

Role of middle class in Pakistan's politics and economy: Is it playing an effective role

PAS

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11/2/22

What makes middle class important

Middle class: - Is a precondition of stability in the social structures - Is a measure of mitigating inequality in a society - Is a key factor in forcing politicians and bureaucracy to make accountable

Easterly(2001): Nations with a large middle class tend to grow faster.

- This is universal phenomenon.
- English middle class of 18th and 19th century
- China and India middle class is a phenomenon of today

- Collier (1999) : Middle class forms alliance with lower classes in order to demand an inclusive political system
- Acemoglu (2003): Decisive voters in democracy are from middle class
- Bannerjee (2007): middle class is a source of new entrepreneurs and this class stresses on accumulation of human capital and savings

Warning: > Basur(2003) : If venues for channeling middle class human capital and savings not provided, then tendency towards consumption expenditure puts sustainability of growth in danger

How big is middle class in Pakistan?

Method 1 : Expenditure from PPP \$2 to \$20 per person per day	
Class	Proportion (%)
Lower lower (<\$1.25)	21.3
Lower lower (<\$1.25-2)	34.8
Lower Middle (\$2-\$4)	32.4
Middle Middle (\$4-10)	9.8
Upper Middle (\$10-20)	1.3
Upper (>\$20)	0.4

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Method 2 : Estimation of Middle Class through a Weighted Composite Index						
Class	Income	Education	Housing	Occupation	Lifestyle	Total
Lower Lower	0.000	0.000	0.267	0.000	0.186	0.453
Middle Lower	0.016	0.014	0.462	0.336	0.268	1.097
Upper Lower	0.329	0.140	0.526	0.483	0.324	1.802
Lower Middle	0.554	0.528	0.496	0.720	0.364	2.662
Middle Middle	0.941	0.564	0.661	0.683	0.451	3.301
Upper Middle	1.050	1.004	0.682	0.862	0.494	4.092
Upper	1.050	1.005	0.870	0.865	0.802	4.592
Total	0.211	0.159	0.417	0.300	0.275	1.361

**The middle class is an
urban phenomenon – lives
and works in cities**



What does this middle class want?

They want: - Education - Jobs

Nayab(2011): > When compared to its neighbours Pakistan has a bigger middle class

The middle class in Pakistan has actually grown with time

Accommodating middle class

- Urban Growth and Management
- Births and migration will drive growth

Labour market shortages: - Design - Engineering - Middle management

- Localized savings instruments
- Opportunity for niche cities
- Backward linkages with farm activity
- Diversification towards higher value addition

Inclusive Governance for Middle Class

- Infrastructure
- governance reform of PSEs
- Social sector governance
- 18th Amendment
- Legal and judicial reforms for inclusive markets
- Efficiency of public expenditure
- results based management