phone, with a power-hogging colour screen, kept running out of juice. By Day 2 he was wondering how he could escape. His experience epitomises 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 changing dramatically and will continue to 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 in the concept of the Indian social fabric in the way that being independent is in the Western fabric," says Yashwant Deshmukh, an Indian

pollster. That is particularly true in the case of women.

"We have this conflicting push-pull going on — education and modernising," Desai says. "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."

"If you're a poor peasant," he adds, "you're not in charge of anything in your life [from where you live to who you marry]. [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 labour", he adds. "Politically it manifests itself in democratisation."

But there is 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, but they were 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 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."

Larger issues

While nothing like the Tiananmen consciousness is brewing today, the middle class is 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 organisations 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 localised, if only because the 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. "When 50 per cent to 60 per cent of the population is middle-class they may feel more confident."

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, because of the high cost of health care for their parents and of education for their children."

As many from China to Brazil improve their lives, global income and spending power are becoming more evenly distributed worldwide. But within 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 middle classes could, however, pressure governments to adopt policies to protect 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 social circumstances of big changes, people lack a sense of security," says Zhang, noting the rising popularity of religion in China. "It means they will have a desire and need for spiritual succour."

Defining 'middle class'

Is it a flush toilet? A mobile phone? A shiny car in the garage? Even experts can't agree on what the middle class really is.

Is it income or the way it is spent? Education or social status? Can salary denote more intangible characteristics of the middle class, such as being cultured and idealistic? The answers are complex and imprecise.

"[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," Deshmukh says, pinching his fingers close together, "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

would 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 can also mean having a car, a computer, access to credit, a mobile phone. 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 is important is how the purchases, perspectives and pressures of this loosely defined global class are shaping the future.