

Defining and Measuring the Middle Class in Bulgaria

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Summary

The middle class is a favourite topic of politicians and commentators and while the argument for its role in the development of public and economic processes has been repeated numerous times, it has not always been discussed in details. But before we can assess the importance of a social group, we have to first know what people it is made of.

The goal of this research paper is to define and measure and middle class in Bulgaria in the recent years, as well as to discuss its political role. Following the review of a number of different methodological approaches for calculating the number of “people in the middle”, we have chosen one that uses the median net equivalised income of a household as a main indicator.

The obtained results trace the development of the middle class by income from 2005 to 2010. Specifically, the research shows that:

- About 3.5 mln Bulgarians live in households with median income as of 2010;
- These make up 46.9% of the whole population; those living with low income are 43.4%, and those living with high income – 9.7%;
- The number of people, who can be considered middle class, has decreased by 200 000 people during the period 2005 – 2010
- The middle income class has gotten wealthier during the economic boom and has not lost much of its income during the first two years of the crisis (2009-2010)
- For a family of four, consisting of two adults and two kids, to be considered part of the middle income class, its total monthly income must be about 2400 BGN. (as of 2010);
- The number of people living in households with high income has increased during the period in question (2005-2010) by about 2% at the expense of the middle income class.

In addition to the above mentioned results, the research paper also deals with the political role of the middle class. Specifically, the author argues the need of an independent group of people that must protect the liberal democracy, without taking advantage of the political process. The author has also discussed the cases when the middle class can have a negative influence on the democratic process, namely when the well being of their member depends on the redistribution of public resources.

Introduction

The purpose of this paper is twofold – to sift through the different methodological approaches to measuring the “middle class” and to pick the one most suitable for an inquiry into the structure of Bulgarian society in order to start a conversation about the political role of the middle class in democratic societies.

The most important methodological virtue sought when trying to measure the size of the “middle class” is minimization of the impact of arbitrary decisions on the issue of who belongs to this or that societal group. The definition of “middle class” is limited to income as the only remotely objective characteristic of the “middle class.” Going through the pros and cons of the already-developed methodology and keeping in mind the availability and quality of data, median income is chosen as the best measurement of income.

The paper begins with a literature review of different definitions of the “middle class” and a discussion of their historical development. In the second part, an argument is developed for the methodology chosen for this research, and then in the third section the model is used to actually calculate the size of the “middle class”, to trace changes in time, and to explain some of the fluctuations. The fourth part touches upon the political role of the “middle class,” trying to clarify some aspects of its role in liberal democracies. The paper concludes with an overview of the findings.

Literature review

The middle class has been a center of attention for philosophers, sociologists, and other students of society for centuries. We can trace discussions on the political importance of the “men in the middle” – those who are neither too rich, not too poor – back to Ancient Greece and the works of Aristotle. In his famous treatise *Politics*, the philosopher writes that a well-functioning city-state needs a constitution controlled by a numerous “middle class.”

However, it was the industrial revolution that led to the wave of research in the 19th century that was the foundation of modern enquiries into social stratification. According to Rose (1995), “[t]he practice of officially classifying the British population according to occupation and industry began in 1851.” With time, the British government started collecting greater quantities of information about the positions of different members of society according to their occupation and social status. This led to the UK Registrar’s Office Report of 1913 that laid out T.H.C. Stevenson’s social class scheme.

According to Boston (1984), Stevenson’s goal was to analyze infant mortality (since, after all, he was a medical statistician). Nevertheless, the effort produced an analysis of society as divided into three basic social classes (the upper, middle, and working classes). Boston (1984) theorizes that Stevenson was especially interested in whether the “middle class” was reproducing itself. His definition of the middle class is based on the amount of human capital possessed by the members of each class. Whether one belongs to a certain class, in Stevenson’s definition, is contingent on his occupation – managers, professionals, and senior civil servants are all part of the middle class in this framework.

Birdsall, Graham, and Pettinato (2000) have noted that “[e]arly definitions of the “middle class” were thus closely tied to new kinds of production and to the resultant changes in the mix and status of occupations, which in turn implied a minimum level of education and income.” As previously noted, what was important to early scholars looking into the issue was human capital or, more specifically, education.

Such definitions can be observed in works up until (and even after) the mid-20th century. For example, Bagu (1949) identifies the middle class as those who, in the process of production, “supply intellectual and bureaucratic work; or any type of job and small capital”. Weber’s (1947) “middle class” is composed of those people who, based on their job opportunities and social mobility, belong neither to the poor nor to the rich. Goldthorpe et al. (1976) see those in the middle as the people who are looking into the future and who express this through saving and investments (in education, for example).

Another popular paradigm to define the “middle class” is based on occupational social grading as is in Erikson, Goldthorpe and Portocarero (1979). It is based on employment relations and employment status that work to separate groups of workers into different social groups. As Oesch (2003) mentions, Goldthorpe’s scheme has been very popular in European sociology, but it has the problem of resting on the market conditions of the 1970s, and thus it does not acknowledge two important changes in labour markets. The first is the proliferation of people working in the service industries, and the second is the increased number of women who are now part of the labour force but were not forty years ago. This is important to us because, as Sainsbury (1987) notes, the presence of various types of ‘service workers’ and ‘low-level salaried employees’ has created ‘a twilight zone between the working and the middle classes.’

A more contemporary treatment of the issue behind the definition and measurement of the “middle class” involves less focus on the type of occupation, work, or education of the individuals and increased importance of their income and asset base. One example for this is the work of Birdsall, Graham, and Pettinato (2000) who “[i]nstead use a relative income measure to look at the households that are, literally, in the middle of the income distribution in each country, i.e. in each country, households with per capita income in the range of 75 and 125 percent of the median household per capita income.”

Similarly, Thurow (1984) also focused on the people with incomes between 75 and 125 percent of the median and found that the size of the middle class has declined from 28 percent of all households in 1976 to 24 percent in 1982. Lawrence’s (1984) definition is again based on income, but his definition focuses on the weekly earnings of waged and salaried full-time workers – more precisely, the “middle class” are those with weekly earnings between two thirds and four thirds of men’s median in 1983. Following this concept, Lawrence calculated that in the US workers in the middle fell from 50 percent in 1969 to 46 percent in 1983.

Another income method for defining the size of the middle class is the one used by Bradbury (1986), who uses families with annual incomes between \$20 000 and \$49 999 in 1984 US dollars. By deflating this number, Bradbury concluded that the middle class declined from 53 percent of the families in 1973 to 48 percent in 1984. This approach relies on evaluating expenses and determining which ones could be associated with a respective class – in other words, a judgment has to be made on the consumption patterns of those who belong to the “middle class.” The framework in Nelson (2000) represents a different approach altogether – it uses the income percentiles in the “middle” to capture not the size of the group but the income of the individuals and/or households, and what is usually used to achieve this goal are the middle – 3rd and 4th – quintiles.

There is one final, methodologically very different, approach that is more common for media outlets rather than for academic scholarship, and it relies on information collected through polls and questionnaires. Put simply, it asks respondents to place themselves in a certain socio-economic group according to their personal perceptions. An example of this is Pew’s research from 2012, which shows that 49% of respondents identify themselves as being “middle class,” which is a drop from 53% in 2008. The same paper indicates that the “lower class” and the “lower middle class” have grown to 32% in 2012 from 25% in 2008.

To summarize, the academic approaches to defining the middle class have evolved from a 19th century focus on educational background and type of employment to a late-20th century framework where income is considered the most important determinant of an individual’s place in the social stratification.

Choice of methodology

The first important choice to be made while looking for a definition suitable for an inquiry into contemporary Bulgarian society is between the previously mentioned options – either the fixed definition based on occupation and education or the one that relies on relative income and/or asset base. This paper will use the latter because of several important factors which could be described as changes in the structure of economies around the world that have drastically altered social stratification. Technological change, inclusion of women into the workforce, changes in traditional occupation categories, globalization, spread of education, and the lowering of its relative value have all contributed to developments in society that make the 19th century definitions of the “middle class” less useful in explaining Bulgarian society today.

The more appropriate approach would be one based on income and assets. The rationale behind this is that a stable “middle class” would not only consume (through annual income) goods and service in quantities larger than poor people and smaller than wealthy people but would also be able to do that for a sustained period of time. Here, assets are really important because in times of crisis (where rising unemployment is a concern even for educated and experienced workers), accumulated capital can keep an individual or a household within the “middle class” bracket.

There is a very serious issue concerning measuring the asset base of Bulgarian population – data availability. There is no official data on the assets or wealth of the population. Even if some consultancies (such as Industry Watch¹) have attempted to measure household wealth, the calculation is subject to a number of conditions and assumptions, which could render a potential result on the scope of the middle class unreliable based on those figures. Even in countries like the United States - with extensive collection of statistical data - scholars usually do not try to include assets in their measurement of the size of the “middle class” (as seen in Chapter 1) for the very same reasons. So even though assets would be important to determine whether an individual is a member of certain stratus in society, it would be practically impossible to include them in this study. Therefore, we will be measuring the “middle class” in terms of income.

From the different ways to define the “middle class” in terms of income, we will focus on the one used by Birdsall, Graham and Pettinato (2000), and Thurow (1984) – looking for those people earning an income close to the median. This approach allows for comparison across countries and within countries over time. The alternative – using the middle quintiles or quartiles – limits the size of the “middle class” by definition. Our approach also avoids problems with rapidly changing occupational categories and inflating value of education.

¹ <http://www.iwatchbulgaria.com/en/news/view-news-0358/Household-financial-wealth-exceeded-BGN-50-billion.html>

Table 1: Advantages and disadvantages of “middle class” measurements

| Approach | + | - |
|---|---|---|
| Occupational social grading | includes occupations that form the middle class | not suitable for changing labour market conditions |
| Defined annual income(based on consumption) | reflects "middle class" consumption | could be arbitrary. Difficult to follow through time |
| Salaried workers' income | keeps track of the household bread-earner | not useful for household units and different income sources |
| Income quintiles | easy to calculate | fixed size of the "middle class" |
| Median income | traceable through time and space | no reference to "middle class" consumption |

There are some important choices to be made when working with different measurements and definitions of the middle class. First, a researcher has to decide which sampling unit is to be considered – families, individuals, or households. The Eurostat data collected for Bulgarian households from 2006 to 2011 using EU’s survey on income and living conditions (SILC) is very useful in this regard. It combines individual median incomes adjusted for household size and composition. Using OECD’s modified scale to give weight to all members of the household, the total (net) income of each household is divided by the number of “adjusted adults”. The scale goes as follows: 1 for the first adult, 0.5 to the second and each subsequent person aged 14 or above, and 0.3 for each child aged under 14.

The second important question to be answered is which measurement of income would be used. As shown in Chapter one, the options include wage and salary incomes or total income from all sources. What is also important is to decide whether to include (exclude) taxes paid and social transfers received. The SILC methodology that we will be using is based on “all monetary incomes received from any source by each member of a household...; these include income from work, investment and social benefits, plus any other household income; taxes and social contributions that have been paid are deducted from this sum”. In other words, the choice in this paper for measurement of income is the median net equivalised disposable income.

After income definitions and sampling units have been selected, what remains to be determined is the income intervals to be used in our inquiry. What Horrigan and Haugen (1986) notice is that “given the arbitrary and intuitive nature of the middle class,” it is understandable that most researchers do not set criteria for the income intervals they use. Horrigan and Haugen develop such criteria in order to be able to run a sensitivity test on the data they have collected. Their idea is to set reasonable boundaries for the size of the “middle class” that would allow for comparison over time.

The two criteria include the following. The first one represents the lower limit of the middle class group that is between 60 and 90 percent of the median income. The reasoning behind this is that the lower boundary should be significantly above the poverty line. In our case, since the official poverty line set by Eurostat is 60 percent of the median equivalised disposable income, we will use the 90 percent point as our lower point. The second criterion deals with limiting the

size of the “middle class” and at the same time leaving enough space for the “upper class”. It has two components – the size of the “middle class” should be between 40 and 60 percent of the population and at the same time the “upper class” should be at least 5 percent of the population. No matter which income interval we choose in our study, the results will have to answer these criteria.

Following Horrigan and Haugen’s approach, in our inquiry we will be looking for a “middle income class” that is between 40 and 60 percent of the population and allows for an “upper income class” of at least 5 percent. The lower end point for this group will be set at 90 percent of the median net equivalised disposable income as measured by Eurostat with the SILC methodology.

Size of the middle class in Bulgaria

To reach the income interval that would serve as our “middle class” bracket and to be able to determine the actual number of people that fall into this bracket, we need to go through the following steps.

1/ First, we should calculate the income in several intervals with the same lower end point but different upper end points (as explained in the previous chapter).

2/ Secondly, using the income deciles and percentiles, without reaching the actual size of the “middle income class,” to make sure the bracket we have chosen fits the Horrigan and Haugen criteria.

3/ And third, to make a decision which interval works best for us, we need to set the lower and upper limits of the “middle income class” and use data from the Bulgarian National Statistics Institute to calculate its size.

First, we use the Horrigan and Haugen criteria as a guideline to calculate several different intervals that could potentially fit the definition we are using. As previously mentioned, we set our lower end point at 90 percent of the median net equivalised disposable income, and for the upper end point we present several options that could possibly fit the second set of criteria.

Table 2: Upper and lower income end point for the “middle income class” (in EUR)

| Income end point | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-------------------------------|--------|--------|--------|--------|--------|--------|
| Median equivalised net income | 1 384 | 1 481 | 2 171 | 2 828 | 3 017 | 2 901 |
| 90% | 1245,6 | 1332,9 | 1953,9 | 2545,2 | 2715,3 | 2610,9 |
| 210% | 2906,4 | 3110,1 | 4559,1 | 5938,8 | 6335,7 | 6092,1 |
| 220% | 3044,8 | 3258,2 | 4776,2 | 6221,6 | 6637,4 | 6382,2 |
| 230% | 3183,2 | 3406,3 | 4993,3 | 6504,4 | 6939,1 | 6672,3 |
| 240% | 3321,6 | 3554,4 | 5210,4 | 6787,2 | 7240,8 | 6962,4 |
| 250% | 3460,0 | 3702,5 | 5427,5 | 7070 | 7542,5 | 7252,5 |

Source: Eurostat

After calculating the upper and lower end points for several possible “middle income class” intervals, we use the income deciles and the 95th percentile to determine which of these possible intervals is more suitable for our needs. To do this we try to roughly determine whether (based on each decile’s or each percentile’s top cut-off point) the intervals fit the Horrigan and Haugen criteria: whether our “middle income class” is between 40 and 60 percent of the population and whether the upper class is at least 5 percent of the population.

It is important to note that Eurostat advises against using income deciles and percentiles for comprehensive research purposes because of the quality of the data used to calculate them. Nevertheless, they could serve as a rough guide as to whether a certain interval could be of interest to us as a possible version of the “middle income class”.

Table 3: Income deciles Bulgaria 2006-2011 (in EUR)

| Income deciles (top cut off point) | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-------------------------------------|-------|-------|-------|-------|-------|-------|
| 1st | 622 | 548 | 933 | 1 193 | 1 254 | 1 160 |
| 2nd | 858 | 843 | 1 268 | 1 618 | 1 765 | 1 641 |
| 3rd | 1 022 | 1 062 | 1 553 | 2 030 | 2 196 | 2 052 |
| 4th | 1 197 | 1 270 | 1 846 | 2 441 | 2 607 | 2 463 |
| 5th | 1 384 | 1 481 | 2 171 | 2 828 | 3 017 | 2 901 |
| 6th | 1 591 | 1 706 | 2 592 | 3 222 | 3 458 | 3 389 |
| 7th | 1 832 | 1 977 | 3 006 | 3 767 | 4 011 | 3 896 |
| 8th | 2 126 | 2 370 | 3 563 | 4 486 | 4 742 | 4 668 |
| 9th | 2 641 | 2 990 | 4 630 | 5 829 | 6 003 | 6 013 |
| 10th* | | | | | | |
| 95th percentile (top cut off point) | 3 208 | 3 592 | 6 199 | 7 319 | 7 471 | 7 535 |

Source: Eurostat

*There is no income ceiling

Here is an example of how we use the intervals to determine whether they could be of interest for further inquiry. If we pick the year 2011 for the 90-220 percent interval, we have a “middle income class” that earns between 2611 and 6382 euro annually. Using Table 3, we can determine that the lower end point is in the 5th decile range (income from 2463 to 2901 euro) and the upper end point is in the 10th decile range (above 6 013 euro), but at the same time is not in the 95th percentile range (above 7535 euro). This way we have an upper income class between 5 and 10 percent of the population and a lower income class that is larger than 40 percent of the total population but smaller than 50. So we know that if the 90-to-220 percent range fits the Horrigan and Haugen criteria during the entire period under study we can proceed to further investigate whether this interval could be used to determine the size of the “middle income class” for Bulgaria.

Using the above-described process we end up with three possible intervals for the “middle income class”: 90 - 210, 90 - 220 and 90 – 230 percent of the median net equivalised disposable income. The next step was to request additional data from the Bulgarian National Statistics Institute that is otherwise not published, including the size of the group that receives an annual net disposable equivalised income in these brackets.

The final step to determine the exact number of people living in households with middle class income is to use the roughly estimated middle income brackets and request information from the National Statistical Institute about those brackets. That way we are aiming at two things – first, to come up with the actual number of people that fall within this category, and second, to get clear information as to which bracket fits the criteria we have set up in our methodology. Using Haugen and Horrigan’s (1988) paper, we are looking for a middle class of between 40 and 60 percent of the population and an upper class of at least 5 percent.

Table 4: Number of people in middle class households as percentage of total population (2006-2008)

| Year of survey | 2006 | | 2007 | | 2008 | |
|-------------------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|
| Annual net equivalised income | Number of people | % of total population | Number of people | % of total population | Number of people | % of total population |
| 90% to 210% | 3 789 120 | 50.3 | 3 588 270 | 48.5 | 3 512 030 | 46.0 |
| 90% to 220% | 3 874 977 | 51.5 | 3 682 614 | 49.8 | 3 602 372 | 47.2 |
| 90% to 230% | 3 921 426 | 52.1 | 3 766 316 | 50.9 | 3 671 613 | 48.1 |
| 90% to 240% | 3 979 680 | 52.9 | 3 843 273 | 52.0 | 3 705 183 | 48.5 |
| above 210% | 525 012 | 7.0 | 634 717 | 8.6 | 802 584 | 10.5 |
| above 220% | 439 155 | 5.8 | 540 373 | 7.3 | 712 242 | 9.3 |
| above 230% | 392 706 | 5.2 | 456 671 | 6.2 | 643 001 | 8.4 |
| above 240% | 334 452 | 4.4 | 379 714 | 5.1 | 609 431 | 8.0 |

Source: NSI

Table 5: Number of people in middle class households and as percentage of total population (2009-2011)

| Year of survey | 2009 | | 2010 | | 2011 | |
|-------------------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|
| Annual net equivalised income | Number of people | % of total population | Number of people | % of total population | Number of people | % of total population |
| 90% to 210% | 3 602 712 | 47.6 | 3 664 132 | 48.6 | 3 517 089 | 46.9 |
| 90% to 220% | 3 704 846 | 48.9 | 3 754 040 | 49.8 | 3 616 332 | 48.2 |
| 90% to 230% | 3 780 400 | 49.9 | 3 816 966 | 50.6 | 3 695 416 | 49.2 |
| 90% to 240% | 3 831 094 | 50.6 | 3 891 511 | 51.6 | 3 761 685 | 50.1 |
| above 210% | 716 673 | 9.5 | 649 623 | 8.6 | 727 453 | 9.7 |
| above 220% | 614 539 | 8.1 | 559 714 | 7.4 | 628 210 | 8.4 |
| above 230% | 538 985 | 7.1 | 496 789 | 6.6 | 549 126 | 7.3 |
| above 240% | 488 291 | 6.4 | 422 243 | 5.6 | 482 857 | 6.4 |

Source: NSI

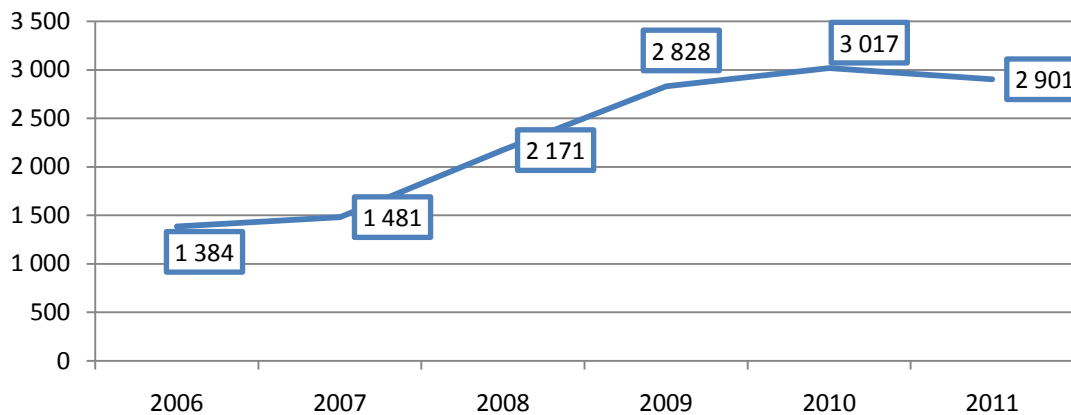
Looking at our data (Table 4 and Table 5), we can determine that three possible income brackets for people living in middle class incomes emerge. These are 90 to 210 percent, 90 to 220 percent and 90 to 230 percent. They all fit into the criterion for a middle class of 40 to 60 percent but also leave enough space for an upper class of at least 5 percent.

Next, we can use the newly acquired data to historically trace the development of the size of the middle income class. More precisely, we can determine how many people were living in middle income class households in each of the years of interest.

Before drawing any conclusions, it is important again to emphasize that the years we are using are those when the line surveys were conducted and that the information thus gathered (usually in the summer) reflects the picture of incomes *in the preceding year*. I.e., the 2009 survey was conducted in 2009, but its results reflect the situation in 2008.

In Graph 2 we can see that in our starting point - the survey year of 2006 - 3.7 to 3.9 million people were living in middle class households. This number decreases in the next two years to reach 3.5 to 3.6 million in 2008. The drop is followed by an increase to 3.6 to 3.8 million in survey year 2010 that does not continue and turns into another decrease in survey year 2011 to 3.5 to 3.6 million.

Graph 1: Median net equivalised disposable income in Euro. Survey years 2006-2011



Source: Eurostat

Looking at the trend from Tables 4 and 5, we can see a group of approximately 100 thousand people who join and drop out of the middle income class throughout the period under surveillance. The most significant drop occurs in the years 2007 and 2008 (for the 90 to 210 range), and, as could be seen in Graph 4, most of the people move up the income ladder and become part of the upper income class. This also coincides with an increase in the income of the middle income class – the median net equivalised income grows from 1384 euro in 2006 to 2171 euro in 2008.

The explanation for this occurrence lies in the drastic economic growth experienced in the boom years before the crash of 2008, which took an additional year to reach the real economy in Bulgaria. Economic growth led to the increase in median income and to the increase in the number of people belonging to households in the upper income class. In the years following survey year 2008, we see little change in the number of people belonging to each income class. No significant fluctuations are observed. Median income continues to grow until survey year 2010, reaching 3017 Euro, and then begins to drop – which coincides with the coming of the economic crisis.

Graph 2: Number of people living in middle class income households (years surveyed: 2006-2011)

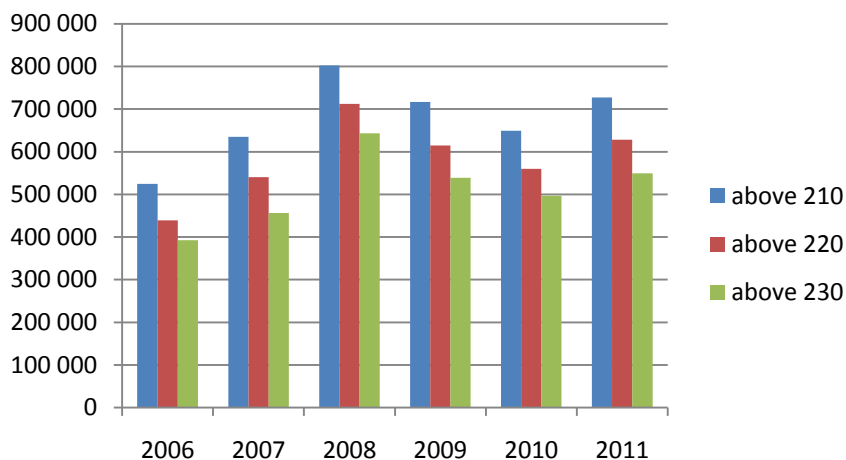


Source: NSI

To get a full picture of the change occurring in different income brackets, it is important to include information about people living in upper income households or the “upper income class.” In Graph 3, changes in the size of this “upper income class” are shown using the three different definitions for the middle class income brackets.

There, we cannot see as much change as in the middle class case. In all three definitions, we have a start of between 5 and 7 percent of the population in the survey year of 2006, which is followed by an increase to 8.4-10.5 percent in 2008. By the end of the observed period, a drop of around 1 percent can be observed to 7.3-9.7 in the survey year of 2011. Percentagewise, these changes do not seem to be too significant, which is not surprising given the fact that this is a short time period. If we look at the actual change in the number of people living in middle class households and for the 90 to 210 percent definition, we have a change from 525 012 to 727 453 people between 2006 and 2011.

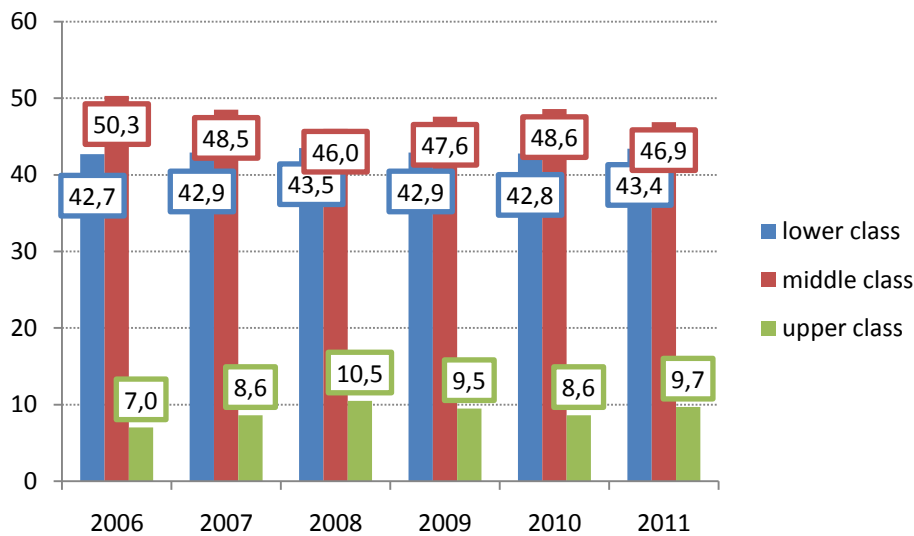
Graph 3: Number of people living in upper class income households (years surveyed: 2006-2011)



Source: NSI

Looking at the comparative size of all income classes might give us a better picture of where change was occurring during the 2006-2011 period. For example, using the 90 to 210 percent scenario as seen in Graph 4, one can immediately conclude that there is very little movement in the number of people (as percent of the total population) that belong to households with lower class income – their share stays around 43 percent of the total population over the entire period under study. Therefore, the shrinking of the middle income class from 50.3 percent in 2006 to 46.9 percent in 2011 was accompanied by a very small increase in the size of the lower class and a more substantial increase in the size of the upper class – by 0.7 percent for the former and by 2.7 for the latter.

Graph 4: Changes in the size of income classes as percent of the total population for the 90 to 210 middle class bracket scenario (2006-2011)



Source: NSI

An example of a household where the median net equivalised income of each member is at the upper end of the middle class bracket (in the 90 to 220 percent scenario) is as follows: A family of four that consists of two adults, one child above the age of 14 and one below the age of 14 makes for a total of 2.3 equivalised adults (1- for the first adult, 0.5 for the second one, 0.5 for the child above the age of 14 and 0.3 for the child below the age of 14). Their total household income is 14 678 euro (2.3 x 6382 euro). This is 28 623 Bulgarian Leva (BGN), which makes for a monthly household income of 2 385 BGN.

The middle class as a guardian of liberal democracy

The discussion that tries to link social stratification with different forms of governance can be traced back to Ancient Greece and to Aristotle's *Politics* in particular. Social scientists have looked for different explanations and causal links between the influence exerted by groups in society and the impact of this influence on government. In particular, Aristotle puts forward the view that a certain group between those considered rich and those considered poor could work to balance the often competing interests of the haves and have-nots. The community of people "in the middle" is considered instrumental in keeping the balance within society.

According to Aristotle, the middle class consists of the people who neither own a lot of property and wealth nor are totally deprived of them. He also defines the middle class as those who neither want the property of others (like the lower class), nor someone wants their property (like the upper class). This is why the middle class can maintain a political system that is neither a tyranny of the rich nor the all-too-enthusiastic democracy of the poor. In fact Aristotle has a separate word for the democracy of the middle class – polity. Here is a quote from *Politics* that summarizes Aristotle's position:

We are here concerned with the best constitutions and way of life for the majority of men and states. Goodness itself consists of a mean; and in any state the middle class is free from the ambition of the rich and the pettiness of the poor; it is a natural link which helps to ensure political cohesion. We may thus conclude that a constitution based on this class is most likely to be beneficial. It will be free from faction, and will be likely to be stable.

The classical work by Barrington Moore (1966) on the development of modern structures and forms of government puts the argument in a very concise form. He explains that an active and independent urban middle class is an indispensable element of the creation of parliamentary democracy. For Moore, if there is no bourgeoisie, there will be no democracy. The move from a feudal society is seen as having been caused by an increase in the number of people who belong to the middle class, insisting on greater representation and more constitutionally protected rights.

Lipset's (1960) essays and articles on the link between economic development, the emergence of democracy, and sustainability of democratic institutions has caused decades-long debate on the topic. His basic argument is "that democracy is related to the state of economic development. The more well-to-do a nation, the greater the chances it will sustain democracy." To explain this link, Lipset cites a number of studies that establish a significant relationship between education and socioeconomic status on one hand, and democratic values on the other.

This thinking is in line with what Huntington (1991) observed in the democratic transitions of Portugal, Greece, and Spain in the 1970s. Rapid economic growth before the transition to democracy increased the size of the middle class and at the same time empowered them with newly founded independence coupled with rising expectations. However, what Huntington (1991) mentions that was missed by Lipset (1960) is the fact that in certain places the middle class was supportive of authoritarian regimes and not pro-democratic at all - examples of this are countries in South America and Brazil in particular during the 1960s and 1970s.

Diamond (1992) explains Lipset's argument that "economic development alters the relationship between state and society to favor the emergence and maintenance of democracy". One important way to do this is to break the dependence of the middle class from the state, to stop nepotism and corruption. An important point should be made here. It is not just the middle class

that is necessary – any society can develop a middle class that has a certain level of income and wealth. The issue is how the wealth held by the middle class has been acquired.

In places where swollen states control much of the production, where certain groups in government or in the administration have occupied and restricted access to resources and key industries – there a group of people in the middle class would not be in favour of shifting the status quo towards liberal democracy because of their dependence and their potential losses. In fact rapid, centralisation and increased state size and its consequences are among the best explanations of why democracies have failed historically. As Diamond (1992) puts it,

“It entrenched political corruption as the chief instrument of upward class mobility, draining democratic states of economic resources and political legitimacy. Both through the perverting effects of systematic rent seeking and through the pervasive impediments to productive enterprise generated by gross excesses in state ownership, regulation, taxation and staffing, statism depressed and obstructed economic growth. By crowding out economic competition from the private sector it prevented the emergence of an autonomous, productive (rather than parasitic) bourgeoisie.”

Actually, Diamond (1992) borrows and elaborates on Mosca’s (1893/1939) argument that a democracy requires “a large class of people whose economic position is virtually independent of those who hold supreme power”. Without such a class that can hold its own without relying on the redistributive capacity of the state, liberal democracy would be just another instrument for acquisition of resources controlled by the administration. In countries with significant presence of government in the economy, what replaces the independent middle class is the “political class,” as Sklar (1965) has named the group that looks to acquire wealth either through employment, manipulation of public funds, or different forms of protectionism.

The same line of thought can be found in Hayek’s (1960) Constitution of Liberty. Democracy is a good mechanism for solving “differences of opinion” only if it does not provide an opportunity for certain groups to hijack the system and use it to further their own goals through coercive power. What is needed is a “space” where the majority or the democratic process itself has no say, so that independent opinion - which is essential for a democratic system – could emerge:

“The conception that government should be guided by majority opinion makes sense only if that opinion is independent of government. The ideal of democracy rests on the belief that the view which will direct government emerges from an independent and spontaneous process. It requires, therefore, the existence of a large group independent of majority control in which the opinions of the individuals are formed.”

To summarise, the middle class can be, and often has been, the guardian of democracy. But if we want to have a democracy which is not captured by certain interest groups – no matter which societal class they hail from – to further their own goals at the expense of others, we need a strong coalition of independent people to provide checks and balances to power. An entrepreneurial middle class free of desire to misuse the democratic process is a very good candidate for the core of this coalition.

Conclusion

The goal of this paper is both modest and ambitious. The aim is to engage in a discussion concerning the role of the “middle class” in a democratic society and at the same time to ask and provide a possible answer to the question of who and/or what is “the middle class”. Both issues are important and should be considered when dealing with the topic. Finding out which class has a crucial role in a certain political system and whether its influence is positive or negative for the overall welfare of individual members of the same society should be the focus of any such inquiry.

Developing a definition of the “middle class” necessarily involves making certain arbitrary choices. The purpose of this research is to bring some clarity into the usage of the term “middle class” and to open up a discussion on different ways of measuring and exploring social stratification. What was sought as a result is a presentation of the “group in the middle” that tries to limit ambiguity and decrease the impact of the unfortunate, yet unavoidable, arbitrariness.

A more refined definition would be useful, especially in conversations concerning policy and politics. The “situation of the middle class” is a favorite topic for pundits and politicians alike. They are supposedly interested in the welfare as well as in the political role of the middle strata - the old adage that those neither rich nor poor are keepers of peace and protectors of democracy is still popular. From there stems the reason why the middle class is often invoked as a rhetorical crutch - its availability as such is made easier by the ambiguous nature of the term.

What is presented in this report is a concise definition of the “middle class” along with the constraints that the particular choice of methodology entails. The median income approach is the one that makes use of the best statistical information available in Bulgaria, is easily comparable both through time and space, and lacks many of the burdening assumptions presented in other models. What is further explored is the political role of the “middle class” and the need to have an independent group of people protecting liberal democracy instead of special interests taking advantage of the process.

Using the methodology described in the third section of the paper, a conclusion is reached that the number of people living in households with middle class income has declined from survey year 2006 to survey year 2011. What is also evident is the rise in the median wage which translates into a wealthier middle income class.

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