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A Fragile Hold on Consumption: Consumption and the New Middle Class in Colombia

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Abstract

This paper explores consumption patterns, access to banking services, attitudes to government and aspirations of the growing and vulnerable middle class in the global South. Data comes from a population survey conducted in 2016 in Cali, Colombia. We compare middle income and lower income populations in order to establish differences and similarities. We aim to answer a basic question. What are the patterns of consumption for this new middle class and how does it compare with lower income groups? Generally speaking, we find that despite the marked differences in income levels the middle class and the poor population share similar goals and attitudes and inhabit the same urban realm.

Keywords: aspirations, Colombia, consumption, global south, middle class, social mobility

1. Introduction

A combination of the global shift in manufacturing, a twenty-year steady rise in basic commodity prices and the rise of more redistributive policies have meant a decline in absolute poverty in many countries. The urban implications of this rise can be investigated from different angles. There is the impact of new and enlarged consumption patterns especially the increase in private vehicles. An increasing number of cars has an important effect on congestion and on the quality of urban air (Lelieveld et al., 2015). Air pollution and congestion in cities such as Delhi for example are in part a function of an expanding middle class able to purchase more cars. There is also the rise of new consumption spaces such as the urban megamalls (Shatkin, 2008). There is also a commodification of housing markets as more affluent households can now buy their accommodation. The rise of new commodified housing markets in Chinese cities, for example, has meant a steady increase in house prices and the displacement of the poor to the periphery of the city (Burdekin & Tao, 2014). There are also the relations between an emerging new middle class and long-established social categories (Schindler, 2014). Notwithstanding the problematic use of the term ‘class’, an expanded urban middle class has the potential to be a new actor in the political arena as it is often associated with a renewed urban environmentalism and an increased concern with quality of life (Rodan, 2013). In certain cases, such as India, a new propertied middle class is aligning itself with forces promoting the privatization of urban services and land markets.

In this paper our aims are more modest. Much of the debate about the rise of a middle-income group is pitched at a very general aggregate level. So, our first aim is to provide more empirical detail about the phenomenon in just one city. In order to get better handle on this middle-income group we explore consumption patterns, access to banking services, relation with government and aspirations.

We compare the middle incomes with a lower income population in order to establish differences and similarities. The study is conducted in Cali, Colombia, a city with a long tradition of conspicuous consumption that may be, in part, inherited by drug-trafficking culture. We look in detail at consumption patterns in the city through two lenses. The first is to answer a basic question: what are patterns of consumption for the middle income and how does it compare with lower income groups. There are few studies at this granular scale and so we see our work as an initial benchmark for subsequent cities across the global South. The second lens is the particular context of Cali, a city where a narco-economy and narco-aesthetic has informed the consumption patterns and aspirations of the entire city. We explore the fragility of the middle class in an economy and society still dominated by informality.

2. The Emergence of the Middle Income in Latin America and Colombia

Latin America has experienced a profound economic and social transformation in the last two decades. According to the

data, millions of people were lifted out of poverty and a middle-income group has grown rapidly in size and spending power across the region (Biekart, 2015; Vakis, Rigolini & Lucchetti, 2015).

Permanent economic growth, in part driven by a commodities boom, and the fiscal discipline of governments has expanded the middle-income category in Latin America (Azevedo, López-Calva, Lustig & Ortiz-Juárez, 2015; Bird & Zolt, 2015). The implementation of diverse welfare policies such as cash transfers to the poor have also helped to reduce poverty levels from 48% to 29% between 1990 and 2011, and extreme poverty dropping from 23% to 11% (Economic Commission for Latin America and the Caribbean [ECLAC], 2013). By 2011, around half of Latin American households were classified as middle income (Castellani, Parent & Zentero, 2014).

Holding other things constant such as real prices compared to wages, middle income status implies the ability to afford more goods and services and pay a little extra for better quality goods and services (Murphy, Shleifer & Vishny, 1989). The emerging middle income is viewed as highly ambitious and aspirational in their spending patterns (Castellani & Parent, 2011; Casey & Taylor, 2015). Aspirations, previously stunted by low income status are now possible including owning a home, and a car, college education and regular family vacations (Madison Institute for Research on Poverty, 2010).

One of the dimensions that is less explored in the consumption patterns of the middle income in Latin America is their high spending despite their economic vulnerability. Employment conditions (mostly in the informal sector) and educational attainment (high school on average) make their position more vulnerable to economic slowdowns as the social protection systems fail to reach almost half of this population (Cruces, López & Battistón, 2010; Stampini, Robles, Sáenz, Ibarrañ & Medellín, 2016).

Colombia fits into the general Latin American pattern of declining poverty and an emerging middle income. In 2002 almost half of the population lived in poverty and by 2015 the proportion fell to 27% (DANE, 2016). GDP increased from US\$3,045 in 2000 to US\$4,859 in 2015 (DANE & Banco de la República, w.d).

Colombia's middle-income population is characterized by an increase in educational levels (as compared with their parents) reaching high school diploma and some education at the technical – professional level. Households on average contain 4 individuals and at least one household member holds a stable, formal job (Angulo, Gaviria & Morales, 2014).

Cities in Colombia host the major portion of this middle class. In Bogotá (capital), Medellín and Cali, the biggest cities in the country, the middle-income population ranges from 46% to 48% in 2015. Mid-size cities also contribute to the growing figures. Cities are the engine of economic growth in developing countries, and they have been transformed by the demands and rising incomes of the population moving out of poverty. Housing, mass transportation and an increasing demand for cars and motorcycles are shaping cities configurations and policy priorities.

In Cali for instance, the number of new non-poor housing units¹ grew from 4,595 units in 2009 to 6,146 in 2015 given several policy interventions aimed at subsidizing mortgage interest rates for middle class families (DANE, 2006; 2015). One of the major challenges that governments face is providing the infrastructure needed for the bigger houses and increasing number of vehicles. One of the major assets acquired by Colombian households since 2012 was a motorized vehicle. The percentage owning a vehicle increased from 21% in 2004 to 28% in 2012 (Dinero, 2012).

Another characteristic is the increasing spending on non-essential goods such as clothing, entertainment and vacations. In Colombia, economic growth has led to an increasing conspicuous consumption. In 2004 an average Colombian household spent about US\$523 on living expenses including rent, food, utilities, education, transportation, debts and entertainment. By 2012 the figure rose to US\$971. Purchasing power increased about 4.6% every year during 2004- 2012 period, a truly impressive growth rate. Disparities between low and high socioeconomic strata households also changed. In 2004 a high socioeconomic strata household spent 11.4 times more on entertainment as compared as to a low socioeconomic strata household; by 2012 this difference was reduced to only 3.8 times (Dinero, 2012). Spending on entertainment is a good surrogate for disposable income across all socioeconomic strata. Conspicuous consumption is percolating down the income scale and is no longer the preserve of the rich and affluent. A phenomenon that is fueling spending within the emergent middle income is the establishment of massive shopping centers in urban centers that provide safe environment to spend and be entertained (Dávila, 2016).

Another factor that may explain the increasing spending in the country is access to banking and credit services. Between 2011 and 2015, the percentage of individuals accessing to regulated banking services rose from 65% to 75% and the proportion of adults accessing to credit cards went from 4.3% to 8.2% during the same period (Asobancaria, 2016). Furthermore, there is a reported increase in consumption amongst the poorest. This is reflected in increasing debt encumbrance. Whereas in 2002 a low socioeconomic status household spent 1% of their economic resources paying debts,

¹ Colombian government divides housing between poor and non-poor units.

by 2012 it had increased to 5% (Dinero, 2012).

3. Middle Income and Middle Class

The terms “middle income” and “middle class” needs careful use. Generally speaking, there is not a consensus on how to measure the share of middle-class population (Pressman, 2007). However, in the literature on developing countries, two broad ways to define middle income have been used. One of them, is based on income using the range of 10 to 50 dollars a day (Milanovic & Yitzaki, 2002; Banerjee & Duflo, 2008; López-Calva & Ortiz-Juárez, 2011; Angulo, Gaviria & Morales, 2014). The other definition refers to social characteristics such as education, occupation, consumption and socioeconomic strata (Castellani, Parent, & Zentero, 2014).

In Colombia, both measures are used to classify middle-income households (Angulo, Gaviria & Morales, 2014). In terms of income, Colombian middle-income can be defined in absolute terms as the percentage of households who earn between 10 and 50 dollars per day (Angulo, Gaviria & Morales, 2014). In terms of social characteristics, the national government uses a household stratification categorization. In Colombia, households are classified in a strata scale from one to six. These strata reflect physical conditions and access to public services of households and neighborhoods. This a mechanism used by the government for targeting social spending and subsidizing electricity, sanitation and running water services. Under this definition, households classified as one and two, are the poorest; three and four represent the middle class; five and six are the richest (Alzate 2006). Generally speaking, both measures (income and social characteristics) are highly correlated in the Colombian context and yield to similar results (Franco, Hoppenhayn, & León, 2011). We use the social characteristic classification in our paper.

In Colombia in 2014, under this classification, 47% of the population lives in the poor strata, 43% in the middle-income, and 10% represent the richest (Red Cómo Vamos, 2015). Cali mimics those numbers (Red Cómo Vamos, 2015).

4. The City

This paper is based on a survey conducted in the city of Cali, the third largest city in Colombia, with a population of 2.4 million. Cali is one of the main industrial centers of the country and the major economic hub in the Pacific region. The city became world famous in the 1980s and early 1990s because of the ‘narco economy’. Murder rates escalated, making Cali one of the most violent cities in the world.

Drug trafficking impacted the city and its society in different ways. The narco-trade infected civil society as social trust collapsed and led to a decline of social capital (Otero, 2012). The drug trade and drug money also permeated the city to such an extent that the borderline between legal and illegal sectors became compromised. The housing markets, for example was infected by ‘dirty money’. Social capital was also devalorized (Betancourt & García, 1994; Duncan, 2009; Salazar, 2001). Drug trafficking reinforced a culture of conspicuous consumption. The image of the rich as quietly affluent was replaced by a model of flashy consumption as narco-money flooded in and huge gains were obtained with relatively low effort in very short periods of time. The newly wealthy of the narco-business were characterized by publicized consumption and theatrical displays of great wealth (Rincón, 2009). This leads to a culture of instant gratification mainly characterized by the acquisition of flashy and expensive goods. These displays of huge wealth are typical of the newly wealthy in any society as they turn their recent wealth into tangible displays that denote and confirm their wealth to a wider public.

The sheer size and public nature of the displays influenced the culture of the city in many ways. A narco-aesthetic percolated through the society. Take the case of plastic surgery. It was used by the traffickers to turn their women into hyper sexualized and acutely visible displays of femininity. Large breasts and buttocks were achieved through plastic surgery. The women became a role model for other women much further down the income scale (Aguirre, 2011; Fischer & López, 2009). The growing demand meant that plastic surgery became more common. There are many clinics in the city offering plastic surgery for breast and buttock enhancements. Cali is one of the major cities in the country providing plastic surgery services (El Tiempo, 2015). Moreover, loans are available for those unable to pay cash making it even more affordable for middle and even lower income women.

The legacy of narco-culture on consumption patterns and life styles for many in the city is confirmed in numerous qualitative studies (Aguirre, 2011; Betancourt & García, 1994; Duncan, 2009; Fernandez, 2002; Salazar, 2001).

5. The Survey and Methodology

Data for this analysis comes from a structured survey conducted in 2016 by the Observatory of Public Policies (POLIS) of Universidad Icesi. The survey targeted the consumption patterns of low and middle-income individuals in the city. The survey inquired about socioeconomic conditions such as income, educational levels, neighborhood and race/ethnicity. Questions were asked about employment, health, access to financial services, consumption and aspirations. In total, respondents answered 82 questions. Surveys were conducted in face-to-face interviews by trained pollsters in 53 locations across the city. There were also four pollster supervisors in the field during data collection. In total, 1086 surveys were

collected.

Informants were randomly selected. Respondents were approached by explaining the objective of the study, assuring confidentiality and emphasizing that the data will be used for academic purposes. In order to identify respondents by their socioeconomic strata, we collected information about the neighborhood where they lived. Following the government categorizations described earlier, we divided households in the following categories: low socioeconomic strata, and medium socioeconomic strata. 603 of our respondents live in low socioeconomic strata households which we define as low income and 483 in medium socioeconomic strata households, which we term middle income. These numbers mirror the city's composition of socioeconomic strata. Income information is self-reported monthly income. Response options to this question were categorized in terms of minimum monthly salaries (i.e. less than one minimum monthly salary; between 1-2 minimum monthly salary; between 2-4 minimum monthly salary; between 4-8 minimum monthly salary; over 8 minimum monthly salary). Responses were normalized using natural logarithm. Income information is presented in US dollars (1 USD = 2,900 COP).

There are problems of ecological fallacy insofar as respondents in low and middle strata areas, may not be low or middle strata based on their income. However, lacking an alternative, we adhere to the social characteristic definition used by the government and did not re-classify individuals based on income. In our data set, there is a high correlation between income and social stratification, suggesting that our data and definition match the criteria stratification-income in the context analyzed.

6. Results

The survey gives us a glimpse of the similarities and differences between low and middle-income groups in Cali. Let us begin with some basic characteristics. Table 1 reveals a broad similarity in gender, age, and commuting patterns. There are only small differences in percent employed in formal employment (measured by those who have a signed contract or work in the formal sector). Slightly more of the middle-income category are employed by the formal sector. However, a majority of both low and middle groups are employed in the informal sector. The degree of informality cuts across the income groups. Informal employment is widespread across both income groups. It is not restricted to the poor. This important finding suggests that general ideas that link poverty with the informal sector and middle-income status with the formal sector need to be reconsidered. Colombia has one of the highest levels of informality for a middle-income country. Our data reveal its ubiquity and pervasive overlap across different income categories. Colombia provides an example of the pervasive presence of employment informality across income categories.

More significant differences between the two groups occur in income levels, education and ownership of a vehicle. The disparity in the income levels is very marked with the middle-income groups having on average, 60% more in monthly income than the low-income group. Our results reinforce many other studies that show how educational differences translate into earning power (Card, 1999; Chung, 2006). In our sample, the middle-income groups had 12.3 years of schooling on average compared to 9.6 for the lower income groups. The data does not tell us if income translated into educational level, the replication of middle-income status, or if education resulted in higher income, the achievement of middle-income status. Both processes may be at work. Surprisingly, there is little difference, on average, in parents' years of education.

Table 1. Low and medium socioeconomic characteristics

Characteristic	Low SES	Medium SES
Gender (Men %)	47.6	51.7
Income (USD)	252	427
Average age	36.9	38.2
Education Years	9.6	12.3
Average years education parents	8.3	8.2
Marriage and cohabitation (%)	47.1	41.7
N°Children	2.2	2.0
Formal Contract	33.9	39.3
Vehicle	20.9	36.6
Car	18.1	45.0
Motorcycle	87.1	61.8
Commuting time	79	77.4
Average time round (min)	39.6	38.3
Average time return (min)	39.7	38.9

Note: 1 USD = 2900 COP. SES: Socioeconomic Strata

Source: authors' elaboration using primary data

Given that education is a proxy for socioeconomic conditions, this result may suggest that both groups had a similar starting point in terms of climbing the social scale. To the question “compared with your parents (at the same age as you are now) do you consider that your socioeconomic condition has improved, remain the same or improved” there are not important differences. 53% and 57% of low and middle socioeconomic strata respectively, consider themselves better off than their parents. For both the poor and the middle income, a majority have experienced income growth.

Substantial differences appear in purchasing power. This differential purchasing power is reflected in access to a vehicle. Fully a third of the middle-income groups have a vehicle and close to half of those have a car. Only one in five of the low-income groups have a vehicle with the vast majority having motorcycles. Motorcycle use is prevalent across the income groups but more pronounced in the low-income groups.

Our data reveals that for both groups a majority is dependent on public transport (48% and 47% of low and middle-income respondents respectively rely on public transportation). Our survey thus suggests that improving public transport, making it more affordable, reliable and efficient, should be major priority of the city government. We asked respondents to rate government performance of different domains, public transport was one of the factors that matter the most in terms of public services and the rating of the services was low (about 3.9 in a scale of 1 – 10). No differences were found by social category. Public transport is a more widely shared experience in Cali and across the global urban South than in the global urban North. Transport policies should reflect this reality rather than seeking to emulate the private transport solutions of the global urban North.

The survey also asked respondents about their perception of income/status position. We asked respondents: “on a scale 1-10 in which 1 are the poorest of the city and 10 the richest, where do you consider your household to be located” Figure 1 presents the results. It is notable that most respondent (over 60%) placed themselves in the range of 4-6 in the scale. It is clear that self-reporting matches the external criteria used to classify households by socioeconomic conditions.

We also asked about satisfaction in the household and neighborhood where respondents' lived (scale 1-10). On average, middle income respondents scored 8.1 the place where they lived (one unit higher than low income respondents). Nevertheless, despite their high satisfaction, 39% of those belonging to middle income would like to move to another neighborhood. Within this proportion, only 38% would like to move to a richer and more affluent neighborhood. The remainder would move to a neighborhood with similar socioeconomic characteristics to their current place.

What about attitudinal differences between the two groups? When asked to name the most important thing in life, respondents from both groups had similar goals. Table 2 shows broad agreement that in order of importance they were helping others followed by professional success. Wealth accumulation came in third. More people in the low-income category stated wealth accumulation as a major goal, perhaps a function of an aspirational awareness of their situation. Domestic goals such as having children or getting married figured very low for both income groups. The results reveal a greater concern with social goals and private wealth accumulation than family orientation.

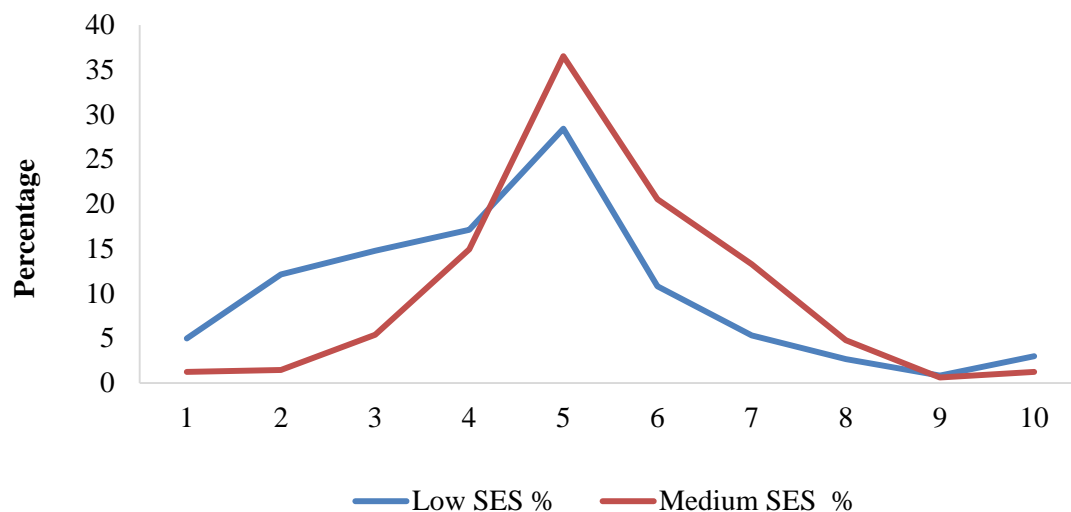


Figure 1. Perception about class position

The survey also inquired about attitudes towards welfare policies. Both groups showed an approximately equal commitment to the poor with similarly high levels of commitment to free education and health coverage (see Table 2). These are public services that both groups would enjoy. When we asked about services that may benefit the poor more directly, such as free housing and cash transfers, there was some divergence with the lowest income groups supporting them more. What is clear, however, are the very high levels of commitment to social welfare across both groups with only limited evidence of a middle income break away from a commitment to the poor or to wide-ranging social welfare programs. The recent emergence of a middle-income category has not crystallized into a separate middle-class with a distinct and different set of attitudes.

Table 2. Most important factor in life, support for welfare services and consumption Patterns - Low and Medium socioeconomic groups

	Percentage	
	Low SES	Medium SES
Most important factor in life		
Free time	11.3	13.6
Having children	5.2	3.8
Getting married	2.7	2.5
Professional success	27.6	28
Wealth	19.2	14
Helping others	34	38
Support for welfare services		
Free education	98	98.3
Free health	98.2	97.5
Subsidy of public services	91.9	85.4
Free housing	87.7	79.9
Money transfer	76.4	64.6
Consumption patterns by formal and informal sector		
Going to the movies	Formal job (%)	60
	Informal job (%)	69
Eating out	Formal job (%)	50
	Informal job (%)	55
Going to hairdressing	Formal job (%)	47
	Informal job (%)	52
Paid a gym membership	Formal job (%)	50
	Informal job (%)	54
Hired domestic services	Formal job (%)	70
	Informal job (%)	69

Source: authors' elaboration using primary data

There are also marked similarities in terms of perception of government performance. We asked respondents to rate in a scale 1 to 10 different domains of the local government, including safety, health services, public transport, employment generation, parks and public space, education and traffic. Both groups rated at similar levels government performance. Safety, public transport, traffic and employment generation obtained the lower rates (a score of 4 in the scale). Both groups consider that safety is the most important factor of government performance.

In summary, despite major differences in monthly income, the poor and middle-income groups in Cali share similar set of life expectations and life experiences. Other survey responses revealed similar experiences of security issues, both in terms of experience of victimhood and general perceptions of security. There were also similarities in physical health, 51% and 54% of low and middle -income respondents are over-weight or obese and both groups report a similar number of days (on average 12.5 for both groups) feeling physically ill 30 days before the survey.

6.3 Consumption Patterns

Much is written about the emergence of new consuming class in the global South and the idea of conspicuous

consumption (Podoshen, Lu & Zhang, 2011; Visser, 2015; Roth, 2014). We now turn our attention to discretionary consumption. We asked respondents what they had spent money on over the 30 days previous to the survey. Results are shown in Figure 2. Eating out, going to the hairdresser and going to the movies were popular forms of consumption. The relative importance remained the same for the two-income groups with higher levels of participation for the middle compared to the low income in all categories except for purchase of clothing for children. Almost three quarters of the middle and over a half of the poor ate out. In a city with a wide variety of formal and more informal eating establishments it seems to be an important part of the Cali lifestyle for the poor as well as middle income. We also asked if they have spent money on household renovation, new furniture for their homes and an internet connection. Over 43% affirm they have spent resources on those items, and surprisingly, there are not significant differences in the proportion of those investing on new furniture and household renovation by income category. This reinforces the argument that consumption and aspirational goals in Cali are broadly shared by different income groups. There may be differences in the amount of money spent on those items (not included in the questionnaire), but aspirations are similar.

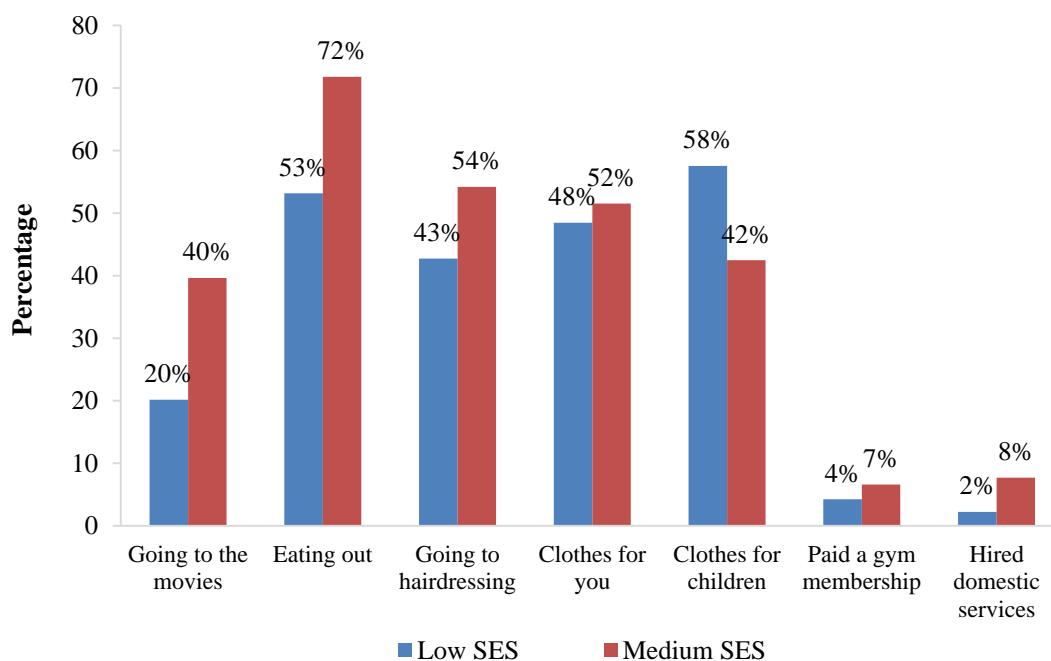


Figure 2. In the last 30 days, what have you spend money on?

Did consumption vary according to working in either the formal or informal economy? Table 2 notes the consumption patterns subdivided by formal and informal as well as by socioeconomic strata. For the two most common forms of consumption- eating out and the main distinction guiding consumption is not between formal and informal but differences in income level, those working in the formal sector earn on average US335 and US501 monthly (low and middle class respectively), whereas those in the informal sector earn on average US290 and US469 monthly. These results also suggest that employment in the formal sector is not the only driver of conspicuous consumption.

6.2 Consumer Durables as Assets

Consumption also entails the accumulation of goods. Growing purchasing power in the global South is creating a boom in consumer durables. When asked to identify their main asset at home, low income residents responded, in order of importance, home appliances, none, motorcycle and car. Home appliances include washing machines, fridges and computers. The middle-income group had a similar distribution but with higher number reporting motorcycles and cars. These categories are quite relevant because in many households regardless of income, motorcycles and vehicles are used as a source of income providing unregulated transportation services. Amongst the poorest, motorcycles are used for delivery services and “moto-taxismo” which is a form of unregulated, cheap transportation. Middle incomes also use their cars as a means to generate income. Uber and similar services are an increasing phenomenon in the city.

The overall picture is of weak consumption of consumer durables. The fact that such a significant proportion could identify no asset at home is revealing. It is dispiriting that 23% could not identify a main asset.

6.3 Funding Consumption

How did people pay for their consumption of consumer durables? The middle-income groups used financial institutions and credit to buy the biggest asset, a car. The middle-income groups have wider access to a repertoire of credit including cash, family as well as financial institutions. Again, untangling the knot between cause and effect is intriguing. Did better access to credit allow the entry into the middle-income category or did middle-income status ensure easier access to credit. While the middle-income groups could access formal credit for big-ticket purchases, the low-income groups used financial institutions, including unregulated pay-day loans, to purchase less pricey goods.

It is clear that consumption patterns rely in part of access to credit. Credit availability is a vital part of mass consumption. Our survey shows the limited access to formal credit sources, even for middle income groups. Almost a half of middle-income groups and over two thirds of the lower income groups did not have a bank account. Few had a credit card. So, consumer consumption, unlike in the global urban North, is not based on easy access to formal credit. This may avoid the debt encumbrance and inability to repay that was revealed in the Great Recession. A significant proportion had difficulty in paying debts. We also asked about use of payday loans. Even though the proportion of respondents using this type of credit is low, most of them are from the lower socioeconomic strata and used a payday loan to buy home appliances. That is a particular issue for those in the informal economy where job security is limited and wages may vary dramatically especially during an economic downturn. The lack of easy and affordable credit, in part a function of informality suppresses effective consumer demand and ultimately economic growth.

7. Conclusions

We have presented an array of data. There are five broad conclusions arising from this work that, in effect, answer our initial questions. First, we identified a distinct middle-income group in the city with more disposable income. These middle-income households have 60% more in monthly income than the traditional poor.

Second, we did see this disposable income turned into consumption patterns of increased spending on non-essential goods such as clothing, entertainment and vacations.

Third, we did not see the emergence of a middle-class ideology distinct from the poor. There was no 'class for itself' to use a Marxian term. Despite substantial differences, there were enormous similarities between low and middle-income groups in attitudes to social welfare, perceptions of government, consumption spending and aspirations. While a more affluent group has emerged, they have not crystallized into a separate class with markedly different views on government, public policies or wider aspirations. No distinct middle-class with a separate ideology has emerged. So, while we have a new middle-income group, we have yet to see the creation of a new middle-class with political agendas separate from the poor. The shared experience of living in the city plays a part. Public goods such as transport and security are shared concerns of the poor and the middle income as well as commitment to social welfare programs.

Fourth, a middle-income group does not necessarily involve the replacement or displacement of the informal economy with the formal economy.

Fifth, our results suggest a vulnerable middle-income category. Although there is increasing access to banking and credit, the overall finding is, compared to the global North, limited access to credit. Almost a half of middle-income groups and over two thirds of the lower-income groups did not have a bank account. Access to banking and credit that fuels much of the spending in the global North, here is much less apparent. Restricted and differential access to credit creates a vulnerability to decreases in immediate income and represents a block to future economic growth. The vulnerability of both the low and middle-income groups is exacerbated by the lack of long-term social benefits and lack of insurance.

But what more general conclusion can we draw from this survey and analysis to inform wider urban theory. We suggest that the emerging middle-income, much heralded in the development literature (World Bank, 2013) is vulnerable and precarious. It does not replace the informal economy but is intimately connected to it. The common assumption that the emergence of a new middle-income represents regularization of the economy maybe incorrect. The lack of access to credit also puts a break on the emerging middle-income fueling of consumption and hence an increase in domestic demand and ultimately urban and national economic growth. Our work also suggests that there is no easy assumption that this new urban middle-income group becomes an urban middle-class with political interests different or divergent from the poor. This means that the new middle-income can become a potent force in demands for a more livable city rather than just a distinct articulation of separate and divergent urban political agendas.

Our results are based on one survey taken at one time in one city. We await the work of researchers in other cities in other countries to compare our results and confirm, refine or undermine our conclusions.

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