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**Between welfare state retrenchments, globalization, and declining returns to credentials: The European middle class under stress**

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**Abstract**

In a critical approach of Bourdieu (1979) and Schmoller (1897) before him, and within a Piketty (2013) debate, we rework here the multipolarity of middle classes between higher and lower, and between cultural and economic capitals. This theoretical reconstruction helps understand the "middle classes adrift" in Continental Europe. After the golden age of the "new wage earner middle class" and the Welfare state expansion, the European social structure faces a trend of "repatrimonialization" (or re-wealth-ization), a U-turn towards expansion of wealth and a relative decline in the value of middle level skills. Assets, housing, inheritance, savings, and wealth accumulation, more than consumption in broad definition, are again key issues. We will analyze the ruptures in the social trends of the ‘middle class society’. In this period, economic growth, social homogenization, and social protection were major contextual elements of the expansion of a ‘new middle class,’ based on educational meritocracy, the valorization of credentialed skills, and ‘depatrimonialization’. After the 1980s, the post-affluent society generated a backlash in the system of middle classes. Demographic and social consequences of the new trends are the shrinking and quartering of the middle classes in a context where the inheritance of assets and resources changed the previous equilibrium. Engaging in the cross-national dimension, we sketch the diverging pattern of polarization and the middle class in terms of income and in terms of wealth across the different welfare states. Finally, we highlight the importance of addressing the problem of social stability when large strata of the middle class have less interest in the maintenance of the social order.

**Keywords:** middle class, polarization, income distribution, wealth

**Introduction**

Growing inequality and polarisation can have corrosive effects on the middle class creating a malaise in the Western middle class. The living conditions and well-being of the middle class are an expression of how our society is moving towards progress. Conversely, in developed economies, economic inequality, stagnations and even recessions have a negative impact including increasing downward mobility and an erosion of the middle class. This is true for Western countries, certainly in Latin America, and where economic slowdown transforms promises in delusions.

The general diagnosis of the last decades is that the middle classes have been under pressure due to increasing economic inequality and polarization (Gornick and Jäntti, 2013; Piketty 2014; Atkinson 2016). This is true not only in the US (Leicht Fitzgerald 2014) but also in many Western countries; this income polarisation has led to a decline in coherence of the middle classes as a large, homogeneous group in the middle of the distribution – for instance in the extreme cases of the US and Israel, where the squeezing of middle class is disquieting. Conversely, in France, the middle class remained stable between 1978 and 2010. However, the skyrocketing trend of housing prices has almost halved the purchasing power of wages in terms of square meters since the end of the 1990s.

Wealth – and thus home ownership – is one of the most important drivers of middle class dynamics. Comparing the Gini coefficient of income (29%) and of wealth (75%) in France for instance, two different pictures appear: in terms of income, France is a country with a strong homogeneous “median class”, while in terms of wealth, a strong polarization exists between no-wealth families and the top, which shows no homogeneous median class. By looking at income only, we ignore the most crucial impact of the changing economic and political conditions, namely that the middle class has been affected mostly in its wealth.

Inequalites depend, among other things, on redistributive policies and thus the welfare state. Yet, the current understanding of welfare regimes relies on labour market features and thus on income and does not take into account wealth. Investigating wealth among the population 50 years and older, Skopek et al (2011) find no clear relationship between wealth distribution and type of welfare state: High wealth inequalities exist in social democratic welfare states (SE, DK) known for high egalitarianism and different levels of income inequality in post-socialist countries (CZ vs. PL).

The focus of this paper is on this twofold aspect of economic inequality referring to the distinction between the flux (income) and the stock (accumulation of wealth). Our aim is to show the discrepancies between income and wealth in today’s middle class in Europe and the US. Research questions are: Given these economic and political changes in the last decades, where does the middle class stand today in the US and Europe in terms of income and in terms of wealth? Is there a hollowing out of the middle class? How does Europe compare to the US? Investigating the middle class in cross-national, comparative perspective, we expect that the macro patterns of income and wealth do not coincide. The wealth distribution is crucial for determining the resilience of the middle class in times of pressure.

**The roots of the problem: the middle class formation**

The empirical presentation of the stratification system lacks a theoretical basis and confusion exists surrounding the definition of “middle class”. In light of this, we need a theoretically-grounded reconstruction of the concept of the “middle class”. To resolve this conceptual ambiguity, we have to return to the German social sciences of the end of the 19th century, when the notion of the « new middle class » (neue Mittelstand) emerged. The late 19th century German context is clearly different from the contemporary French one (Charle, 2002)—the Wilhelm’s Germany had been facing a fast socioeconomic modernization during the final three decades of the 19th century, and was about to, in a generation, transform (even if the impact was regionally heterogeneous) Germany from a feudal society to a complex industrial society (Schultheis et Pfeuffer, 2002).

These considerable changes were deeply influenced by the contrast between archaic cultural traits and representations (for example, the notion of Mittelstand, refers to an “intermediate State” similar to the French “Tiers Etat” of the 18th century) and the surprising rapidity of the social-structural transformation. The transformation was marked by high tech industrialization and the expansion of elaborate bureaucratic organizations, such as the constitution of a new and strong central state and with the expansion of large industry and mass services (insurance, banks, post offices, etc.). Inside the German social democratic party, such social transformations produced a new debate on the (in)accuracy of the Marxist prophecy of relative or absolute proletarianization, a sociological diagnosis that Eduard Bernstein (1899) was the first to translate in political terms.

However, two years before, Gustav Schmoller (1897) was the first to face this difficulty in a seminal text that anticipated further sociological problems and diagnoses of the social structure. Indeed, Schmoller underlined the existence of two important dimensions structuring the middle class space:

• On the one hand, he highlighted the distinction between an Obere and an Untere Mittelstand — an upper and lower middle class. This distinction underlined the hierarchical division of the middle classes, the Obere reaching the limits of aristocracy, and the Untere neighboring the working class.

• On the other hand, he developed the polarization between an Alte and a Neue Mittelstand. The Alte consisted of intermediate farmers, self-employed shopkeepers, small businesses owners, while the Neue benefitted from the fast expansion of a social group of qualified wage earners in industry, large service companies, and state (Beamten) and private bureaucracy (Angestelten) (Kocka, 1981).

Schmoller’s distinction between the Alte and Neue Mittelstand underlines the emergence of an important concept—the new middle class. Lederer and Marschak (1926) and Geiger (1932) wrote on the destabilization of the new middle class in the post-World-War-I context, and in White Collar: The American Middle Class (1951), C. Wright Mills analyzed the contemporary American model of middle class. The debate between emergence or the pauperization of the middle class during the difficulties of the 1914-1950 era reveal a long pause in the process of middle class expansion, particularly in Germany.

In contemporary analyses of the middle classes, the dimensions of Upper/Lower and Old/New remain useful. These two dimensions are complementary, and offer an analytic image of four large sets of middle classes. With these two axes, Schmoller prepared the Bourdieusian idea of a two dimensional social space (Bourdieu, 1979) 70 years in advance. When these two axes of differentiation inside the middle class are crossed, the two dimensional social space provides four types of middle classes:

##### The bidimensional space and four types of middle classes



The old middle class refers to small owners and a petty bourgeoisie who own small property. The old high middle class consists of neighboring aristocrats and large proprietors. Typically, medium size entrepreneurs are the ideal type of “old middle class,” in which patrimony (both in terms of wealth accumulation and inheritable shares of economic control on productions) is the strategic model. Civil servants in the traditional services and missions of the state, such as security, police, and the central bank, and groups that are considered extensions of the former aristocracy, such as higher military officers, are situated in the old high middle class quadrant. Members of the higher bourgeoisie (6) are also sometimes classified as members of this group. Self-employed individuals without employees, specifically those in manual occupations, are typical of the old lower middle class.

For Schmoller, two new types emerged in the sociological vision of stratification. The first is a new lower middle class of wage earners in occupations based on an intermediate level of responsibility or technical qualification, such as low-level engineers, semi-processionals, low-level managers, and most of the intermediate bureaucracy of the state and large companies. The second is a new higher middle class, defined by expertise, the control of larger organizations, elaborate knowledge, the “symbolic manipulation” of complex systems, management, ruling, and decision making. Schmoller is the first social scientist to have clearly detected the expansion of a social stratum based not on patrimony. The opposition between the “old” and “new” middle classes appears to be first a question of credentialed skills and the control of complex and institutionalized knowledge, which is mainly technical, juridical or more generally certified by diplomas that are controlled by a professional group recognized by the state (in the French context). On the contrary, the “old” side of the middle classes is more closely tied to the control of economic resources and is directly dependent on markets.

A trend of de-patrimonialization of the economic position and a return to credentialed skills (Wright 2003) and strategic knowledge clearly emerges in the post-Second World War era, particularly in Europe, when the wage earner middle class was about to access better statuses, market positions, social protections, and political control, without the accumulation of economic resources but rather with the accumulation of cultural capital, credentialed skills, state-recognized social rights, and political recognition (Castel and Haroche, 2001). However, as this trend reversed in the last 20 years in favor of repatrimonialization, Europe has been experiencing a backlash. We have first to understand how the 20th century’s trends developed a “middle class society” in a context of depatrimonialization that destabilized the “old” middle class based on capital accumulation, and conversely how the recent trend of repatrimonialization changes the balance between what is “old” or “new” in the middle class system of today.

**The seven pillars of middle class societies**

A more systemic approach than the measurement of inequality can be achieved with a broader conceptualisation of “middle class *societies*”.. Drawing on various classical social science works (notably Galbraith), the typical middle-class societies of the industrial times, that culminated in the Western world in the eve of the 1980’s can be characterised by seven important parameters - or “pillars” of “middlization”:

*1. “Wage-based middle class society”: permanent wage earners become a majority*

Well above the level of the working class, a new group of wage earners has emerged with stable and predictable earnings (controlling the earning volatility) around the median wage , which becomes a norm (or at least a typical model in the public sector and then imitated by large companies in the service sector such as banks, insurance companies, etc.). This model of average wage earners generates a pervasive model of wage-based middle class society.

*2. Wage incomes sufficient to live well: the affluent society*

In the Galbraith’s model of the *Affluent society*, the standard of living is increasing over the life course leading to increasing levels of consumption as well as savings (in particular in home ownership). The wealth-to-income ratio is low and the median earnings are sufficient for enjoying comfort, which is a new feature compared to former societies, where wealth was the nodal resource.

*3. Generalization of social protection including labor stability: the spread of social citizenship*

Welfare state development complements the protection provided by the permanent wage earner contract (lower volatility). Major social risks (widowhood, retirement, health, unemployment, old-age poverty etc.) are better covered by the developed social insurance. In this model, social protection is a form of *depatrimonialisation*: wealth ownership is no more a condition of predictability.

*4. Educational boom and upward social mobility: increasing belief in meritocratic society*

Galbraith underlined the specific role of education, not only for obtaining selective skills that define the “new middle class”, but also for values and identity of middle class parents who measure their own social success based on the educational performance of their children (i.e. entry ticket to upward social mobility). Thus a middle class society is characterized by a growing tertiary education sector, able offer younger generations a larger educational capital.

*5. Beliefs in progress*

In the 1970s, middle class societies were characterized by values of socioeconomic progress and an optimistic vision of never-ending search of personal and collective improvement in human development as well as economic, technological and scientific progress. In the American history of the middle class, the late 1960s were the climax in the belief in progress (“Man on the Moon”).

*6. Political centrality of middle class*

In the context of the post-war *Golden Age* (U.S. / U.K.), *Miracolo economico* (Italy), *Rekordåren* (Sweden), *Wirtschaftswunder* (Germany) or *Trente glorieuses* (France), the middle class became an increasingly powerful political force. Traditional politics were based on the fight between the dominant bourgeois powers and the social critique of proletarian streams. Trade union forces were initially devoted to the defense of working class interests, not the median wage earner. In this political model, the middle class had in many countries a very limited political choice and often joined the bourgeoisie in right wing voting. Later, with its increasing size, the middle class gained political weight in democratic elections.

*7. Middle class moderate politics*

Middle class values in a middle class society fit with the Aristotelian ideal of moderation, stability and rationality. Due to progressive change in the context of post-materialist societies, the older political balance between proletariat and bourgeoisie gave place to the promotion of the middle class as a centered moderated actor, as prophesized by Simmel or Bernstein.

These seven parameters can generate a core of centripetal forces typical of “middle class societies” that are not only defined by a large proportion of middle class members, but rely on the consciousness of bourgeoisie and working class that their own social destination (or their kids’) is in the middle class. These centripetal forces are typical of the 1970s’ spirit where even non middle class actors, in the working class and elsewhere, share middle class interests.

**Diagnosis on the middle class societies: are the seven pillars crumbling?**

THIS PART, A COMPARATIVE DIAGNOSIS OF CRITERIA RELATED TO THE 7 DOMAINS

IS NOT FINISHED

To date, the “panic in middle class” (Geiger 1930) syndrome has not been assessed systematically; rather an array of potential trends of retrenchments of the middle class resources has been observed by contemporary social scientists such as Piketty (2014), Therborn (2013) or Milanovic (2016). A first step we take here into this direction is to analyse whether the seven above-mentioned trends experienced an inversion in the post-*Golden Age* period.

The inversion of the seven Galbraiths’ parameters is typical of centrifugal dynamics from the middle class. These new middle class dynamics gain importance in periods of economic retrenchments, risking a social generation being marked by a pessimistic *Zeitgeist* (spirit of the time, Karl Mannheim). In Geiger’s model, economic degradation, downward mobility and the lack of a reliable and stable regulating frame generate fear, frustration and social disorganization. A strong core of shared values and sense of solidarity can limit centrifugal trends but when they are absent, societies face the risks of anomie and social unrest.

*1. “increasing uncertainty and (social) insecurity”: decline in predictability*

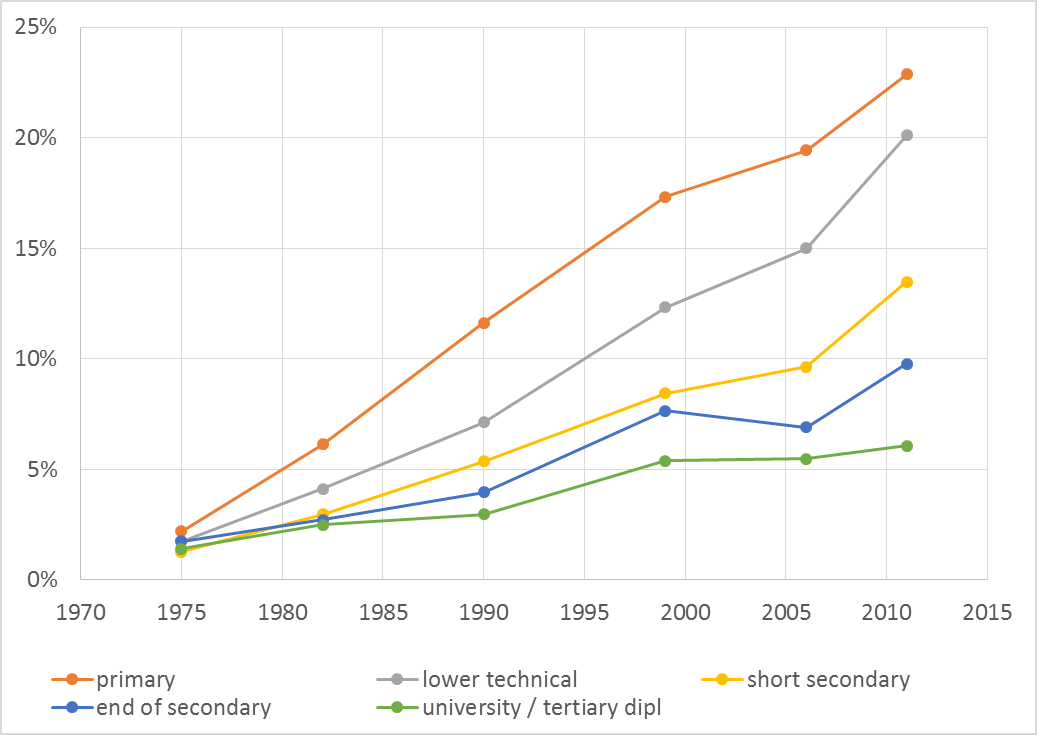
Loss of stability in careers and fluctuations in the labour market generate wage uncertainty and thus difficulties to make plans for the middle class and develops a new massive precariat (Standing, 2011) in the middle class societies.

One of the strongest transformations of the middle class is its relation to security, in terms of lifelong control of adverse events. In this respect, security of a tenured position or of a safe job is a central goal for a large part of the population and this has been achieved for a massive part of the wage earner population in the 1960s.

The French case, characterized by 40 years – beyond fluctuations – of increase in unemployment rates, is an interesting illustration of this process of decline in predictability of wage earner status. On the one hand, we can claim education is more and more protective, relatively, against unemployment since the gap between the educated population and the other is increasing over time. On the other hand, in this process of acceleration of inequalities, diplomas lose their absolute protective power since unemployment levels of the French Bac owners are higher today than the unemployment of no-diploma-at-all owners of the mid-1980s.

This is only one aspect of the long term development of uncertainty and malaise in the wage earner society.

1. **Unemployment rate for male 30 to 35 year old population by level of education – France**



*Source: French censuses microdata harmonized by IPUMS project* [*www.ipums.org*](http://www.ipums.org) *N=4,388,187*

##### c. Pessimism in Europe

##### Generally speaking, do you think that the life of those in the EU who are children today will be easier, more difficult or about the same as the life of those from your own generation? ANSWER EASIER

##### ZA5998: Eurobarometer 83.3 (May 2015)

*2. Wage stagnation and increase in the real cost of life: the post-affluent society*

Slowdown in economic growth negatively impacts wage earners, even in “affluent societies”. The income stagnation is even clearer when we consider net wages, after payroll and income tax. We observe an increasing gap between the average GDP per capita that follows a positive growth and the reality of median net after tax wage that stagnates in many countries.

1. **Average labor real earning (gross) in PPP (log scale)**



Source: own calculation on the Penn World Tables 8.1

1. **Share of labour compensation in GDP at current national prices**



Source: own calculation on the Penn World Tables 8.1

*3. Destabilization of social protection and repatrimonialization*

The model of wage earner protection faces welfare state retrenchments, and the erosion of public insurance or its replacement by private insurances - with strong consequences for household incomes. Targeted and means-tested welfare regimes may exclude the middle class from social protection. Savings, business resources, capital gains make an increasing difference in individuals’ protection.

* Education is more necessary and less sufficient
* Wealth makes the difference / lottery of birth / lottery of business

*4. Mismatch between diploma and socioeconomic position: over-education and downward social mobility*

In several countries (e.g. Southern Europe), even highly educated diploma holders face difficulties in entering the labour market, generating a mismatch between education and positions (*nimileuristas* in Spain). Beliefs in the intrinsic value of skills erode and middle class members become conscious of risks of social downward mobility.

* Educated ones downward mobility

*5. New worries, declining beliefs in progress*

Generalised distrust includes declining trust in future and new middle class panic.

* Wealth stress (objective)
* Trust stress (ideology)

*6. Loss of political centrality/control of middle class*

Decline in social democracy; reflux of trade union participation of the middle class; development of lobbies.

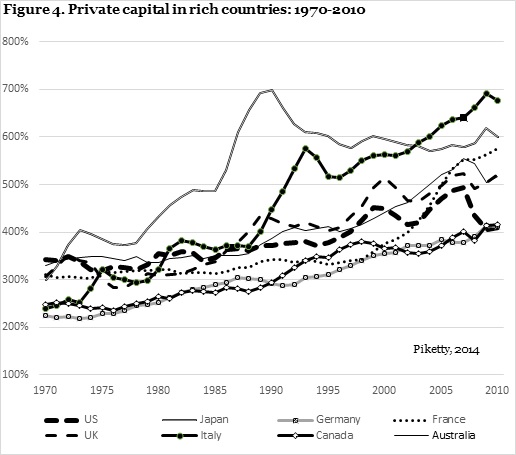
* Trade union (objective)

*7. Spreading populism*

Problems that were previously limited to socially excluded groups or the working class spill now also over to the lower middle class. Populist parties progressively succeed in gaining votes in the middle class.

**The empirical dynamics and the reconceptualization of repatrimonialization**

Within the set of indicators we cover, an important part of the story comes from the imbalances between income and wealth. Thomas Piketty (2014) underlines the expansion of wealth accumulation (measured in terms of wealth to income ratio, an indicator expressing the relative size of wealth accumulation and can be interpreted as the number of years of flow of income to generate the stock of capital). In the U.K. in 2010, wealth represent

Fig 1 

Private capital is worth between 2 and 3,5 years of national income in rich countries in 1970, and between 4 and 7 years of national income in 2010. Sources and series: see piketty.pse.ens.fr/capital21c.

Source: Piketty 2014 / Sheil 2015

Fig 2 : Private capital expressed in number of years of income 1980 and 2010

Source: Piketty 2014

These figures corresponds more or less to the dynamics of housing index as followed by the Dallas Federal Reserve Bank (Mack and Martínez-García 2011): home property is for standard household the concrete face of assets dynamics. These figures show the massive asset price inflation (relative to ordinary goods and services) that offered opportunities for considerable capital gains for individuals and families that were able to benefit from this dynamics. Even if the sustainability of the current situation is highly debated – between those who consider this bubble will soon explode where it did not in 2008 (this interpretation is widespread in the liberal side of politics but not exclusively) and those who consider this is a reconstitution of “normal” figures after a 1914-1980 parenthesis of “excessive equalitarianism” (here is generally the conservative vision).

**Figure 3: Real housing price index (dotted lines) and real household incomes index (thin lines)**



Note: y-axis: Housing index and household incomes adjusted for inflation, indexed to year 2000 (y=100).

Source: International House Price Database, Federal Reserve Bank of Dallas. Mack and Martínez-García (2011).

These transformations are now widely acknowledged (Piketty 2014) but at the time insufficiently understood in terms of implication for the social structure and the stratification system. This trend had been a major source of repatrimonialization, a notion that should be understood both in its dimension of reconstitution of wealth as a potentially massively dissymmetric resource between those who have and the have-nots, in its relations with the reconstitution of dynastic families of assets controllers, and *in fine* due to the dissymmetric relation to power benefitting those who have this means the potential privatization of public resources that were previously under the control of the State or collective institutions.

The former dynamic of “depatrimonialization” that culminated in the decades after World War II consisted in the decline of housing costs, the reduction if not the marginalisation of wealth as a source of economic power, the correlative expansion of wage as resource and the increasing role of the State in strategic economic sectors that were previously managed under a traditional mode of capitalist control. Typically, in France, nationalizations of important sectors such as railways, strategic industries (mining, energy production, automotive industry, etc.), banks, etc. happened in a context where owners (individuals and families) of these former private companies acquired a prominent political influence and role in the current public affairs. In the French experience, he most visible transformation of Banque de France (the French central bank) that was the private property of a reduced group of old bourgeois and aristocratic families (les « Deux cents familles »), a system that collapsed in the reforms of 1936 and disappeared with the nationalization of 1945. This aspect of private money gaining exorbitant recognition in the (im)balance of public power can evoke a modern counterpart of Max Weber’s concept of patrimonialism.

The process of repatrimonialization is a backlash observed since the 1980s when we observe the formation of a gap – a fault – between pure wage earners, even with competitive credentials, diploma and marketable skills, who are structurally unable to become home owners, and wealth accumulators. This new structure of socioeconomic power means strong recompositions even in the middle classes: this new divide betters the relative position of seniors (juniors can *become* wealth accumulators, but have difficulties to *be* before age 50, in a demographic regime of high life expectancy), and of course reconstitutes the relative socioeconomic power of wealthy families over the others. We can expect this (Chauvel 2006, Piketty 2014) but deeper analyses are required, in a context where, unfortunately, empirical knowledge is not abundant, many pieces of the wealth puzzle being hidden. The question here is to try, by simulations based on known distributions and measured trends, to quantify better the expected divide inside the middle class between those who own and the others.

**The differences between inequalities of income and of wealth**

Income and wealth affect completely diverging structures of distributions. It is difficult to figure the social architecture resulting from the intensity of inequalities, notably in terms of economic coherence of the middle class. A solution is the analysis of the shape of the “strobiloid” curve (Chauvel, 1995), which is the smoothed density of the medianized income (or beter of level of living, defined by the post tax and transfer net income by consumption unit), a curve which is adapted to international comparisons. This method derives from Pareto distribution (1893) and subsequent improvements (Champernowne, 1937, Fisk, 1961) and systematization in the context of international comparison, (Chauvel, 2016).

##### 4. The strobiloid representation of income distribution



Note : In the strobiloid curve, income is the vertical axe; 100 is the median income. Generally, the curve is shrinking at the top and at the bottom (few people are extremely poor or extremely rich). The largest the curve around income = 100, the more the population is a median class society.

##### 5. Comparisons of national strobiloids

**Sweden**

**1985 :**

**Median**

**disposable**

**income**

**per**

**year**

**per capita :**

**23.000 $PPP/an**

**Gini**

**coef**

**.:**

**25.2**

**%**

**Median**

**class =**

**84**

**%**

**US 2000 :**

**Median**

**disposable**

**income per year**

**per capita :**

**32.000 $PPP/an**

**Gini**

**coef**

**.:**

**34.5**

**%**

**Median**

**class =**

**58**

**%**

**Brazil**

**2003 :**

**Median**

**disposable**

**income per year**

**per capita :**

**6.900 $PPP/an**

**Gini**

**coef**

**.:**

**59.8**

**%**

**Median**

**class =**

**44**

**%**

*Median*

*national*

*income*

For this comparison, the two opposite poles of the international spectrum of inequalities offer interesting points of reference: on the one hand we have Sweden, with a Gini coefficient of 25.2%, one of the lowest in the world, on the other hand is Brazil, with a Gini coefficient of 59.8%. In Sweden, since the floor (the poor) is high and the ceiling (the rich) is relatively low, the larger part of the population is amassed near the median. If we define the “median class” as the population between half the median and twofold the median, 84% of the population is between these borders. By contrast, in Brazil there is a strong polarization between the extreme poor, with incomes near zero, and extreme rich. There, the median class is divided between those who climb to the top and those who remain at the bottom, with a median class consisting of approximately 44% of the population. The United States stands in an intermediate position between these two extremes, with 58% of the population in the median class. The French strobiloid is closer to the Swedish one, even if its median class is less homogeneous and concentrated near the median.

Nevertheless, a complicated aspect of economic inequality is the difference between the flux (income) and the stock (accumulation of wealth). In France, if we compare the Gini coefficient of income (29%) and of wealth (75%), and the shapes of the associated strobiloids, two different pictures appear: in terms of income, France is a country with a strong homogeneous “median class”, while in terms of wealth, a strong polarization exists between no-wealth families and the top of the strobiloid, which shows no homogeneous median class. This distribution can explain a part of the terminological ambiguity about the “middle class”, in the English and Continental European traditions: in French, “middle class” means the population of common citizens with normal incomes, needs, lifestyles and consumption patterns, but in English, it defines the intermediate group between the highest economic elite based on wealth accumulation. In France, the “middle class” is a kind of “average income class”, while in the English tradition it refers to much higher positions—individuals with above average wealth.

On figure 6, we understand how social structures of income versus wealth differs entirely. In the process of depatrimonialization (circa 1940s-1970s), this complex dual hierarchy was in a process of reduction of extreme values of wealth. We are in front of a reconstruction of this radical hierarchy, a trend expressed by Piketty’s figure 1.

##### 6. Income and Wealth Strobiloïd 2005 in euro (in France)

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Figure 6 also underlines the degree of extreme dissymmetry. On the left is the income structure where wage plays a central role. Near to the median is aggregated a large share of the population and extreme poor (near to zero) versus extreme rich (the curve is graphically topped above 4 but in the reality it continues much above). On the left is the wage-based society where inequalities are easily to conceptualize since they are relatively familiar. On the right side of the curve is a world of extreme: the wealth based society, and its domain of extreme inequalities. The tail of the wealth strobiloid might go beyond any kind of cognitively accessible limit: if I am as tall as my wealth, Bill gates is one hundred kilometres tall.

The most important aspect is the skyrocketing expansion of the size of wealth stock, relative to income flows (fig1 & 2), in the recent decades. The near twofold increase of wealth stock relative to income in the last generation (say 1980-2010) could have change the balance of income and wealth in the middle class, promoting the relative position of wealth accumulators and depressing the relative position of those with no wealth.

##### 7. Income and Wealth Strobiloïd 2010 in euro



Source: European HFCS, Household Finance and Consumption Survey 2010 / American Survey of Consumer Finance 2013. Incomes are equivalized by consumption unit (square root of number of persons in the household). The incomes for HFCS are pre-tax, and the Ginis are higher than in the LIS source. Wealth is net of debt.

In the future we will consider more countries, in particular Nordic ones. But we focus on four examples: Germany, France, Italy and the United States. The distributions of income are more unequal than in other sources like Luxembourg Income Study (LIS) since it is declared as gross, pre-tax income.

XXX describe the country differences XXX

**The consequences of the backlash to wealth based society – for now**

The doubling of the wealth to income ratio can be estimated at a first stage with a simulation of the consequence of the long term (30 years) capital gains of figure 1 in terms of annual additional income. The idea is to evaluate the income equivalent of capital growth from figure 2. In figure 8 is represented the percentage of implicit annual gains in terms of percent of income. If the inegalitarian structure of distribution of these gains is clear in France, the average effects across the income scale seems relatively neutral. In reality, in each income group, there is a divide, a strong distortion, between the haves and have-nots in terms of wealth.

##### 8. Implicit annually actualised capital gains in terms of percent of income (Y axis) by position in the income scale (logit ranked)

Note: French top 2% income levels gained 7% more (in income) per year due to capital gains.

The strong distortion appears when we collapse in each income group the population below the wealth median of its income group, who had nothing to earn in this capital expansion, and, for instance, the top 5% wealth owners of each group. These implicit gains equates 10% (in the U.S.) to 50% (in Italy for the top earners). This goes with complicated, variable, potentially massive distortions inside the same income group. In France, the effect is the loss of homogeneity of the middle class where level of living depends less on work than on hopes of bequests and substantial family accumulation.

These figures focus on the 5% higher wealth owners of each income group. If we had larger samples to go farther in the details we would see the “sling effect” of wealth inequalities: when strong divides are observable at the center of the distribution, they are even gain in intensity at the extremity of the distribution.

##### 9. Implicit annually actualised capital gains in terms of percent of income (Y axis) by position in the income scale (logit ranked) (for the 5% top wealth owners of their income group)

Note: inside the French top 2% income levels, the 5% top wealth earners gained 27% more per year (in income) due to capital gains.

**Conclusion**

According to forecasts of labour market transformations caused by the Internet of Things and Artificial intelligence, 30% of middle-income jobs could be abolished (Autor 2015). In the contemporary post-crisis shock, equality and the middle class are at risk (Atkinson 2016; Mau 2015) as a consequence of welfare state retrenchments, declining public employment, restrictive economic policies, instability of housing prices, uncertainty in the credit market, which directly affect the middle class.

In reality, a strong transformation can derive from the considerable change in the wealth to income ratio that means the reconstitution of the extreme hierarchies of the 19th century.

These developments are disquieting as today’s middle class is vulnerable: while other studies have shown that the middle class is shrinking, we could show that the persistence of the middle class cannot rely on its wealth.

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