

Sustaining Latin America's Middle Class Requires Strong Economic Growth

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- Growth and employment have played a larger role in expansion of the Latin American middle class than distribution policies
- Seventy million Latin Americans left poverty in the last decade
- Sustaining the Latin American middle class depends on continued economic growth and strong labour markets, and places added strains on the environment
- Latin Americans trust business more than government, so governments must improve public services
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Lima, Peru, 25 April 2013 – The substantial expansion of the middle class in Latin America, where 70 million people moved out of poverty in the last decade, has been driven principally by economic growth and expansion of employment, said Augusto de la Torre, Chief Economist, Latin America and the Caribbean, World Bank, at the World Economic Forum on Latin America today. Distribution policies implemented by governments across the region are less important in this substantial socio-economic shift.

The aspirations of this burgeoning middle class place a range of demands on governments and business, and new strains on the environment, government officials, economists and corporate executives agreed. “You need stability because with inflation you won’t have a middle class,” said Luis Miguel Castilla Rubio, Minister of Economy and Finance of Peru.

Sustaining the Latin American middle class will require buoyant economics, improved government institutions, responsive businesses and environmental protection. “The battle for keeping the middle class where it is will be played in labour markets,” said Marcelo Côrtes Neri, Minister of Strategic Affairs of Brazil. Brazil currently enjoys full employment and wages for the less skilled workers are rising; other countries will strive to create enough job opportunities for the middle class. Castilla Rubio estimated the economy must grow at more than 6% in a sustained way to sustain the middle class.

Middle class and aspiring middle class citizens must be incorporated fully into society. “It goes beyond economics, you have to empower them,” which includes decentralizing government and establishing property rights to stimulate entrepreneurship, said Hernando de Soto, President, Instituto Libertad y Democracia, Peru.

Middle class citizens have high expectations of government. Their attitudes and behaviour vis-à-vis government are contradictory. On the one hand, the middle class demands effective service delivery, quality education and health services, predictability of rules and transparency. According to the 2013 Global Trust Barometer sponsored by Edelman, the results in emerging markets show that “informed publics (which would be middle class) trust all institutions far more than the general public,” reported Gail Becker, Chair, Canada, Latin America and Western Region, US, Edelman, USA.

On the other hand, middle class people in Latin America rely increasingly on private institutions for schooling their children, separating their interests from those of the common good, said de la Torre.

The consumption of the growing middle class is of concern on several fronts. The increasing sales of consumer durable and semi-durable goods pose added demands on the environment. Consumer goods corporations can provide a service here by offering consumer education with their products, said Karl Lippert, President, SABMiller Latin America, USA.

The upward mobility of millions who were poor is a positive development, but “between here and the long run, we have to address inequality,” said Côrtes Neri.

Notes to Editors

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