

The middle class and its importance for democracy: A
European study of the middle class, decreasing democracy
and rising extremism surrounding the financial crisis of
2008-10

Albin Nerman and Clara Popenoe Thor
Supervisor: Barbara Magalhães Teixeira

Abstract

By testing theories from the likes of Seymour Martin Lipset and Francis Fukuyama, this thesis aims to illuminate the correlations between the size of a nation's middle class and the stability and rigor of its democracy. Using quantitative data on democracy and middle class size in the time surrounding the financial crisis of 2008-2010, this thesis illustrates the parallel declines in both democracy and middle class size in Europe. Also entailed are the negative ramifications on the middle class caused by the neoliberal agenda and how this relates to the rise of extremist parties throughout Europe. Democracy data is extrapolated from the 2007 and 2014 democracy indices from the EIU and data on the middle class is mainly sourced from the OECD, based on percentages of the population earning 75-200% of median income.

This thesis focuses especially on euro member states who have faced growing extremist movements and threats to democracy during the last decade. Italy, Greece, Spain and Portugal are nations examined which received austerity packages following the euro crisis, where the degree of democracy and the size of the middle class has diminished. Relevantly, Germany and France were on the opposite end of the austerity packages but the recession had comparable effects on the middle class size and democracy score.

Keywords: Middle class, democracy, EU, extremism, Francis Fukuyama, Seymour Martin Lipset

Words: 9929

Table of contents

1. Introduction	5
2. Hypotheses and research questions	6
3. Defining terms: Democracy, the middle class, and extremism	7
3.1. Defining the middle class	8
3.2. The problem in defining extremism	8
4. Methods and sources	9
4.1 Methods	9
4.2 Data sources and material	10
5. Theoretical perspectives	11
5.1 Francis Fukuyama and the end of liberal democracy.....	11
5.2 Seymour Martin Lipset and Social Requisites of Democracy	11
5.3 Application of the theories	13
6. Previous research	13
6.1 Evidence for the importance of a strong middle class	13
6.2 A brief history of neoliberal policies in international institutions, from the 1980's until today	14
7. Results	15
7.1 The connection between the middle class and democracy.....	15
7.2 The states of the middle class and democracy in Southern Europe	16
But... who suffered most?	18
7.3 Democracy and the middle class in France and Germany	18
7.3.1. The French middle class: its development and trends.....	18

7.3.2 The German middle class: rise and fall	20
8. Analysis	21
8.1 Application of theories	22
9. Discussion	24
10. Conclusions	25
2. References	27
Appendix 1. Democracy indeces data from EIU, 2007 and 2014	29

“Political democracy exists and has existed in a variety of circumstances, even if it is most commonly sustained by a limited cluster of conditions. To understand more fully the various conditions under which it has existed may make possible the development of democracy elsewhere. Democracy is not achieved by acts of will alone; but men's wills, through action, can shape institutions and events in directions that reduce or increase the chance for the development and survival of democracy. To aid men's actions in furthering democracy was in some measure Tocqueville's purpose in studying the operation of American democracy, and it remains perhaps the most important substantive intellectual task which students of politics can still set before themselves.”

- Seymour Martin Lipset

1. Introduction

The middle class grew steadily in tandem with the rise of modern democracies and welfare states in the 20th century European nations. Since the 1980's, however, while GDP has continued to rise, the middle class has been steadily declining as a proportion of the population in many such nations. The poor in these nations are not getting poorer, but the rich are getting richer, and the middle class is becoming squeezed as households are pushed towards mostly lower, but in some cases higher, ends of the income scale. The neoliberal characteristics of late capitalism have succeeded in raising millions of people from extreme poverty but has in European nations led to a decrease of households that fit into the above definition of the middle class.

The aim of this paper is to demonstrate how economic and social factors, such as national financial crises that in turn affect household income which in turn affect class geography, also affect the political, in this case the well-being of a democracy. The democracies that are the focus of this study are all members of the European Union, an organisation that is both economic and social in its aims and policies. While financial crises often are described in an economic narrative and class from a more sociological perspective, this study gains politically scientific relevance where the two intersect. Furthermore, this unique political entity (the EU) makes for a relevant and enriching point of study within the field of international relations.

The crisis of 2008, while of American origin, had a severe impact on the European Union, not only the union as an organisation but also the states and sub-organisations within it. The crisis shook the whole world and led to dire

consequences for the EU and its nations, more specifically for the Economic and Monetary Union (EMU) and certain Eurozone nations. Massive austerity packages were imposed on Portugal, Greece, Spain, and some other less economically strong EU members. Meanwhile, richer EU nations who funded the austerity packages were also undergoing a financial crisis, although not with the same severe consequences. Nations such as Germany and France funded massive and uncertain loan packages which naturally affected their national finances.

2. Hypotheses and research questions

The hypothesis that this study seeks to investigate is whether the positive correlation that has been established in political science between the size of a nation's middle class and the strength of its democracy applies to what happened politically in Germany, France, Portugal, Italy, Greece and Spain in the wake of the financial crisis of 2008-2010. Therefore, our main research question is: "how does the size of the middle class correlate with democracy in the member states of the European Union?". A second question this thesis will investigate is whether a decreasing middle class can be linked to or correlates with an increased risk of extremist parties rising in popularity and power.

This study necessitates several assumptions: first, that a large and strong middle class is desirable, both because of it is associated with higher political stability, diminishing poverty, and higher overall human welfare. Second, as mentioned earlier, it assumes that the economic and the political are closely intertwined. Even though our methods of measuring both the impact of the financial crisis and the size of the middle class are economic, both the causes of the crisis and the consequences for the middle class are political and social. Hence, the study is relevant within the field of political science.

This study departs from several theoretical perspectives. The first and most important is the work of Barro (1999) pointing to the association between a strong middle class and strong democratic institutions. A second theoretical perspective is that of Bosci and Poggi (2020), suggesting that the middle class tend to resist and be skeptical of extremist movements, of both the left and the right.

3. Defining terms: Democracy, the middle class, and extremism

3.1. The issue in defining democracy

The last question is very broad: what is the state of democracy in Europe?
(Berman, 2017, p. 178).

When the Journal of International Affairs interviewed political scientist Sheri Berman, the question above was their last question. Berman did her best to answer the question which, as the reporter mentions, is very broad and extremely complicated. Berman, however, points to several challenges facing European democracy. She means that not only have countries like Poland and Hungary, which have moved in a more authoritarian way in recent years, rolled back democracy in general. Even in the most stable democracies, citizens have started to question the democratic system. Moreover Berman claims that a system that in broad terms has failed to sustain its citizens a development or political path that they desire leads authoritarian leaders to gain power (Berman, 2017, p.175-178). The most important part of the interview, however, was the way she ended it:

We are in a critical juncture when we are re-examining how democracy should function, what kinds of questions should be decided by which mechanisms, and what decisions should be taken at the European level as opposed to the national level. Democracy is being reconsidered from top to bottom (Berman, p. 178).

Here Berman predicts what she means has to be the changing of modern democracy. Just by looking at both the question and the answer, one can easily conclude that to define democracy, one needs a broad analysis. To make a study out of a definition that includes all areas of democracy, one needs a broad amount of time and resources that are not available. Therefore, and for the sake of making a coherent study, we must narrow the definition.

Democracy in general, as described above, is difficult to define. This study aims to focus on the basic definitions of democracy, pointing to free and objective institutions, civil rights and free elections, ergo that our definition of democracy is crucial for our understanding of our study. This thesis forgoes use of the Freedom House democracy index in favor of The Economist Intelligence Unit indices.

This does not mean that there are no other definitions of democracy. This study aims to focus on the basic terms, which, for instance, exclude economic democracy. By excluding the economic spectrum within the democracy definition, the study can more precisely point to changes in the degree of democracy when comparing different years in history. The study's intentions by this way of narrowing however, is not to say that economic democracy is not important. Frankly, the study, just by studying this kind of subject, suggests that economic democracy and equality are crucial in maintaining the basic principles of democracy in general.

3.2. Defining the middle class

According to sociologist Göran Therborn, the basic definition of class can be defined as “a large group of people with equal economic situations, equal possibilities of reaching their ‘life goals’ and equal socio-economic interests, being unequal compared to other classes” (Therborn, 2018, p. 22). But what does that mean? Can we more concretely define the middle class with a definition usable for more than just one country?

In Aristotle's definition of the middle class, found in his work “Politics” (350 BCE), he explains the middle class as people “who have property but not very much” and continues: “[middle class citizens] have neither so much as to be able to live without attending to business, nor so little as the need to state support” (Bosco-Poggi, 2020, p.100). Even though the Aristotelian definition is old compared to others, its importance in understanding the middle class' fragility is still intact. Aristotle's definition is still not accurate enough to be used as the main definition of our study, but it can be used as an explanation of our understanding of the middle class and how we intend to measure the middle class when comparing countries at a more global level.

We are also aware of the fact that this way of measuring is not covering all of the areas within the wider definition of class, not even the most fundamental parts of Therborn's definition. Despite that, we argue that this is the most reasonable definition being widely used by other scientists within the field. The argument for this type of measuring is basically the fact that it is much harder, if not impossible, to measure in numerical terms the size, or who belongs to which class, using other definitions.

How does one measure and define class? In this thesis, we are operationalizing the concept of class from an economic standpoint, defining the middle class as those with a household income between 75 and 200 percent of the median household income in each nation. Furthermore, for a broader and more diverse view on classifying class we will complement Weberian theory, as used by OECD, with more sociologically and philosophically focused theories from Francis Fukuyama and Seymour Martin Lipset.

3.3. The problem in defining extremism

What further deepens our interest in this field of study is the advancement of political extremism in Europe during the last two decades. The size, support and impact of extremist parties is clearly and intricately linked to the prosperity of a democracy. Hence, we gain a further understanding in defining extremism.

At first, when mentioning extremism, this study will refer to the right-wing extremism that has emerged in the last decades in Europe and the Western world. Meaning that the left-wing is not included, not because left-wing politics can't be extreme, but because of the often used labels within the field. Instead, if talking

about left-wing politics or extremists, the study will be referring to the phenomena as “radical” or “radicalism”. This distinction, and the operationalization, is especially important when others intend to interpret our analysis.

To describe extremism one must first clarify who is considered an extremist and who is not. Marija Đorić, a Serbian scientist, underlines the fact that political opponents have historically been calling each other extremists to undermine their opponents' arguments. This links back all the way to the French Revolution when aristocrats saw the critics of the current system, especially the bourgeoisie, as extremists. Later on, with the development of socialism, the working class and socialists saw the capitalists as extremists et cetera, and the capitalists and conservatives on the other hand, blamed the working class and the socialist movement, using the same extremist label (Đorić, 2016, p. 201).

This leads us to our next questions: who is considered right wing? Why are right-wing extremists a threat to liberal democracy and what do they have in common? In the anthology “Varieties of Right-Wing Extremism in Europe”, the authors problematize the debate circulating around the rise of the right-wing. Pointing to the fact that today's extremists use the same strategies and have similar politics as the fascist parties in history. Even though these parties have changed it's rhetoric and have adapted its manifest to our modern society, the authors argue that the goal is similar to the historic fascist movements (Mammone et al, 2012, p. 3) .

The question of what right-wing parties have in common today, the authors argue, with ground in the work of Robert Paxton, that the politics contains the same similar content as in classic fascism. Anti-semitism, nationalism and criticism of Western society are still a dominant part of right-wing politics. While new, considered threats from a right-wing perspective, such as Islam, symbolises the adaption to modern society (Mammone et al, p. 3-4). The authors also point to the fact that classic fascism emerged as a reaction to the modern democratic society at the time, with liberal individualism and constitutionalism dominating the political scene. But the greatest enemy, from a fascist perspective, was however, the left and democracy, as it still is today (Wolfreys, 2012, p. 21).

4. Methods and sources

4.1 Methods

Our approach to studying how the middle class impacts democracy is based on a comparative study contrasting different nations during different time periods surrounding the financial crisis of 2008. Making the a posteriori assumption that

state finances were harmed and diminished by the crisis, we will be examining to what extent these ramifications impacted the middle class, and in turn what that meant/s for democracy. It is of course nearly impossible to unequivocally claim that it was the financial crisis that led to the shrinking middle class, especially considering that a downward trend had begun before the sudden great recession. However, our results may show that the diminishing of the middle class, regardless of the cause, impacted the state of national democracies. Furthermore, it is very difficult to claim that a smaller middle class is a sole or majorly contributing cause to a weakened democracy.

This thesis is based on quantitative data on democracy and middle class sizes to be able to apply theories in an attempt to explain the correlation between those two and other possible factors. For measuring democracy, the bulk of our claims are based on the combined Democracy Index from the Economist Intelligence Unit. In extracting data from 2007 and 2014 it is possible to distinguish the states of democracy before and after the economic crisis of 2008-2010. The year 2014 is chosen because austerity packages and loans continued to impact the national economies while the initial shock and possible economic instability and unpredictability had died down.

4.2 Data sources and material

OECD:s report on the subject from 2019, “Under Pressure: The Squeezed Middle Class”, studies how and why the middle class (in OECD countries), is shrinking both in number and economic strength. Using several different countries as case studies, the report shows decreasing numbers and negative consequences facing the Western middle class. By pointing to the changes in the global political and economic systems through the last decades, the report clearly demands countries to apply reforms that benefit the middle class and assures possibilities for class journeys. Some of the proposals are closely connected to the core values of the welfare state, assuring affordable health care and higher education. Other proposals, such as the importance of stable labor markets and fair wages, shows the, as expected, importance of the right to a decently paying job, in order to secure the middle class groups position within the class geography (OECD, foreword, 2019).

In the question of how and why we are using OECD:s report, the relevance of the report is high on multiple levels. Not only does the report give a broad amount of statistics being crucial for our understanding of the middle class at a global level, it also helps us understand the consequences facing nations when the middle class is shrinking to historically low levels.

Beyond that, it resolves our issue of defining the middle class concept, giving us a stable ground to work from when analyzing class in general.

Other books that are more specifically relevant for our study is the anthology “Europe’s Disappearing Middle Class?”, which investigates and compares the middle class situation within the European countries during the last two decades. While focusing on the crisis of 2008 and the following loans and austerity programs from the EU and the European Central Bank, the book gives a deepened picture of the situation and consequences facing the European middle class. Furthermore, the book gives us greater knowledge of how the definition of the middle class differs from one country to another. It also points to the variousity of resilience between the different countries' middle class. Showing that different systems give different chances for the middle class within the different countries to handle crises.

5. Theoretical perspectives

5.1 Francis Fukuyama and the end of liberal democracy

The liberal theorist Francis Fukuyama once stated, just after the collapse of communism in Eastern Europe, that what the world was witnessing at the time was “...the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government” (Fukuyama, 1989, p. 4).

Nowadays Fukuyama is not so certain about liberalism as the “final form of human government”, because of the shrinking middle class. In the 2012 article “The Future of History: Can Liberal Democracy Survive the Decline of the Middle Class?”, in *Foreign Affairs*, Fukuyama points on the future uncertainty of liberal democracy. Blaming both neoliberal politics and capitalism on one hand, and left-wing and social democratic parties for not having a programme broad enough to challenge the current system on the other (Fukuyama, 2012, p. 58)

Even though Fukuyama is a liberal, he sees the non-debate and the left's non-response as a problem. Seeing politics as a way of balancing the path forward, making resistance from the opposition as a way of counteracting ideological blindness. If the development continues in the same current speed of today, right-wing populist parties will continue to grow, which he means is bad for democracy in general. To summarize, Fukuyama stresses that liberal democracy as we know it today might be in danger and depends partly on the future size of the middle class (p. 58-59).

5.2 Seymour Martin Lipset and Social Requisites of Democracy

Sociologist and political scientist Seymour Martin Lipset’s most influential work, “Social Requisites of Democracy” (1959) continues to have an impact in

and outside of the academic world. His theories of the middle class's importance for democracy have inspired not just political science in particular, but politics in general. In his work he asks several questions of how societies should be built. This study intends to use some of these to explain both how countries have developed throughout time in questions regarding class geography and the consequences of a shrinking middle class.

First, Lipset explains the need for education and the ability to read as one of the main factors in determining people's ability to believe in democracy as an ideology and to trust and sustain democratic beliefs and norms. This is nearly connected, obviously, to the general ability for people to make class journeys. But, more important, what Lipset does when discussing democracy and the middle class, is that he divides people of society into the lower or upper "strata" (Lipset, 1959, p. 83). By dividing groups in "the lower strata", the working class or the poor, and the "upper strata", the upper class et cetera, he can more precisely explain the different groups acts like they do in the question of democracy.

Lipset means that for the lower strata, personal welfare is especially important in the question of not falling in the hands of extremist movements, and for the broadening of the political intellect (ibid). He even goes so far that a belief in "secular reformist gradualism", is only a capability of a lower class that sees individual economic development for themselves (p. 83). Education in combination with personal economic development, is what Lipset means as the safest medicine for the lower strata to resist extremist parties (p. 83).

Increasing the wealth of the working class, Lipset claims, will change the way the society is built, moving from what Marx first explained in the Class-Pyramid, to a diamond-shape form of society, with a small working class, a broad middle class and a small upper class. Building this type of society will also mean that citizens in general are more sceptic to non-moderate parties and extremists, mainly because most of them would be a part of the well-educated middle class (ibid).

But what happens when societies are pyramidal instead of diamond-shaped? Lipset means that one out of several consequences is that the upper class tend distance themselves from the lower classes. This would mean that the upper class would have a greater issue in sympathizing with the lower class, resulting in a lower class being excluded from democracy. Lipset explains this kind of phenomena in psychological terms. He claims that the less wealth owned by the lower classes, or the poorer they are, the more pressure on the upper class to distance themselves from the lower classes, seeing them as something outside the human society. Or, to use the words of Lipset himself, seeing the lower or working class as something "vulgar" or "inferior". These kinds of beliefs from the upper class, their arrogance and especially their political behavior, tends to promote extremist reactions in the lower classes (p. 83).

5.3 Application of the theories

The most important area within the middle class aspect, regards its resistance to extremist movements or parties. This study will therefore clarify that even though the previous studies will be seen as “findings” and not “theories”, this study still aims to use it to explain the result. Previous research and findings will, in combination with our main theories, work as a broad theory-part.

The study intends to acknowledge Fukuyama’s and Lipset’s theories, pointing to the fact that liberal democracy may change, or weaken, as a consequence of the shrinking middle class, with rising extremist movements as a following result. Within the middle class theories, this study claims that the rising support for right-wing parties throughout Europe, tends to have the most affect in the question of the degree of democracy.

Even though this study hypothesis shares Fukuyama’s theories, it does not intend to share its liberal solutions to the problem. On the contrary, the study will instead try to understand why the connection between the middle class and democracy is important in the understanding of the rising support for right wing extremists. If the result, in contrast to our hypothesis, shows that the correlation between our two main variables is not so strong as we first have thought, the study's relevance however, is still intact. By trying our hypothesis on several different countries within the EU, we can either exclude the middle class from the explanation of why democracy weakens and why extremists gain ground, or, reasonably, point to the fact that other factors, that are not included in the study, seem more important.

6. Previous research

6.1 Evidence for the importance of a strong middle class

Several studies, shown below, have historically shown the importance of a strong middle class for maintaining democratic institutions and values. Robert J. Barro, macroeconomist at Harvard University, has shown that countries have a higher chance of being democratic and/or of maintaining democracy the more of the national income going to the middle class (Barro, 1999, p. 182). Barro has also shown that the already acknowledged correlation between democracy and income inequality is largely explained by the size of the middle class, rather than simply by degree of income inequality in a society per se. (Barro, p. 171). The reason for this seems to be that the middle class has high respect for democratic

institutions and democratic values. In keeping with this theory it is reasonable to assume that the democracy rate of countries should decline as the middle class within said countries shrinks.

Further, since the middle class is generally committed to the maintenance of democracy, the skepticism towards extremist parties on both the right and the left has historically been high. Middle class citizens tend to show great respect for democratic institutions, the values of freedom and equality and want in general transparent governments that respect civil rights and liberties (Bosco & Poggi, 2016, p. 101).

OECD makes the same assumption in their report “The Shrinking Middle Class”, pointing to the importance of reforms benefiting the middle class. If not, and if the middle income groups income shrinks, the greater the risk that middle income groups vote for parties with a populist or extremist platform. Essentially, the report goes against our aforementioned hypothesis, claiming that the shrinkage of the middle class will cause them to alter their typical voting behaviour. Göran Therborn describes in his interpretation of the OECD, the middle class problem as a negative spiral; traditional parties do too little to benefit the middle class, which results in the middle class turning their backs on the traditional parties, voting for politicians with populist agendas which policies in general are bad for the middle class, and so the wheel continue to spin and the middle income groups continue to shrink (Therborn, 2020, *New Left Review*).

6.2 A brief history of neoliberal policies in international institutions, from the 1980’s until today

The global economic system has changed radically during the last decades, making neoliberal political implementations a mainstay, with free market trade and economic growth as the main goals for the system in general. One of the results has been rising equality between countries but rising inequality within countries (Cox, 1981, p. 137). This phenomenon is not new; since the 1980’s world institutions such as the IMF and the World Bank have been promoting neoliberal reforms as solutions for the world economy. Using economic growth as the main tool to raise people out of poverty, ireregulation, privatization and marknadization are frequently used implementations that the world institutions have been determined to apply in case of an economic crisis or suppression (Burchill, 2013, 78-79).

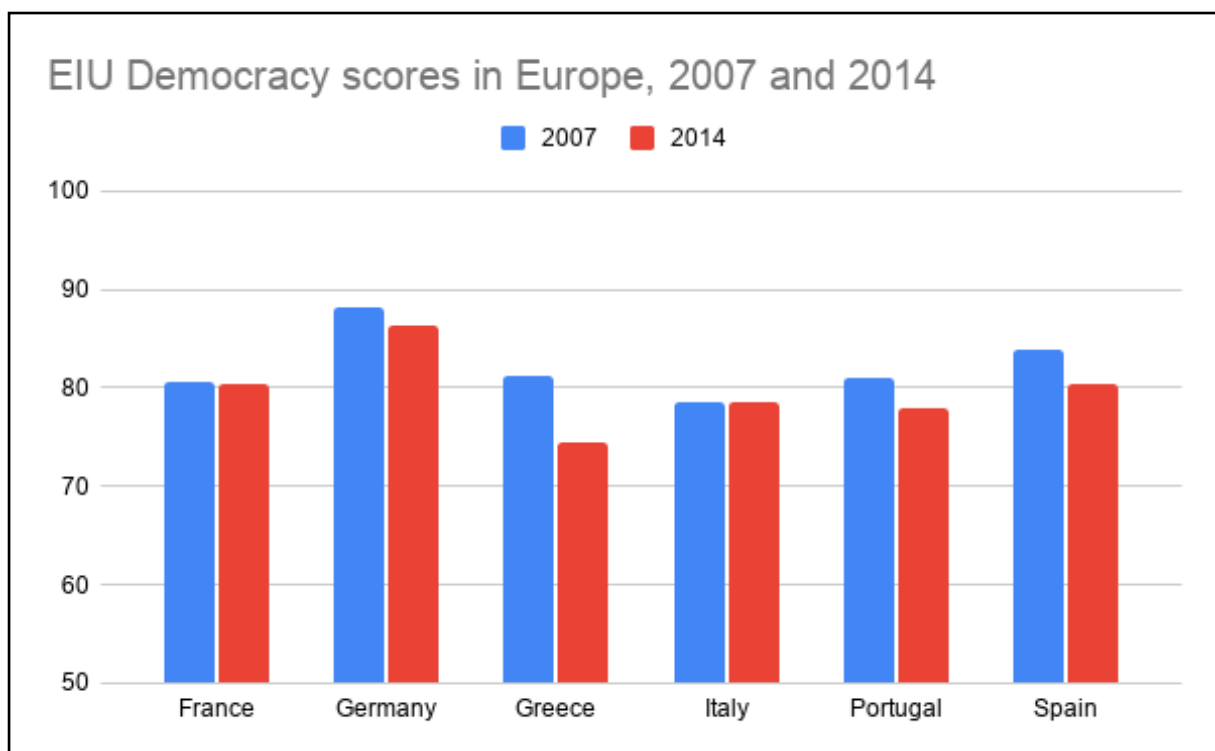
The neoliberal politics and the world institutions frequently implement, has made a shift in world politics, moving from protectionism and large welfare states towards a free-market based world economy. The global system has thereby also switched focus from keynesianism to a more laissez-faire based politics, focusing on the market and growth as the solution for the world economy (Burchill, 2013, p. 75). The EU followed the same example in the case of the 2008 crisis, by giving loans in exchange for economic change within the affected countries, the countries of matter were forced to implement the austerity-programs being sent to them by the EU and European Central Bank.

7. Results

Our results consist of two different sections. The initial section focuses on pure statistics, with the aim to find correlations between different variables. This gives us a broad overlook of the connection between the size of the middle class and the grade of democracy. The other part takes a different path and digs deeper in the problem of the shrinking middle class throughout Europe. By focusing on a handful of countries, the second part makes the statistics more concrete, developing from abstract numbers and graphs to something more understandable. The second section also has a complementary but still important part, with the aim to focus on the politics during the 2008 crisis and the following years of austerity, trying to find common factors resulting in a shrinking middle class and the eventual consequences of it.

7.1 The connection between the middle class and democracy

As stated above, as well as by many scholars before us, it is fair to claim that a strong middle class pre determines a strong democracy. Hence, when factors such as a financial crisis impact the size of the middle class, it is reasonable to assume that that in turn impacts democracy. In our findings researching the correlation between democracy and middle class size is documented before the crisis, in 2007, and again after the crisis, in 2014.



The democracy index from the Economists' Intelligence Unit combines five main indices: electoral process and pluralism; civil liberties; the functioning of government; political participation; and political culture. The EIU has received criticism for lacking transparency in disclosing how they measure, but a brief explanation from the 2007 democracy index gives some insight. Laza Kekic describes the Economist's reasoning behind their criteria and faults in the Freedom House index, saying that electoral democracy is too narrow a measurement. The EIU combats this by including indexes of civil liberties and how well the government functions, that is, the efficacy and possibility for a government to "implement democratically based decisions" (EIU, 2007, p. 1-3).

According to EIU data, the overall democracy rate in Europe decreased, from 82.5 in 2007 to 80.8 in 2014. The most noticeable decreases were in the areas of government and political culture. Political culture is loosely defined by the EIU as a culture of peaceful transfers of power and acceptance of a political loss.

Notably, the democracy rate in Poland, a country whose democratic nature (or lack thereof) is often a topic of interest, increased between 2007 and 2014. Today, however, the Polish democracy score has drastically lowered to about 66, classifying it as a flawed democracy.

Non-EU members such as Norway and Iceland are included in our data, as a frame of comparison and because of their involvement in the EEA.

7.2 The states of the middle class and democracy in Southern Europe

The middle class in southern Europe, more specifically, in Greece, Italy, Spain and Portugal, saw light of day later than the rest of Europe. The industrialisation was extremely late compared to the rest of modern Europe and apexed as late as the 1990's. At this time, Southern Europe was for the first time integrated in the European economy, being seen as countries with economic and political strength. From being considered as economic semi-peripheral countries globally, and peripheral in the European economy, their influence now grew at both the global and European stage. Concurrently the middle class was rising, following the wave of positive economic development (Papadopoulos—Roumpakis, 2017, p. 69).

When the dictatorships in Spain, Greece and Portugal fell, and the democratisation could take its first steps, the era of welfare-capitalism began. Here, the EU played an important role in the question of social change. In combination with the democratic development, access to the European economic community and its programs for development, the EU became especially important in the development of battling poverty and income inequality. The rising productivity and the ability to trade more easily with other EU countries,

now made redistributive politics possible, gaining ground for social reforms which benefited the lower income groups (Papadopoulos—Roumpakis, p. 71).

For three decades, from 1980 to 2010, the social expenditure was increasing in Southern Europe, from under 10% of the GDP in the 1980's to over 20-25% in 2010. Hence, social spending increased twofold, or in the case of Greece and Portugal, by a triple of the percentage in the 1980's. Large social expenditure had now become the norm and a consensus between the political parties and electorate, assuring social and economic reforms in exchange for votes, started to build (Papadopoulos—Roumpakis, p. 72-74).

However, this development ended radically during the financial crisis of 2008 and the following years of austerity. Even so, the crisis and subsequent austerity packages cannot be entirely made to blame. The development and the decreasing social expenditure started with the joining of the EMU (All but Greece, who adopted the euro in 2001, were members since the commencement in 1999).

Joining the EMU was critical for the countries around the Mediterranean. The reforms and the policy-consensus was now set apart in favor of a more neoliberal form of consensus, which followed the EMU framework of neoliberal politics. One consequence, connected to the financialization of the economy, was the households new reliance on credit, being sanctioned by banks and the governments. This resulted in what could be defined as "privatized Keynesianism", meaning that the banks now took the role which the state in traditional Keynesianism used to have (Papadopoulos—Roumpakis p. 74). The joining of the EMU, to summarize, made the old security of the Southern Europeans economy reforms uncertain, putting the countries and the social development under pressure (p. 78).

The consequences facing the middle class as a result of the economic crisis in general and the austerity packages in particular were, in mild terms, problematic. The austerity policies facing Southern Europe resulted in enormous reductions in social and public expenditures, wages, pensions and increasing taxation of the lower and middle income groups (p. 81). The austerity policies hit the citizens differently, which gave birth to a rising inequality in Italy. In Greece normal family households saw a 35% income loss due to wage and pensions cuts and by increasing taxation. The development followed the same path in Portugal where the income inequality within the class geography, like in Italy, became deeper (p. 81).

The shrinking of the middle class, prior to and after the crisis, resulted not only in economic losses, but also in a new political landscape. The frustration and anger over the austerity policies resulted in new parties on both the right and left wing to gain popularity. In Greece, both the radical left-wing party Syriza and the neo-nazi Golden Dawn Party gained new ground. Similar development took place in Italy with the right-wing extremist party Five Star Movement, and in Spain

where the new radical left-wing party Podemos gained popularity. In Portugal, where the traditional parties were still very dominant, the radical left and the old communist party reached new popularity. But the most important part, and potentially the most dangerous development for liberal democracy in general, was the sinking legitimacy for the democratic institutions at both the national and European levels (p. 83).

As previously mentioned, Southern Europeans were generally late bloomers to the concept of democracy. Therefore it is reasonable to assume that their political systems are particularly vulnerable to instability, such as that caused by the financial crisis. Out of all the countries studied, Greece had the sharpest decrease in terms of democracy, from an EIU score of 81.3 to 74.5, deeming it a flawed democracy. Portugal was also degraded from a full to flawed democracy, from 81.05 in 2007 to 77.9 in 2014. In 2007, Italy had a score of 78.55, only decreasing by .05 in 2014. Spain remained a full democracy, decreasing from 83.95 to 80.5. These countries all have in common, in addition to the issues mentioned above, their decreasing scores mainly being caused by diminishing government and political culture scores (EIU, 2015).

But...who suffered most?

The common thought that the middle class was "destroyed" or "diminished" during the crisis and the following years of austerity, is not, however, completely true if looking at the data. Even though the middle class suffered great losses as a consequence of the neoliberal reformation of the economy, there were other groups suffering even more. In Spain for example, the working class suffered the greatest hit from the crisis and austerity policies. The Spanish scientists Rafael Muñoz de Bustillo and Josef Ignacio Antón, explain this misunderstood phenomenon by pointing to the question of "expectations". What became clear to the middle class during the years of austerity, was the feeling that from now on nothing could be taken for granted. The middle class now saw slipping away from them the safe jobs with decent wages, rights to healthcare and education, paid sick leave etc., that they had won over the preceding decades. These rights and reforms were supposedly guaranteed by the state in exchange for taxes. This reality which had taken decades to build fell apart in a period of just a few years. (Muñoz de Bustillo—Antón, 2016, p. 530).

7.3 Democracy and the middle class in France and Germany

7.3.1. The French middle class: its development and trends

In an international comparison, the French middle class has not seen the shrinking tendencies as in many other Western countries (Courtioux-Erhel, 2017, p. 160). Actually, from an occupational perspective, the middle class in France has seen an increase in terms of size, from 22% in 1962 to over 30% in 2009. But, by using our measurement, the trend is still positive, albeit not as big as the occupational approach. In terms of income share, the French middle class saw an increase in the middle income group, from 54,7% in 1979 to 58,7% in 2009 (p. 160). This is of course smaller, but still a significant increase in terms of development.

Historically, France developed a big welfare state during the 1900's, with a broad list of rights connected to a strong domestic welfare system. The French scientists Pierre Courtioux and Christine Erhel write in the "Europe's disappearing middle class?" that the broad and generous welfare system has benefitted the stability of the middle class in France. The most important parts aim to be the insurance for unemployment, the state determined minimum wage, free education and the big social expenditure in general, with subsidies to low and middle income families (p. 161).

Despite the historic development of a welfare state with big state expenditures, the French policies have changed in recent years, making the future of the middle class more uncertain (p. 194) The most significant change regards the labour market, which has taken a direction of flexibility. The most important part of this concerns the right to end labour contracts by mutual agreements and the focus on creating low income jobs. The focus on low income jobs have had a tendency to compress the wages of the lower middle class and income groups (p. 170).

Even though the French middle class did relatively well during the period of our time frame, the crisis of 2008 did impact the middle class in broad terms, but not as much as in other European countries. Instead, the hardest suffering by the recession hit the working class, rather than the middle class. But as seen before, the fragmentation within the middle class geography shows that, as expected, that the lower middle class was more fragile during the crisis than the upper middle class (p.194).

To summarize, Courtioux and Erhel point to the French social model as a big part of the explanation of why the middle class remained intact during the crisis. Even though France has followed the global trend by moving in a more neo-liberal direction economically and politically, the broadness of their welfare system seems to have slowed down the neoliberal development and stabilized the middle class. Courtioux and Erhel point once again to the importance of public policies and social reforms, which are especially crucial in the ability to contain the middle class intact and to prevent poverty. But, however, their predicaments for the future are not as positive as the results in the past. They warn that the rising inequalities following the crisis might be permanent because of future

budget limitations, limitations which will especially affect the part concerning social politics, which might break the historic positive trend (p.194).

France saw only a slight decrease in their overall democracy score between the years of 2007 and 2014, most noticeably in the ratings of government and political culture, in keeping with trends seen in Europe as a whole.

During the 2000's and 2010's extremist parties, especially in the form of Marine Le Pen's Front National, have in the latest elections seen an increase in the share of votes, from the already high level of 16,9% in 2012 elections to over 21% in the election of 2017 (Kriesi, 2018, p. 53). This was a contributing factor to France being degraded in the 2015 democracy index, from being classified as a full democracy to as flawed. The EIU attests this to a "deterioration in social cohesion" (EIU, 2016, p. 38), a claim which can be furthered by movements such as the *gilets jaunes*.

7.3.2 The German middle class: rise and fall

When studying the German middle class it is important to acknowledge that the German welfare system differs from both the French model and the systems of Southern Europe. The German Bismarckian welfare state is based on a Conservative approach, which foremost has a different system regarding the benefits and individuals status in the labour market (Borsch-Kalina, 2017, p. 198). This, however, does not impact our way of measuring or the fact that the German middle class has shrunk significantly in later years.

After World War II, the working class demanded their fair share of the positive economic development. At the same time, the Cold War and the rivalry between different economic systems globally paved the way for a middle way welfare system and the development of the German welfare state (p.198). This resulted in a broad and big middle class. German sociologist Schelsky even went as far as to declare the class-based society as dead, meaning that a form of a middle class society has taken its place (p.199).

Schelsky's description of the new German middle class society is no longer the reality. Since the 1990's income inequality has risen radically (p. 199), and the income share of the middle income households decreased by 8% during the period of 1992 to 2013 (p. 202). The lower and upper income groups have, however, gained share of income; 3,7% for the lower income groups and 1,5% for the upper (p. 205). What is clear though, by looking at the data, is that the lower and upper income groups are doing relatively well, while the middle income groups are shrinking.

The rise of inequality in Germany does not come as a surprise if looking at the tax system. The top rate in the income tax fell significantly from 53 percent in the

1990's to 42 percent in the beginning of the 2000's. This change has made the tax system shift focus and has made it less capable to redistribute income (p. 220). But it is not only the tax system that has changed in later years. The historically so great coverage of the collective labour agreements had significantly decreased from the 1990's until today, resulting in a larger scale of low-income workers. In combination, the minimum wage, which is decided by law, has compressed wages, increasing the fragmentation of the income groups (p. 222). Because of the deregulation of the public services, new and private providers, which are not condemned to collective labor agreements, has entered the arena, which has resulted in wage-cuts, lower grade collective agreements and the weakening of labor unions (p. 224).

During the same period, especially in the years of our time frame, right wing extremists have started to gain ground. *Alternativ Für Deutschland* ("Alternative for Germany") made its entrance in the German parliament in 2013 with 4,7% of the votes. Since then the party has risen significantly and received over 12% in the elections of 2017, shaking the status quo by shifting the political landscape in Germany (Kriesi, 2018, p. 53).

That being said, the political history in Germany is an inescapable variable in explaining the state of democracy. The lasting wounds of Nazism and the subsequent East-West divide are noticeable in the German constitution and legal actions against extremist parties. In terms of democracy and anti-extremism measures, David Frum describes Germany as "a patient who has recovered from a terrible disease, and ever after monitors himself for a recurrence of the symptoms" (2019). Legal instances such as the domestic intelligence unit and *Verfassungsschutz* (Federal Office for Protection of the Constitution) have made attempts to surveil and silence AfD since early 2019. The constitution deliberately includes limitations and restrictions against extremist parties, and German anti-extremist policy is harsh in comparison to other European countries (Schultheis, 2019).

Whether the outcome for German democracy would have differed without a financial crisis is impossible to know. What can be said, though, is that AfD originally was a party against Germany adopting the euro, and around 10 years after German ascension to the EMU and the birth of an anti-euro party, they were proven right, to an extent. The massive loan packages, largely funded by Germany, may have paved the way for an opportune party to grow in response to the following refugee crisis.

8. Analysis

When discussing extremism and the connection between the shrinking middle class and the rising support for extremist movements, the results can at a first

glance seem obvious. What is clear is that in countries where the middle class has a shrinking tendency, extremist parties gain ground. But this does not mean that the shrinking middle class is the only factor responsible for a rising extremism throughout Europe. Reasonably, other thinkable factors like terrorism, migration, racism et cetera, needs to be included when talking about the rising support for extremist parties. The focus, however, will in this analysis be on the middle class and how it has affected both democracy and the rising grade of extremism in Europe. But, let us start with why the shrinking middle class are shrinking in the first place, before moving on with the rest of our analysis.

In the question of why the middle class is shrinking, the results show several different reasons. The first reason, and the most important one, is neoliberal politics in general. What is clear is that where neoliberal politics has been implemented, and especially under a short period of time, as in the case of our time frame, the middle class tends to shrink and inequality rises. If comparing the middle classes in southern Europe with the rest of Europe, for example France or Germany, the implementation of neoliberal policies has been an ongoing phenomena in the last decades. But what differs them from each other seems to be the pace of the implementations. In broad terms the studies acknowledge seem to be: the faster the implementations, the greater the change, the less time for preparations for the middle class.

In France for example, the result did not show such a dramatic change in the middle class during the crisis, as seen in example Greece or Spain. One of the differences, reasonably, could be the fact that the French welfare system is bigger and more rooted in the French society. This does not mean, however, that the French society hasn't seen a change in the management of the economy and how it should be built. What the countries have in common is neoliberal politics, what differences them however is the pace of the implementation. Where the French economy on one hand has seen a slower and more downgraded change and the countries of southern Europe a more intense and broad change of the domestic economies, mainly because of the austerity packages. The not so intense implementation of neoliberal policies in France, in combination with a big and broad welfare state, seem to have slowed down the shrinking tendencies of the middle class within the French economy.

8.1 Application of theories

When applying Lipset's theories, we can more easily answer the question of why extremist movements gain popularity throughout Europe. Especially in how frustration and anger against politics, the elites and the upper class, pave the way for extremist parties. This tends to happen when inequality increases and the

society changes from a diamond-shape type of society back to the class-pyramid, once stated by Marx and Engels in the communist manifesto.

Just like what Lipset wrote in 1959, the potential ignorance of the elites and the upper class causes anger in the lower classes. Which results in gaining support for extremist parties and movements. This seems to be the cause even under the crisis. In Southern Europe especially the radical changes in the economy and the years of austerity, created frustration and anger against the establishment, which Papadopoulos and Roumpakis also acknowledge in their study. Exactly how the different groups within each country decided to vote in the following elections after the crisis, is something that this study does not have the knowledge of. But, this anger over the neoliberal politics, seemed, however, to cause frustration not only from the lower class, but from the middle class as well. We can reasonably make the equation, that even the middle class tended to vote for either extremist parties or radicalist ones.

This phenomenon is not instinctively explainable using Lipsets theories. But one explanation could be what the Spanish scientists, Muñoz de Bustillo and Josef Ignacio Antón, stressed in their research of the Spanish middle class. This understanding of the new reality, which contained a much more uncertain future, seemed to gain anger and frustration even in the more well-educated middle class. This development seems to have turned around the historical support of the moderate liberal parties from the middle class.

But why did the EU and the European Central Bank continue to force countries to implement austerity measures when they saw the consequences facing the lower and middle class? Of course, it's a question of ideological conviction. On the other hand, if using Lipset's theories and if we change the "upper strata" to the more broad term "establishment", it could also be a case of a deepened lack of sympathy for the citizens in Southern Europe. Making them once again a part of the periphery, rather than a well integrated member of the European union. Following Lipsets theories, the poorer the citizens of Southern Europe got, the more did the European distancing themselves from them. But on the other hand, what the EU actually did, was maybe not to distance themselves from the affected countries. What they did was rather a distancing of the solutions to the problem and the reality they saw grow in front of them.

This leads us to questions of why traditional parties implement reforms that tend to shrink their own voter base? This phenomena is, from a strategy perspective, pequalior. Because: the more the middle class shrinks, the less votes for traditional parties, including liberal ones, and the lower the chance to sustain a functioning liberal democracy. Maybe this is what Fukuyama means when he talks about the dying liberal democracy? If the middle class continues to shrink, the lower is the chance for traditional parties like liberals, social democrats and other, in our time, centrist parties, to expand democracy in general. But if we turn the question upside down, the reason why democracy decreases, is reasonably not

that the middle class shrinks. The main reason is the politics behind the shrinking middle class and not the middle class itself.

Whether our hypothesis was correct or not is a question with different answers, depending on which perspective one tends to claim. Our hypothesis was partly correct if looking at the results. What the results have shown is that where the middle class is shrinking, the degree of democracy tends to shrink along with it, with a rising support for extremist or radical parties as a following consequence. Southern Europe and Germany creates a great example of our hypothesis. France however, belongs to one of the question marks of this study. One part, which concerns the connection between the degree of democracy and the size of the middle class is correct. Both the degree of democracy and the size of the middle class has stood nearly still, with a slight increase in the size of the middle class. Despite this, extremism in the form of Front National has continued to grow significantly in the recent elections. Of course, as noted in the beginning of this analysis, other factors like an increasing terrorism in France or the significantly big migration in Germany, has reasonably affected the political landscape and gained extremist movements and parties. But this knowledge does not change the fact the shrinking middle class, if looking at other European countries, may be an important factor in the question of why democracy decreases and why extremism gains ground.

9. Discussion

There are a number of potential criticisms of the methods used in this study. Even though our study focuses on the financial crisis of 2008 and the following intense four years of austerity, there are some measures linking back long before the crisis itself. More concrete, the risk of making misinterpretations of the material regarding the question of “factors affect”, is in this case high. The crisis or the austerity packages themselves cannot be blamed for all of the negative consequences facing the working and middle classes during the years of the recession. Instead, reasonably, historic outlooks need to be involved, looking both at structural changes taking place at the same time in the global economic system in general and at the direct consequences of the crisis in particular. Put another way, events outside of the time frame we have chosen to focus on may be relevant for explaining and drawing conclusions about developments to the middle class and to democracy during and directly following on the financial crisis.

It is, of course, nearly impossible to unequivocally claim that it was the financial crisis that led to the shrinking middle class, especially considering that a downward trend had begun before the sudden great recession. However, our results may show that the diminishing of the middle class, regardless of the cause, impacted the state of national democracies. Furthermore, it is very difficult to

claim that a smaller middle class is a sole or majorly contributing cause to a weakened democracy.

We are also aware of the fact that the economic way of measuring is not covering all of the areas within the wider definition of class, not even the most fundamental parts of Therborns definition. Despite that, we argue that this is the most reasonable definition being widely used by other scientists within the field. The argument for this type of measuring is basically the fact that it is much harder, if not impossible, to measure in numerical terms the size, or who belongs to which class, using other definitions.

10. Conclusions

The middle class importance for democracy is by the results of this study unquestionable. This study makes it clear that the size of the middle class in a nation has clear importance for the vigor and stability of its democracy". A broad and sizable middle class seems favorable not only for democracy in general, but also in keeping extremist movements at bay. When the middle class shrinks within countries, the degree of democracy tends to decrease as a consequence. The study also concludes that both Lipset's and Fukuyama's theories were in broad terms correct in their theories of the middle class's importance for democracy.

That being said, decreasing degrees of democracy in a nation cannot, importantly, be directly linked to the shrinking size of the middle class. Instead, the study results suggest that decreasing degrees of democracy are more connected to the rising power of extremist movements, which itself, could be a result of the shrinking middle class. This link should be considered, however, as one of many factors behind the rising of European extremist movements during the 2000's and 2010's. Several other important factors, which this study has not examined, need to be included before one can give a straight answer to the question.

The results of this study also suggest that neoliberal policies, as expected, have increased the insecurity of the middle class in several European countries, even though its implementation often has caused more suffering to the working class rather than the middle. In contrast to the detrimental effect of neoliberal policies on the middle class, the welfare state, as for example in France, seems to be important to the maintenance of a healthy and large middle class. In countries where the welfare state has been nearly liquidated or radically changed, especially under a short period of time, as in several southern European nations, the future of the middle class has become more uncertain and the rise of extremist and radical parties has increased.

2. References

- Barro, Robert J, 1999. "Determinants of Democracy", *Journal of Political Economy*, vol 107, no.6, pt. 2.
- Berman, Sherry, 2017. "Democracy in Europe Is Being Reconsidered from Top to Bottom", *Journal of International Affairs*, vol. 71, no. 1, pp. 175–178
- Bosch, G., and Kalina, T. (2016). The erosion of the German middle class: The end of the 'levelled-out, middle-class society'?. In *Europe's Disappearing Middle Class?*, Cheltenham, UK: Edward Elgar Publishing
- Bosco, Bruno - Ambra Poggi, 2020. "Middle Class, Government Effectiveness and Poverty in the EU: A Dynamic Multilevel Analysis", *The Review of Income and Wealth*, vol 66, nr 1, p. 94-125.
- Burchill, Scott "Liberalism" in Burchill, Scott — Andrew Linklater (red). *Theories of International Relations*. Hampshire: Palgrave Macmillan, 57-87.
- Courtioux, P., & Erhel, C. (2016). "Transformation in the world of work and the middle class: The French experience". In *Europe's Disappearing Middle Class?*. Cheltenham, UK: Edward Elgar Publishing
- Cox, Robert W, 1981. "Social Forces, States and World Orders: Beyond International Relations Theory", *Millenium: Journal of International Studies*, vol.10, p.126-155.
- Đorić, Marija. (2016) 'The Problem of Defining Contemporary Right-Wing Extremism in Political Theory', *Collection of Papers, Faculty of Law, Nis*, 72, p. 201–216.
- EIU, 2016. *Democracy Index 2015: Democracy in an age of anxiety*. London, UK: The Economist Intelligence Unit, p. 38.
- Frum, David, 2019. "The Triumph of German Democracy" in *The Atlantic*. Available at: <https://www.theatlantic.com/ideas/archive/2019/05/its-70th-anniversary-germany-democracy-alive/588955/>
- Fukuyama, Francis. "The End of History?" *The National Interest*, vol 16, 1989, p. 3–18.
- Fukuyama, Francis "The Future of History: Can Liberal Democracy Survive the Decline of the Middle Class?" *Foreign Affairs*, vol 91, p. 53-61.
- González, P., Figueiredo, A., Figueiredo, H., & Delfim Santos, L. (2016). "Still holding on? Inequality, labour market and middle-income groups in

Portugal". In *Europe's Disappearing Middle Class?* Cheltenham, UK: Edward Elgar Publishing

- Kekic, Laza, 2007. *The World in 2007: The Economist Intelligence Unit's index of democracy*, p. 1-3. London: EIU. Available at https://www.economist.com/media/pdf/democracy_index_2007_v3.pdf
- Kriesi, H. (2018) 'The 2017 French and German Elections', *Journal of Common Market Studies*, vol 56, pp. 51–62
- Lipset, Seymour Martin, *Some Social Requisites of Democracy: Economic Development and Political Legitimacy*, *The American Political Science Review*, 1959, Vol. 53, No. 1, pp. 69-105
- Mammone, A., Godin, E., & Jenkins, B. (Eds.). (2012). *Varieties of Right-Wing Extremism in Europe* (1st ed.). Routledge
- Muñoz de Bustillo, R., and Antón, J. (2016). *Knocking on heaven's door: Changes in the world of work and the middle class in Spain*. In *Europe's Disappearing Middle Class?*, Cheltenham, UK: Edward Elgar Publishing
- OECD (2019), *Under Pressure: The Squeezed Middle Class*, OECD Publishing, Paris, <https://doi.org/10.1787/689afed1-en>.
- Papadopoulos, Theo - Antonios Roumpakis, 2017. "The Erosion of Southern Europe's Middle Classes: Debt, Insecurity, and the Political Economy of Austerity", *Sociologia e Politiske Sociali*, vol 20, nr 2, p.67-89.
- Schultheis, Emily, 2019. "Germany Is Testing the Limits of Democracy" in *The Atlantic*. 2019-02. Available at: <https://www.theatlantic.com/international/archive/2019/02/german-intel-chief-plan-surveil-far-right-afd/583456/>
- Therborn, Göran (2018). *Kapitalet, överheten och alla vi andra: klassamhället i Sverige – det rådande och det kommande*. Lund: Arkiv förlag.
- Therborn, Göran, 2020. "Dreams and nightmares of the World's Middle Class". *New Left Review*, vol 124. Doric, Marija. In: *Collection of Papers, Faculty of Law, Nis*, Vol. 72, pp. 201-216
- Wolfrey, Jim "The European extreme right in comparative perspective". Mammone, A., Godin, E., & Jenkins, B. (Eds.). (2012). *Varieties of Right-Wing Extremism in Europe* (1sted.). Routledge.

Appendix 1. Democracy indeces data from EIU, 2007 and 2014

Country	Year	Overall average	Electoral pluralism	Government	Political participation	Political culture	Civil liberties
France	2007	80.7	95.8	75	66.7	75	91.2
Germany	2007	88.2	95.8	85.7	77.8	87.5	94.1
Greece	2007	81.3	95.8	75	66.7	75	94.1
Italy	2007	78.55	93.75	64.3	63.9	81.3	89.7
Portugal	2007	81.05	95.8	82.1	58.35	75	94.1
Spain	2007	83.95	95.8	78.6	63.9	87.5	94.1
France	2014	80.4	95.8	71.4	77.8	68.8	88.2
Germany	2014	86.4	95.8	85.7	77.8	81.3	91.2
Greece	2014	74.5	95.8	53.6	66.7	62.5	94.1
Italy	2014	78.5	95.8	64.3	72.2	75	85.3
Portugal	2014	77.9	95.8	64.3	66.7	68.8	94.1
Spain	2014	80.5	95.8	71.4	72.2	68.8	94.1