

Urban Geography

A Fragile Hold on Consumption: Poverty, Class and Consumption in Colombia --Manuscript Draft--

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Abstract

This paper explores the 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 the middle class with a lower income population in order to establish differences and similarities. The study is conducted in a city with a long tradition of conspicuous consumption that was, in part inherited by a drug-trafficking culture. 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.

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Introduction

Urban theories are always based on selective readings of the urban condition that tend to draw on a narrow range of case studies. Some cities dominate certain debates: Manchester and the industrial revolution, Chicago as a site for understanding capitalist modernity, Los Angeles as a favored place for postmodern reflections and an emergent Shanghai as indicative of a new form of urbanity. Only certain cities are raised to canonical status. Most cities receive little attention and their particularities are passed over in silence or as variations from a theme developed through more archetypal cities.

Throughout much of the twentieth century there was a distinct regional bias. Cities in the global South were invariably written from the perspective of the global North and emphasis was placed on their differences with particular focus on informality in the housing and job markets. It was the urban studies' version of Orientalism. The bias was reinforced by linguistic and epistemological politics. Getting research published was and still is also difficult for those whose native language is not English, the dominant language of journal and book production as well as of international conference presentations. Apart from the enormous language hurdles, there is often an inherent bias in many of the top journals, where editors and reviewers tended to come from the global urban North. And this editorial bias feeds back into the writing process as researchers working in the South quickly realized that

their main way to get published was to structure their scholarship as a case study reflecting a theme developed in and from the global urban North. And in comparison with the accepted legitimacy of a stand-alone case study from the global North, academic gatekeepers often asked that a city case study from the global South be judged as a knowledge claim for the entire global urban South.

In the past two to three decades a significant change has occurred that undermines this persistent dichotomy (Connell , 2007). The urban South is no longer understood as the informal variant of the urban North. Four overlapping themes can be noted. First, there is a focus on the connections between cities as part of the global urban network. Work in this paradigm sees cities less as separate entities and more as connected hubs in a globally circulating transfer of capital, people, knowledge and practices (Derudder et al., 2012; Taylor, 2004). Second, there is also work on showing how transnational issues, such as right to the city or gentrification, unfold in different ways in cities around the world (Samara et al., 2013; Gaffney, 2016). This type of work is in part, a response to exhortations for more cosmopolitan postcolonial urban theories that are more attentive to the conditions of the global South (Robinson, 2016; Roy, 2011; Watson, 2009). Third, there are theorized case studies drawn from the cities of the global South, such as Simone's evocative work on Kinshasa and Jakarta (Simone, 2004; 2014). Chinese cities emerged as popular site for urban

research (Wu, 2015). Finally, there are studies that look at the dynamics of urban change in the global South as part of global restructurings of what some scholars refer to as the urban now (Short, 2017). This new and existing body of work now includes a wide range of work from an emphasis on the agency rather than just the structural constraints to an understanding of restructuring of urban land markets in cities of the global urban south as part of global capital flows and their embodiment on particular contexts.

This paper draws on this exciting change of direction in urban theorizing. We work on understanding the changing dynamics of particular city in the global South, Cali in Colombia. While it has its own particulars as a post-conflict society and post-narco dominated economy we contextualize it within perspectives of the global urban and the urban South. The focus of this paper is on the rise of a new middle class. This is a trend found throughout the global urban South (Guarin & Knorringa, 2014). A combination of the global shift in manufacturing, a twenty-year steady rise in basic commodity prices and the rise of more redistributional policies have meant a decline in absolute poverty in many countries and consequent rise of a new middle class.

The urban implications of this rise can be investigated from different angles. There is the impact of new and enlarged consumption pattern especially the increase in private vehicles. An increasing amount of cars has a dramatic 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 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 is also the relations between this new middle class and long established social categories (Schindler, 2014). The new urban middle class has the potential to be a new actor in the political arena. A new middle class is often associated with a renewed urban environmentalism associate and an increased concern with quality of life (Rodan, 2013). In certain cases a new propertied middle class can align itself with the privatization of urban land markets add the displacement of the poor and the squatter settlements.

The rise of the new urban middle class is an active process rather than finished product and so work is catching up with a fast changing reality. In this paper our aims are more modest. We want to look at the emergence of a middle class and their consumption patterns in in one city. We are particularly interested in this new middle class that has emerged across the world in such a dramatic way in the past two decades. We want to uncover their

consumption patterns. In order to contextualize their position we also want to compare them with lower income groups. Much of the debate is pitched at a very general 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 new middle but vulnerable middle class we explore consumption patterns, access to banking services, relation with government and aspirations in one large city in Colombia. We compare the growing middle class with a lower income population in order to establish differences and similarities. The study is conducted in a city with a long tradition of conspicuous consumption that was, 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: given increases in disposable income, what are the patterns of consumption for the middle class 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. What is the impact of this legacy on consumption in the city today? We want to see if this class in itself is turning, according to classical Marxist theory into a class for itself. Finally, we explore the fragility of new middle class in economy and society still

dominated by informality. The paper is the first in more ambitious project to look at the spatial and social impacts of the new middle class in a city of the global South.

The New Middle Class

The term ‘middle class’ needs careful use. Applying the metric of the global North is not appropriate. One working definition of a middle class in the global South is a household with consumption per capita of between \$2 and \$13. By this standard more than 1.2 billion people joined the middle class between 1990 and 2005, although many remain close to poverty (Ravallion, 2009).

Fostering middle class growth and reducing poverty growth is now a primary interest of policy makers in developing nations since a stable middle class provides a solid foundation for economic progress by driving consumption and domestic demand.

One way to describe the economic profile of the middle class is to emphasize consumption. A middle class consumer is one willing to afford more goods and services and pay a little extra for and better quality goods and services (Murphy et al., 1989). The emerging middle class is viewed as highly ambitious and aspirational in their spending patterns (Castellani & Parent, 2011; Taylor & Casey, 2015; Trigg, 2001). Aspirations include owning a home, and a car, college education and regular family vacations. Conspicuous

consumption of key positional goods is common in the new middle class population. Despite income increase, however, middle class goals and aspirations can become difficult to attain because of the costs of housing, education and health have risen faster than incomes (Madison Institute for Research on Poverty, 2010). This trend is documented in several developing countries in Asia and Latin America (Castellani & Parent, 2011; Jaffrelot & van der Veer, 2008). Spending can be boosted by the greater access to credit availability.

The Emergence of A Middle Class in Latin America and Colombia

Latin America has experienced a profound economic and social transformation in the last two decades. Millions of people were lifted out of poverty and a middle class has grown rapidly in size and spending power across the region (Vakis et al., 2015). According to different estimates, an increasing proportion of Latin America population are neither rich nor poor by national standards but constitute a growing middle income group (Ravallion, 2009). Those in the middle of the income distribution now constitute the majority.

Permanent economic growth, in part driven by a commodities boom, and the fiscal discipline of governments has created an expanded middle class in Latin America. 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% (ECLAC, 2013). By 2011, around half of Latin American households were classified as middle class, between 16% and 23% belonged to the lower class and around 30% belong to the upper class (Castellani et al., 2014).

One of the dimensions that is less explored in the consumption patterns of the middle class in Latin America is their economic vulnerability. Employment conditions (mostly in the informal sector) and educational attainment (high school on average) make their position more vulnerable than those in the formal economy. Moreover, the middle class in this region is more vulnerable to economic slowdowns as the social protection systems fail to reach almost half of this population (Castellani & Parent, 2011; Lora & Castellani, 2013; Cruces et al., 2010).

Colombia fits into the general Latin American pattern of declining poverty and an emerging middle class. In 2002 almost half of the population lived in poverty and by 2015 the proportion fell to 27% (DANE, 2015). GDP increased from US\$3,045 in 2000 to US\$4,859 in 2015 (DANE - Banco de la República, w.d). In this transformation, the middle class grew and now account for 27% of the population in 2015 (Stampini et al., 2015).

Generally speaking there are two broad ways to define middle class. One of them, is based on income using the range of 10 to 50 dollars a day (Milanovic & Yitzaki, 2002; Banerjee & Duflo, 2008; Ravallion, 2009). The other definition is to refer to social characteristics such as education, occupation, consumption and socioeconomic strata (Castellani et al., 2014).

In Colombia, both measures are used (Angulo et al., 2014). Middle class can be defined in absolute terms as the percentage of households who earn between 10 and 50 dollars per day (Angulo et al., 2014). The second definition is according to social characteristics. National government categorizes household stratification as a mechanism for targeting social spending. Households are classified as low, middle and high socioeconomic strata (Alzate, 2006). We use this classification to compare low and middle class population. We will use the terms middle class and middle income interchangeably in the bulk of the paper.

Colombia's middle class population is characterized by an increase in educational levels (as compared with their parents) reaching high school diploma and some education at technical – professional level. Households on average contain 4 individuals and at least one household member holds a stable, formal job. Middle class individuals also report high levels of satisfaction in different domains such as education, health, living standards, household conditions and jobs (Angulo et al., 2014).

Cities in Colombia host the major portion of the rising middle class. Bogotá (capital), Medellin and Cali are the biggest cities in the country and middle class population ranges from 46% to 48% in 2015. Mid-size cities also contribute to the growing figures. Manizales and Bucaramanga (cities with less than 550.000 habitants) register middle class population around 55% (Red Cómo Vamos, 2015). Cities are the engine of economic growth in developing countries, and they have been transformed given 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 policies interventions aimed at subsidizing mortgage interest rates for middle class families (DANE, 2006; 2015). Moreover, in 2015, only 990 new construction licenses were granted by the local government (during the previous 4 years licensees were about 12,000 a year), but the squared meters constructed in 2015, with fewer licenses, were higher than previous years (DANE - Banco de la República, 2004-2015). This suggest that houses are getting bigger. Public transportation is also in major demand in the city. In 2009 (when an integrated bus system took place) less than 300 buses were in operation; by 2015, almost 1,000 buses were in operation but unable to cope with the large

¹ Colombian government divides housing between poor and non-poor unites. Non-poor unites are also known as “social interest housing”

number of passengers demanding transportation services (DANE, w.d.). One of the major challenges that governments face due to middle class growth is providing the infrastructure needed for their 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). In 2013, 14,575 new cars were bought in Cali and by 2015 the number rose to 18,045 new vehicles (ANDI, 2013; 2015). This significant increase on new vehicles transiting the city is reflected in serious traffic problems. In 2012, 40% of the population surveyed in a population survey declared that they were taking longer to move around the city. By 2015 the proportion rose to 51% (Cali Cómo Vamos, 2015).

Another characteristic of middle class, is the increasing spending on non-essential goods such as clothing, entertainment and vacations. In Colombia, the combination of economic growth and middle class expansion 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 may be an imperfect proxy for measuring income increase, but it 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.

One of the factors 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 conspicuous 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, by 2012 it had increased to 5% (Dinero, 2012). Middle class growth and consumption patterns in the country are mirrored in the largest cities of the country, including Cali, where our study takes place.

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’ when 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. Social capital was devalorized (Betancourt & García, 1994; Duncan et al., 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 led to a culture of instant gratification mainly characterized by the acquisition of flashy and expensive goods. A gargantuan form of conspicuous consumption was pursued by the richest drug traffickers building vast estates at the edge of the cities, with massive grounds replete with stables, garages for the many cars, giant staging areas for public events for hundreds of guests and elaborate children’s playhouses better than much of the housing in the city. These theatrical 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 expensive 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 with more than 400 licensed professionals in 70 clinics. In 2014 there were 357.115 plastic surgeries registered in the country and Cali accounted for 35% of them (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. And as the aesthetic takes hold it become more of the norm and many women now feel that to attract a partner, they need these enhancements in order to be competitive in the dating/marriage arena. The results are visible in any random walk through the busy streets of the city.

A narco aesthetic informed consumption patterns and life styles for many in the city just as the economy was taking off, a new middle class was appearing and there was more disposable income. A flash form of consumption was made more possible for more people. The consumption patterns of the narco traffickers became a yardstick and aspirational goal for many in the city (Fernández, 2002). A conspicuous display of wealth informed the aspirations of the entire society providing a distant aspiration point even for the poor.

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 consumption patterns of low and middle class 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. 1086 surveys were collected statistically significant for gender, race/ethnicity and socioeconomic strata in the city.

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. Also, we made clear that they could stop the survey at any time and participation was voluntary. In order to identify respondents by their socioeconomic strata, we collected information about the neighborhood where they lived. One mechanism used in Colombia for targeting social spending to the poor is through household stratification. This is a geographical targeting instrument implemented since 1965, based on the outside characteristics of neighborhoods such as access to public services and dwelling quality. Households are classified in a scale of one to six, one the poorest and six the richest. This mechanism serves the purpose of targeting subsidies for potable water and electricity. It is used by the government to define poor, middle and rich income households (Castañeda, 2005). There is the problem of the ecological fallacy in that not all households who live in middle class neighborhoods may be middle class. Following government standards, we collapsed households in the following categories: low socioeconomic strata (1 and 2 socioeconomic strata), medium socioeconomic strata (3 and 4 socioeconomic strata). 603 of our respondents live in low socioeconomic strata households and 483 in medium

socioeconomic strata households. These numbers mirrors the city's composition of socioeconomic strata.

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 class 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 elasticity of the formal/informal divide across income and class 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 class status, or if education resulted in higher income, the achievement of middle class status. Both processes may be at work. Surprisingly, there is little differences, on average, in parents' years of education.

Insert here: **Table 1.** Low and medium socioeconomic characteristics

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 by class. 53% and 57% of low and middle socioeconomic strata

respectively, consider themselves better off than their parents. For both the poor and the middle class, a majority that 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. Owning a vehicle is an imperfect proxy of purchasing power but provides a clear signal of having the means to access to a durable asset.

Our data reveals that for both groups a majority is dependent on public transport (48% and 47% of low and middle class respondents rely on public transportation). Our survey 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 scales of 1 – 10). No differences were found by income/class. 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 class 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 will 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 class 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 class 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 of 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.

Insert here: **Figure 1.** Perception about class position

Insert here: **Table 2.** Most important factor in life

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 3). 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, 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 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.

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.

Insert here: **Table 3.** Support for welfare services

Low and middle class also share perceptions on personal factors. Using the same 1 to 10 scale we asked respondents to rate different aspects of their personal life including family, work, affective life, health, income, education and the place where they live. No important differences were found. For both groups, family was the most important personal factor.

In summary, despite major differences in 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 class 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. Despite the marked differences in income levels both groups shared similar goals and attitudes and inhabited the same urban realm.

Consumption Patterns

Much is written about the emergence of new consuming class in the global South and the idea of conspicuous consumption (Podoshen & et al., 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 paid 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 class. This reinforces the argument that consumption and aspirational goals in Cali regardless of class. There may be differences in the amount of money spent on those items (not included in the questionnaire), but aspirations are similar.

Did consumption vary according to working in either the formal or informal economy? Table 4 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.

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

Insert here: **Table 4.** Consumption patterns by formal and informal sector

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 numerical importance, home appliances, none, motorcycle and car. Home appliances include washing machines, fridges and computers (Figure 3). The middle-income group had a similar distribution but with high 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 transportation at a very low cost. Middle class also uses 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.

Insert here: **Figure 3.** Main asset at home by socioeconomic strata

Funding Consumption

How did people pay for their consumption of consumer durables? Table 5 shows that the middle-income groups used financial institutions and credit to buy the biggest asset, a car. Low-income groups tended to use financial institutions. The middle-income groups had access to a wider 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 class income category or did the middle class 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 to purchase less pricey goods.

Insert here: **Table 5.** Payment of main asset at home

It is clear that consumption patterns rely in part of access to credit. Credit availability is a vital part of economic growth of mass consumption goods. Figure 4 shows the limited access to formal credit sources. 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.

Insert here: **Figure 4.** Access to banking and difficulty paying debts by socioeconomic strata

The Long Term View

Life is uncertain. In this sample the majority whether low or middle income are under insured. 70% and 60% of low and middle class respectively did not have any kind of insurance. Yet this was not due to carefree attitude to the future. Figure 5 shows the attitude towards the future of the respondents. The dominant view for both income groups was to save for the

future. In fact the lower income group expressed a majority opinion to save for the future, a reflection perhaps of their more precarious and vulnerable position, while the middle income group was more evenly split between saving for the future and enjoying the money now. The latter opinion made easier perhaps by their larger-current income stream.

Insert here: **Figure 5.** Attitudes towards the future

Figure 5. Attitudes towards the future

Conclusions

We have presented an array of data. There are four broad conclusions arising from this work that in effect answer our initial questions. First, we identified the emergence of new distinct middle-income group in the city with more disposable income. These new middle-income groups 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. 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 separate political agendas 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, the increase in the size of the middle class occurs, as the informal sector remains large and important. The rise of the middle income groups does not necessarily involve the replacement or displacement of the informal economy with the formal economy. Our results suggests a vulnerable new middle class. 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 of sudden 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 a new middle class is vulnerable and precarious. It does not replace the informal economy but is intimately connected to it. The common assumption that the emergence of new middle class represents regularization of the economy maybe incorrect. The lack of access to credit also puts a break on the middle class fuelling 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 can become a potent for more universal demand for a more livable city rather than just a distinct articulation of separate and divergent urban political agendas

The rise of a new middle class is to be celebrated but its role in ensuring long-term economic growth is more debatable than assured while its political implications are still in progress. While other studies focus on the difference between the new middle class and other less affluent groups in their articulation of urban political interest our study suggests otherwise.

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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A Fragile Hold on Consumption: Poverty, Class and Consumption in Colombia

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Abstract

This paper explores the 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 the middle class with a lower income population in order to establish differences and similarities. The study is conducted in a city with a long tradition of conspicuous consumption that was, in part inherited by a drug-trafficking culture. 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

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10 levels the middle class and the poor population share similar goals and attitudes and inhabit
11 the same urban realm.
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15 **Key words:** middle class, consumption, aspirations, Colombia, global south
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20 **Introduction**

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22 Urban theories are always based on selective readings of the urban condition that tend to
23 draw on a narrow range of case studies. Some cities dominate certain debates: Manchester
24 and the industrial revolution, Chicago as a site for understanding capitalist modernity, Los
25 Angeles as a favored place for postmodern reflections and an emergent Shanghai as
26 indicative of a new form of urbanity. Only certain cities are raised to canonical status. Most
27 cities receive little attention and their particularities are passed over in silence or as variations
28 from a theme developed through more archetypal cities.
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39 Throughout much of the twentieth century there was a distinct regional bias. Cities in
40 the global South were invariably written from the perspective of the global North and
41 emphasis was placed on their differences with particular focus on informality in the housing
42 and job markets. It was the urban studies' version of Orientalism. The bias was reinforced by
43 linguistic and epistemological politics. Getting research published was and still is also
44 difficult for those whose native language is not English, the dominant language of journal
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10 and book production as well as of international conference presentations. Apart from the
11 enormous language hurdles, there is often an inherent bias in many of the top journals, where
12 editors and reviewers tended to come from the global urban North. And this editorial bias
13 feeds back into the writing process as researchers working in the South quickly realized that
14 their main way to get published was to structure their scholarship as a case study reflecting a
15 theme developed in and from the global urban North. And in comparison with the accepted
16 legitimacy of a stand-alone case study from the global North, academic gatekeepers often
17 asked that a city case study from the global South be judged as a knowledge claim for the
18 entire global urban South.
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32 In the past two to three decades a significant change has occurred that undermines
33 this persistent dichotomy (Connell , 2007). The urban South is no longer understood as the
34 informal variant of the urban North. Four overlapping themes can be noted. First, there is a
35 focus on the connections between cities as part of the global urban network. Work in this
36 paradigm sees cities less as separate entities and more as connected hubs in a globally
37 circulating transfer of capital, people, knowledge and practices (Derudder et al., 2012;
38 Taylor, 2004). Second, there is also work on showing how transnational issues, such as right
39 to the city or gentrification, unfold in different ways in cities around the world (Samara et
40 al., 2013; Gaffney, 2016). This type of work is in part, a response to exhortations for more
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10 cosmopolitan postcolonial urban theories that are more attentive to the conditions of the
11 global South (Robinson, 2016; Roy, 2011; Watson, 2009). Third, there are theorized case
12 studies drawn from the cities of the global South, such as Simone's evocative work on
13 Kinshasa and Jakarta (Simone, 2004; 2014). Chinese cities emerged as popular site for urban
14 research (Wu, 2015). Finally, there are studies that look at the dynamics of urban change in
15 the global South as part of global restructurings of what some scholars refer to as the urban
16 now (Short, 2017). This new and existing body of work now includes a wide range of work
17 from an emphasis on the agency rather than just the structural constraints to an understanding
18 of restructuring of urban land markets in cities of the global urban south as part of global
19 capital flows and their embodiment on particular contexts.
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35 This paper draws on this exciting change of direction in urban theorizing. We work
36 on understanding the changing dynamics of particular city in the global South, Cali in
37 Colombia. While it has its own particulars as a post-conflict society and post-narco
38 dominated economy we contextualize it within perspectives of the global urban and the urban
39 South. The focus of this paper is on the rise of a new middle class. This is a trend found
40 throughout the global urban South (Guarin & Knorringa, 2014). A combination of the global
41 shift in manufacturing, a twenty-year steady rise in basic commodity prices and the rise of
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10 more redistributive policies have meant a decline in absolute poverty in many countries
11 and consequent rise of a new middle class.
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15 The urban implications of this rise can be investigated from different angles. There is
16 the impact of new and enlarged consumption pattern especially the increase in private
17 vehicles. An increasing amount of cars has a dramatic effect on congestion and on the quality
18 of urban air (Lelieveld et al., 2015). Air pollution and congestion in cities such as Delhi for
19 example are in part a function of an expanding middle class able to purchase more cars. There
20 is also the rise of new consumption spaces such as the urban megamalls (Shatkin, 2008).
21 There is also commodification of housing markets as more affluent households can now buy
22 their accommodation. The rise of new commodified housing markets in Chinese cities, for
23 example, has meant a steady increase in house prices and the displacement of the poor to the
24 periphery of the city (Burdekin & Tao, 2014). There is also the relations between this new
25 middle class and long established social categories (Schindler, 2014). The new urban middle
26 class has the potential to be a new actor in the political arena. A new middle class is often
27 associated with a renewed urban environmentalism associate and an increased concern with
28 quality of life (Rodan, 2013). In certain cases a new propertied middle class can align itself
29 with the privatization of urban land markets add the displacement of the poor and the squatter
30 settlements.
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The rise of the new urban middle class is an active process rather than finished product and so work is catching up with a fast changing reality. In this paper our aims are more modest. We want to look at the emergence of a middle class and their consumption patterns in in one city. We are particularly interested in this new middle class that has emerged across the world in such a dramatic way in the past two decades. We want to uncover their consumption patterns. In order to contextualize their position we also want to compare them with lower income groups. Much of the debate is pitched at a very general 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 new middle but vulnerable middle class we explore consumption patterns, access to banking services, relation with government and aspirations in one large city in Colombia. We compare the growing middle class with a lower income population in order to establish differences and similarities. The study is conducted in a city with a long tradition of conspicuous consumption that was, 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: given increases in disposable income, what are the patterns of consumption for the middle class 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

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10 a narco-economy and narco-aesthetic has informed the consumption patterns and aspirations
11 of the entire city. What is the impact of this legacy on consumption in the city today? We
12 want to see if this class in itself is turning, according to classical Marxist theory into a class
13 for itself. Finally, we explore the fragility of new middle class in economy and society still
14 dominated by informality. The paper is the first in more ambitious project to look at the
15 spatial and social impacts of the new middle class in a city of the global South.
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27 **The New Middle Class**

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29 The term ‘middle class’ needs careful use. Applying the metric of the global North is not
30 appropriate. One working definition of a middle class in the global South is a household with
31 consumption per capita of between \$2 and \$13. By this standard more than 1.2 billion people
32 joined the middle class between 1990 and 2005, although many remain close to poverty
33 (Ravallion, 2009).
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42 Fostering middle class growth and reducing poverty growth is now a primary interest
43 of policy makers in developing nations since a stable middle class provides a solid foundation
44 for economic progress by driving consumption and domestic demand.
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49 One way to describe the economic profile of the middle class is to emphasize
50 consumption. A middle class consumer is one willing to afford more goods and services and
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10 pay a little extra for and better quality goods and services (Murphy et al., 1989). The
11 emerging middle class is viewed as highly ambitious and aspirational in their spending
12 patterns (Castellani & Parent, 2011; Taylor & Casey, 2015; Trigg, 2001). Aspirations include
13 owning a home, and a car, college education and regular family vacations. Conspicuous
14 consumption of key positional goods is common in the new middle class population. Despite
15 income increase, however, middle class goals and aspirations can become difficult to attain
16 because of the costs of housing, education and health have risen faster than incomes (Madison
17 Institute for Research on Poverty, 2010). This trend is documented in several developing
18 countries in Asia and Latin America (Castellani & Parent, 2011; Jaffrelot & van der Veer,
19 2008). Spending can be boosted by the greater access to credit availability.
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40 **The Emergence of A Middle Class in Latin America and Colombia**

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42 Latin America has experienced a profound economic and social transformation in the last
43 two decades. Millions of people were lifted out of poverty and a middle class has grown
44 rapidly in size and spending power across the region (Vakis et al., 2015). According to
45 different estimates, an increasing proportion of Latin America population are neither rich nor
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10 poor by national standards but constitute a growing middle income group (Ravallion, 2009).
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12 Those in the middle of the income distribution now constitute the majority.
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15 Permanent economic growth, in part driven by a commodities boom, and the fiscal
16 discipline of governments has created an expanded middle class in Latin America. The
17 implementation of diverse welfare policies such as cash transfers to the poor have also helped
18 to reduce poverty levels from 48% to 29% between 1990 and 2011, and extreme poverty
19 dropping from 23% to 11% (ECLAC, 2013). By 2011, around half of Latin American
20 households were classified as middle class, between 16% and 23% belonged to the lower
21 class and around 30% belong to the upper class (Castellani et al., 2014).
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32 One of the dimensions that is less explored in the consumption patterns of the middle
33 class in Latin America is their economic vulnerability. Employment conditions (mostly in
34 the informal sector) and educational attainment (high school on average) make their position
35 more vulnerable than those in the formal economy. Moreover, the middle class in this region
36 is more vulnerable to economic slowdowns as the social protection systems fail to reach
37 almost half of this population (Castellani & Parent, 2011; Lora & Castellani, 2013; Cruces et
38 al., 2010).
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49 Colombia fits into the general Latin American pattern of declining poverty and an
50 emerging middle class. In 2002 almost half of the population lived in poverty and by 2015
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10 the proportion fell to 27% (DANE, 2015). GDP increased from US\$3,045 in 2000 to
11 US\$4,859 in 2015 (DANE - Banco de la República, w.d). In this transformation, the middle
12 class grew and now account for 27% of the population in 2015 (Stampini et al., 2015).
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20 Generally speaking there are two broad ways to define middle class. One of them, is based
21 on income using the range of 10 to 50 dollars a day (Milanovic & Yitzaki, 2002; Banerjee &
22 Duflo, 2008; Ravallion, 2009). The other definition is to refer to social characteristics such
23 as education, occupation, consumption and socioeconomic strata (Castellani et al., 2014).
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30 In Colombia, both measures are used (Angulo et al., 2014). Middle class can be defined
31 in absolute terms as the percentage of households who earn between 10 and 50 dollars per
32 day (Angulo et al., 2014). The second definition is according to social characteristics.
33 National government categorizes household stratification as a mechanism for targeting social
34 spending. Households are classified as low, middle and high socioeconomic strata (Alzate,
35 2006). We use this classification to compare low and middle class population. We will use
36 the terms middle class and middle income interchangeably in the bulk of the paper.
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47 Colombia's middle class population is characterized by an increase in educational levels
48 (as compared with their parents) reaching high school diploma and some education at
49 technical – professional level. Households on average contain 4 individuals and at least one
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household member holds a stable, formal job. Middle class individuals also report high levels of satisfaction in different domains such as education, health, living standards, household conditions and jobs (Angulo et al., 2014).

Cities in Colombia host the major portion of the rising middle class. Bogotá (capital), Medellin and Cali are the biggest cities in the country and middle class population ranges from 46% to 48% in 2015. Mid-size cities also contribute to the growing figures. Manizales and Bucaramanga (cities with less than 550.000 habitants) register middle class population around 55% (Red Cómo Vamos, 2015). Cities are the engine of economic growth in developing countries, and they have been transformed given 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 policies interventions aimed at subsidizing mortgage interest rates for middle class families (DANE, 2006; 2015). Moreover, in 2015, only 990 new construction licenses were granted by the local government (during the previous 4 years licensees were about 12,000 a year), but the squared meters constructed in 2015, with fewer licenses, were higher than previous years (DANE - Banco de la República, 2004-2015). This

¹ Colombian government divides housing between poor and non-poor unites. Non-poor unites are also known as “social interest housing”

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10 suggest that houses are getting bigger. Public transportation is also in major demand in the
11 city. In 2009 (when an integrated bus system took place) less than 300 buses were in
12 operation; by 2015, almost 1,000 buses were in operation but unable to cope with the large
13 number of passengers demanding transportation services (DANE, w.d.). One of the major
14 challenges that governments face due to middle class growth is providing the infrastructure
15 needed for their bigger houses and increasing number of vehicles. One of the major assets
16 acquired by Colombian households since 2012 was a motorized vehicle. The percentage
17 owning a vehicle increased from 21% in 2004% to 28% in 2012 (Dinero, 2012). In 2013,
18 14,575 new cars were bought in Cali and by 2015 the number rose to 18,045 new vehicles
19 (ANDI, 2013; 2015). This significant increase on new vehicles transiting the city is reflected
20 in serious traffic problems. In 2012, 40% of the population surveyed in a population survey
21 declared that they were taking longer to move around the city. By 2015 the proportion rose
22 to 51% (Cali Cómo Vamos, 2015).
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42 Another characteristic of middle class, is the increasing spending on non-essential goods
43 such as clothing, entertainment and vacations. In Colombia, the combination of economic
44 growth and middle class expansion has led to an increasing conspicuous consumption. In
45 2004 an average Colombian household spent about US\$523 on living expenses including
46 rent, food, utilities, education, transportation, debts and entertainment. By 2012 the figure
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10 rose to US\$971. Purchasing power increased about 4.6% every year during 2004- 2012
11 period, a truly impressive growth rate. Disparities between low and high socioeconomic
12 strata households also changed. In 2004 a high socioeconomic strata household spent 11.4
13 times more on entertainment as compared as to a low socioeconomic strata household; by
14 2012 this difference was reduced to only 3.8 times (Dinero, 2012). Spending on
15 entertainment may be an imperfect proxy for measuring income increase, but it is a good
16 surrogate for disposable income across all socioeconomic strata. Conspicuous consumption
17 is percolating down the income scale, and is no longer the preserve of the rich and affluent.

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30 One of the factors that may explain the increasing spending in the country is access to
31 banking and credit services. Between 2011 and 2015, the percentage of individuals accessing
32 to regulated banking services rose from 65% to 75% and the proportion of adults accessing
33 to credit cards went from 4.3% to 8.2% during the same period (Asobancaria, 2016).
34 Furthermore, there is a reported increase in conspicuous consumption amongst the poorest.
35 This is reflected in increasing debt encumbrance. Whereas in 2002 a low socioeconomic
36 status household spent 1% of their economic resources paying debts, by 2012 it had increased
37 to 5% (Dinero, 2012). Middle class growth and consumption patterns in the country are
38 mirrored in the largest cities of the country, including Cali, where our study takes place.
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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’ when 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. Social capital was devalorized (Betancourt & García, 1994; Duncan et al., 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 led to a culture of instant gratification mainly characterized by the acquisition of flashy and expensive goods. A gargantuan form of conspicuous consumption was pursued by the richest drug traffickers building vast estates at

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10 the edge of the cities, with massive grounds replete with stables, garages for the many cars,
11 giant staging areas for public events for hundreds of guests and elaborate children's
12 playhouses better than much of the housing in the city. These theatrical displays of huge
13 wealth are typical of the newly wealthy in any society as they turn their recent wealth into
14 tangible displays that denote and confirm their wealth to a wider public.
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22 The sheer size and public nature of the displays influenced the culture of the city in many
23 ways. A narco aesthetic percolated through the society. Take the case of plastic surgery. It
24 was used by the traffickers to turn their women into hyper sexualized and acutely visible
25 displays of femininity. Large breasts and buttocks were achieved through expensive plastic
26 surgery. The women became a role model for other women much further down the income
27 scale (Aguirre, 2011; Fischer & López, 2009). The growing demand meant that plastic
28 surgery became more common. There are many clinics in the city offering plastic surgery for
29 breast and buttock enhancements. Cali is one of the major cities in the country providing
30 plastic surgery services with more than 400 licensed professionals in 70 clinics. In 2014 there
31 were 357.115 plastic surgeries registered in the country and Cali accounted for 35% of them
32 (El Tiempo, 2015). Moreover, loans are available for those unable to pay cash making it even
33 more affordable for middle and even lower income women. And as the aesthetic takes hold
34 it become more of the norm and many women now feel that to attract a partner, they need
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these enhancements in order to be competitive in the dating/marriage arena. The results are visible in any random walk through the busy streets of the city.

A narco aesthetic informed consumption patterns and life styles for many in the city just as the economy was taking off, a new middle class was appearing and there was more disposable income. A flash form of consumption was made more possible for more people. The consumption patterns of the narco traffickers became a yardstick and aspirational goal for many in the city (Fernández, 2002). A conspicuous display of wealth informed the aspirations of the entire society providing a distant aspiration point even for the poor.

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 consumption patterns of low and middle class 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. 1086 surveys were collected statistically significant for gender, race/ethnicity and socioeconomic strata in the city.

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. Also, we made clear that they could stop the survey at any time and participation was voluntary. In order to identify respondents by their socioeconomic strata, we collected information about the neighborhood where they lived. One mechanism used in Colombia for targeting social spending to the poor is through household stratification. This is a geographical targeting instrument implemented since 1965, based on the outside characteristics of neighborhoods such as access to public services and dwelling quality. Households are classified in a scale of one to six, one the poorest and six the richest. This mechanism serves the purpose of targeting subsidies for potable water and electricity. It is used by the government to define poor, middle and rich income households (Castañeda, 2005). There is the problem of the ecological fallacy in that not all households who live in middle class neighborhoods may be middle class. Following government standards, we collapsed households in the following categories: low socioeconomic strata (1 and 2 socioeconomic strata), medium socioeconomic strata (3 and 4 socioeconomic strata). 603 of our respondents live in low socioeconomic strata households and 483 in medium

socioeconomic strata households. These numbers mirrors the city's composition of socioeconomic strata.

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 class 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 elasticity of the formal/informal divide across income and class categories.

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10 More significant differences between the two groups occur in income levels, education
11 and ownership of a vehicle. The disparity in the income levels is very marked with the middle
12 income groups having on average, 60% more in monthly income than the low income group.
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14 Our results reinforce many other studies that show how educational differences translate into
15 earning power (Card, 1999; Chung, 2006). In our sample, the middle-income groups had 12.3
16 years of schooling on average compared to 9.6 for the lower income groups. The data does
17 not tell us if income translated into educational level, the replication of middle class status,
18 or if education resulted in higher income, the achievement of middle class status. Both
19 processes may be at work. Surprisingly, there is little differences, on average, in parents'
20 years of education.
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37 Insert here: **Table 1.** Low and medium socioeconomic characteristics
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42 Given that education is a proxy for socioeconomic conditions, this result may suggest that
43 both groups had a similar starting point in terms of climbing the social scale. To the question
44 “compared with your parents (at the same age as you are now) do you consider that your
45 socioeconomic condition has improved, remain the same or improved” there are not
46 important differences by class. 53% and 57% of low and middle socioeconomic strata
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10 respectively, consider themselves better off than their parents. For both the poor and the
11 middle class, a majority that experienced income growth.
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15 Substantial differences appear in purchasing power. This differential purchasing power is
16 reflected in access to a vehicle. Fully a third of the middle-income groups have a vehicle and
17 close to half of those have a car. Only one in five of the low-income groups have a vehicle
18 with the vast majority having motorcycles. Motorcycle use is prevalent across the income
19 groups but more pronounced in the low-income groups. Owning a vehicle is an imperfect
20 proxy of purchasing power but provides a clear signal of having the means to access to a
21 durable asset.
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32 Our data reveals that for both groups a majority is dependent on public transport (48%
33 and 47% of low and middle class respondents rely on public transportation). Our survey
34 suggests that improving public transport, making it more affordable, reliable and efficient,
35 should be major priority of the city government. We asked respondents to rate government
36 performance of different domains, public transport was one of the factors that matter the most
37 in terms of public services and the rating of the services was low (about 3.9 in a scales of 1
38 – 10). No differences were found by income/class. Public transport is a more widely shared
39 experience in Cali and across the global urban South than in the global urban North.
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10 Transport policies should reflect this reality rather than seeking to emulate the private
11 transport solutions of the global urban North.
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15 The survey also asked respondents about their perception of class position. We asked
16 respondents: “on a scale 1- 10 in which 1 are the poorest of the city and 10 the richest, where
17 do you consider your household will be located” Figure 1 presents the results. It is notable
18 that most respondent (over 60%) placed themselves in the range of 4-6 in the scale. It is clear
19 that self-reporting matches the external criteria used to classify households by socioeconomic
20 conditions.
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30 We also asked about satisfaction in the household and neighborhood where respondents’
31 lived (scale 1-10). On average, middle class respondents scored 8,1 the place where they
32 lived (one unit higher than low income respondents). Nevertheless, despite their high
33 satisfaction, 39% of those belonging to middle class would like to move to another
34 neighborhood. Within this proportion, only 38% would like to move to a richer and more
35 affluent neighborhood. The remainder would move to a neighborhood with similar
36 socioeconomic characteristics of their current place.
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47 What about attitudinal differences between the two groups? When asked to name the most
48 important thing in life, respondents from both groups had similar goals. Table 2 shows broad
49 agreement that in order of importance they were helping others followed by professional
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10 success. Wealth accumulation came in third. More people in the low-income category stated
11 wealth accumulation as a major goal, perhaps a function of an aspirational awareness of their
12 situation. Domestic goals such as having children or getting married figured very low for
13 both income groups. The results reveal a greater concern with social goals and private wealth
14 accumulation than family orientation.
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25 Insert here: **Figure 1.** Perception about class position

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27 Insert here: **Table 2.** Most important factor in life
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32 The survey also inquired about attitudes towards welfare policies. Both groups showed an
33 approximately equal commitment to the poor with similarly high levels of commitment to
34 free education and health coverage (see Table 3). These are public services that both groups
35 would enjoy. When we asked about services that may benefit the poor more directly, such as
36 free housing and cash transfers, there was some divergence with the lowest income groups
37 supporting them more. What is clear, are the very high levels of commitment to social welfare
38 across both groups with only limited evidence of a middle income break away from a
39 commitment to the poor or wide ranging social welfare programs. The recent emergence of
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10 a middle-income category has not crystallized into a separate middle class with a distinct and
11 different set of attitudes.
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15 There are also marked similarities in terms of perception of government performance. We
16 asked respondents to rate in a scale 1 to 10 different domains of the local government,
17 including safety, health services, public transport, employment generation, parks and public
18 space, education and traffic. Both groups rated at similar levels government performance.
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20 Safety, public transport, traffic and employment generation obtained the lower rates (a score
21 of 4 in the scale). Both groups consider that safety is the most important factor of government
22 performance.
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35 Insert here: **Table 3.** Support for welfare services
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39 Low and middle class also share perceptions on personal factors. Using the same 1 to 10
40 scale we asked respondents to rate different aspects of their personal life including family,
41 work, affective life, health, income, education and the place where they live. No important
42 differences were found. For both groups, family was the most important personal factor.
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49 In summary, despite major differences in income, the poor and middle-income groups in
50 Cali share similar set of life expectations and life experiences. Other survey responses
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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 class 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. Despite the marked differences in income levels both groups shared similar goals and attitudes and inhabited the same urban realm.

Consumption Patterns

Much is written about the emergence of new consuming class in the global South and the idea of conspicuous consumption (Podoshen & et al., 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 paid 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 class. This reinforces the argument that consumption and aspirational goals in Cali regardless of class. There may be differences in the amount of money spent on those items (not included in the questionnaire), but aspirations are similar.

Did consumption vary according to working in either the formal or informal economy? Table 4 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.

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

Insert here: **Table 4.** Consumption patterns by formal and informal sector

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 numerical importance, home appliances, none, motorcycle and car. Home appliances include washing machines, fridges and computers (Figure 3). The middle-income group had a similar distribution but with high 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 transportation at a very low cost. Middle class also uses 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.

Insert here: **Figure 3.** Main asset at home by socioeconomic strata

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10 *Funding Consumption*
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12 How did people pay for their consumption of consumer durables? Table 5 shows that the
13 middle-income groups used financial institutions and credit to buy the biggest asset, a car.
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15 Low-income groups tended to use financial institutions. The middle-income groups had
16 access to a wider repertoire of credit including cash, family as well as financial institutions.
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18 Again untangling the knot between cause and effect is intriguing. Did better access to credit
19 allow the entry into the middle class income category or did the middle class income status
20 ensure easier access to credit. While the middle-income groups could access formal credit
21 for big-ticket purchases, the low-income groups used financial institutions to purchase less
22 pricey goods.
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37 Insert here: **Table 5.** Payment of main asset at home
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42 It is clear that consumption patterns rely in part of access to credit. Credit availability is a
43 vital part of economic growth of mass consumption goods. Figure 4 shows the limited access
44 to formal credit sources. Almost a half of middle-income groups and over two thirds of the
45 lower income groups did not have a bank account. Few had a credit card. So consumer
46 consumption, unlike in the global urban North, is not based on easy access to formal credit.
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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.

Insert here: **Figure 4.** Access to banking and difficulty paying debts by socioeconomic strata

The Long Term View

Life is uncertain. In this sample the majority whether low or middle income are under insured. 70% and 60% of low and middle class respectively did not have any kind of insurance. Yet this was not due to carefree attitude to the future. Figure 5 shows the attitude towards the future of the respondents. The dominant view for both income groups was to save for the future. In fact the lower income group expressed a majority opinion to save for the future, a

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10 reflection perhaps of their more precarious and vulnerable position, while the middle income
11 group was more evenly split between saving for the future and enjoying the money now. The
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13 latter opinion made easier perhaps by their larger-current income stream.
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20 Insert here: **Figure 5.** Attitudes towards the future
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25 **Figure 5.** Attitudes towards the future
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30 **Conclusions**

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32 We have presented an array of data. There are four broad conclusions arising from this work
33 that in effect answer our initial questions. First, we identified the emergence of new distinct
34 middle-income group in the city with more disposable income. These new middle-income
35 groups have 60% more in monthly income than the traditional poor. Second, we did see this
36 disposable income turned into consumption patterns of increased spending on non-essential
37 goods such as clothing, entertainment and vacations.
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49 Third, we did not see the emergence of a middle class ideology distinct from the poor.
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10 similarities between low and middle-income groups in attitudes to social welfare, perceptions
11 of government, consumption spending and aspirations. While a more affluent group has
12 emerged they have not crystallized into a separate class with markedly different views on
13 government, public policies or wider aspirations. No distinct middle class with a separate
14 ideology has emerged. So while we have a new middle-income group, we have yet to see the
15 creation of a new middle class with separate political agendas from the poor. The shared
16 experience of living in the city plays a part. Public goods such as transport and security are
17 shared concerns of the poor and the middle income as well as commitment to social welfare
18 programs.
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32 Fourth, the increase in the size of the middle class occurs, as the informal sector remains
33 large and important. The rise of the middle income groups does not necessarily involve the
34 replacement or displacement of the informal economy with the formal economy. Our results
35 suggests a vulnerable new middle class. Although there is increasing access to banking and
36 credit, the overall finding is, compared to the global North, limited access to credit. Almost
37 a half of middle-income groups and over two thirds of the lower income groups did not have
38 a bank account. Access to banking and credit that fuels much of the spending in the global
39 North, here is much less apparent. Restricted and differential access to credit creates a
40 vulnerability of sudden decreases in immediate income and represents a block to future
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10 economic growth. The vulnerability of both the low and middle income groups is exacerbated
11 by the lack of long term social benefits and lack of insurance.
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17 But what more general conclusion can we draw from this survey and analysis to inform
18 wider urban theory. We suggest that a new middle class is vulnerable and precarious. It does
19 not replace the informal economy but is intimately connected to it. The common assumption
20 that the emergence of new middle class represents regularization of the economy maybe
21 incorrect. The lack of access to credit also puts a break on the middle class fuelling
22 consumption and hence an increase in domestic demand and ultimately urban and national
23 economic growth. Our work also suggests that there is no easy assumption that this new
24 urban middle income group becomes an urban middle class with political interests different
25 or divergent from the poor. This means that the new middle can become a potent for more
26 universal demand for a more livable city rather than just a distinct articulation of separate
27 and divergent urban political agendas
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47 The rise of a new middle class is to be celebrated but its role in ensuring long-term
48 economic growth is more debatable than assured while its political implications are still in
49 progress. While other studies focus on the difference between the new middle class and other
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10 less affluent groups in their articulation of urban political interest out study suggests
11 otherwise.
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17 Our results are based on one survey taken at one time in one city. We await the work of
18 researchers in other cities in other countries to compare our results and confirm, refine or
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23 undermine our conclusions.
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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 of primary data

Table 2. Most important factor in life

Goal	Percent of support	
	Low SES	Medium SES
Free time	11.3	13.6
Having children	5.2	3.8
Getting married	2.7	2.5
Professional success	27.6	28.0
Wealth	19.2	14.0
Helping others	34.0	38.0

Source: authors' elaboration of primary data

Table 3. Support for welfare services

Policy	Percent of support	
	Low SES	Medium SES
Free education	98.0	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

Source: authors' elaboration of primary data

Table 4. Consumption patterns by formal and informal sector

Consumption	Low SES	Medium SES
Going to the movies		
Formal job (%)	40	60
Informal job (%)	31	69
Eating out		
Formal job (%)	50	50
Informal job (%)	45	55
Going to hairdressing		
Formal job (%)	53	47
Informal job (%)	48	52
Paid a gym membership		
Formal job (%)	50	50
Informal job (%)	46	54
Hired domestic services		
Formal job (%)	30	70
Informal job (%)	31	69

Source: authors' elaboration of primary data

Table 5. Payment of main asset at home

		Low SES	Medium SES
Cash	Vehicle	27	73
	Motorcycle	52	48
	Home appliances	67	33
Financial institution	Vehicle	17	83
	Motorcycle	54	46
	Home appliances	65	35

Source: authors' elaboration of primary data

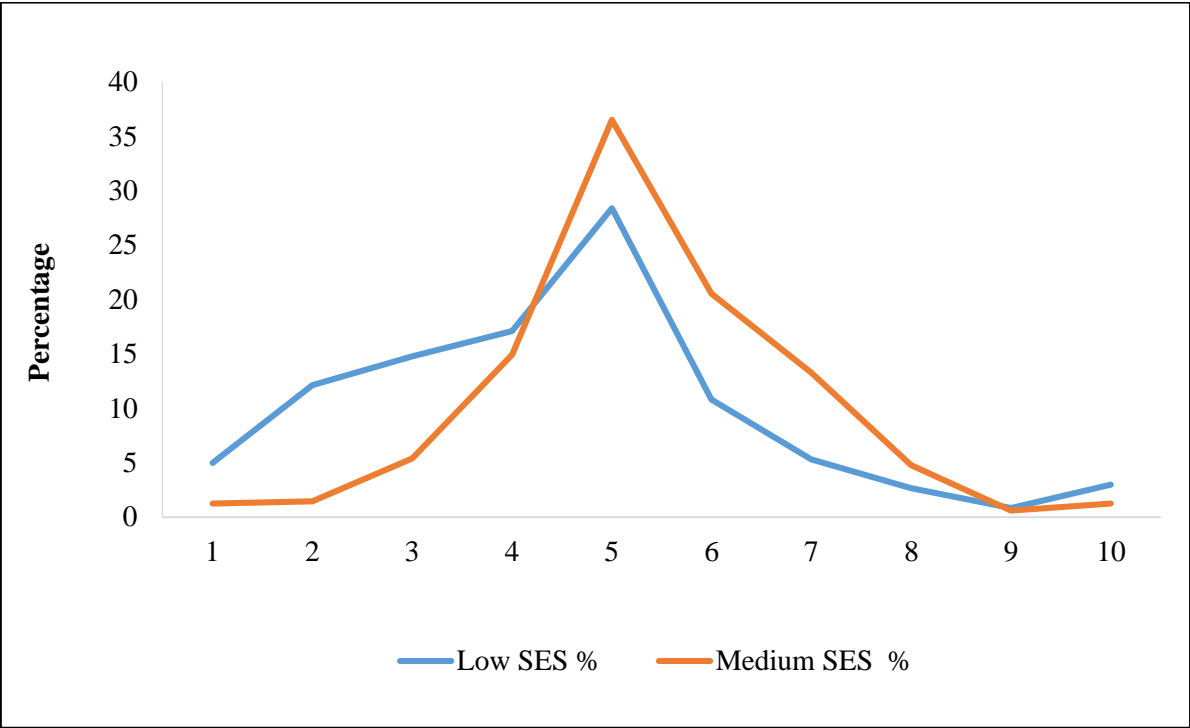


Figure 1. Perception about class position

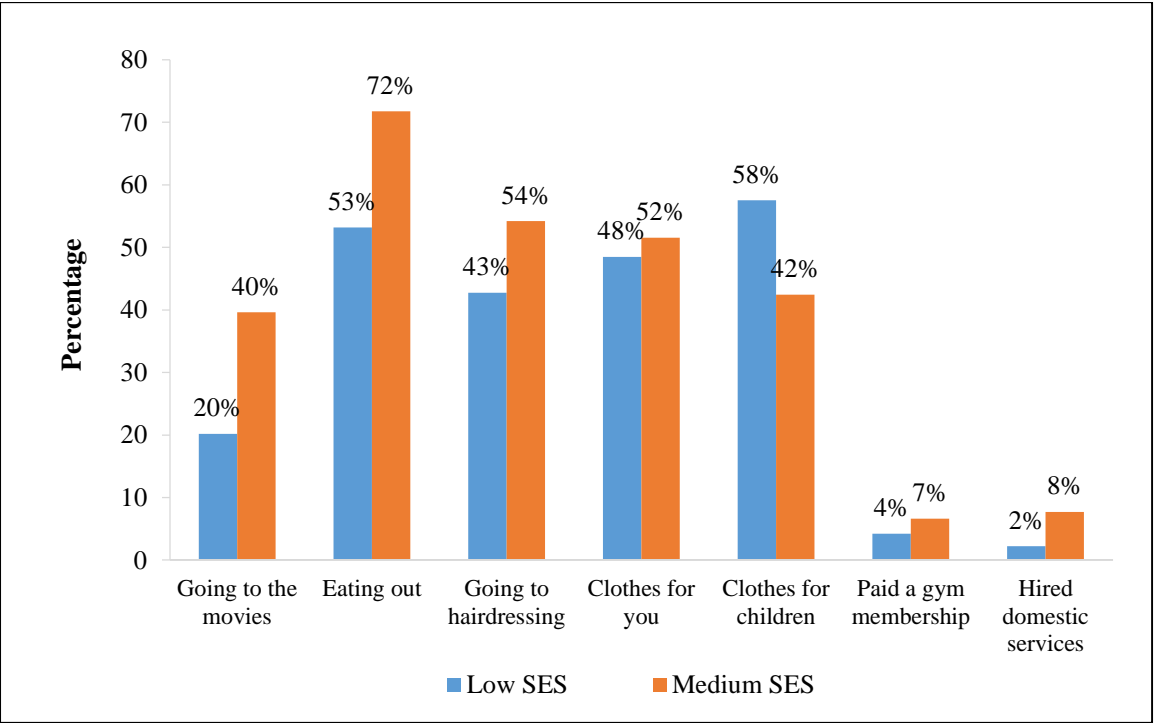


Figure 2. In the last 30 days, what have you spend money on?

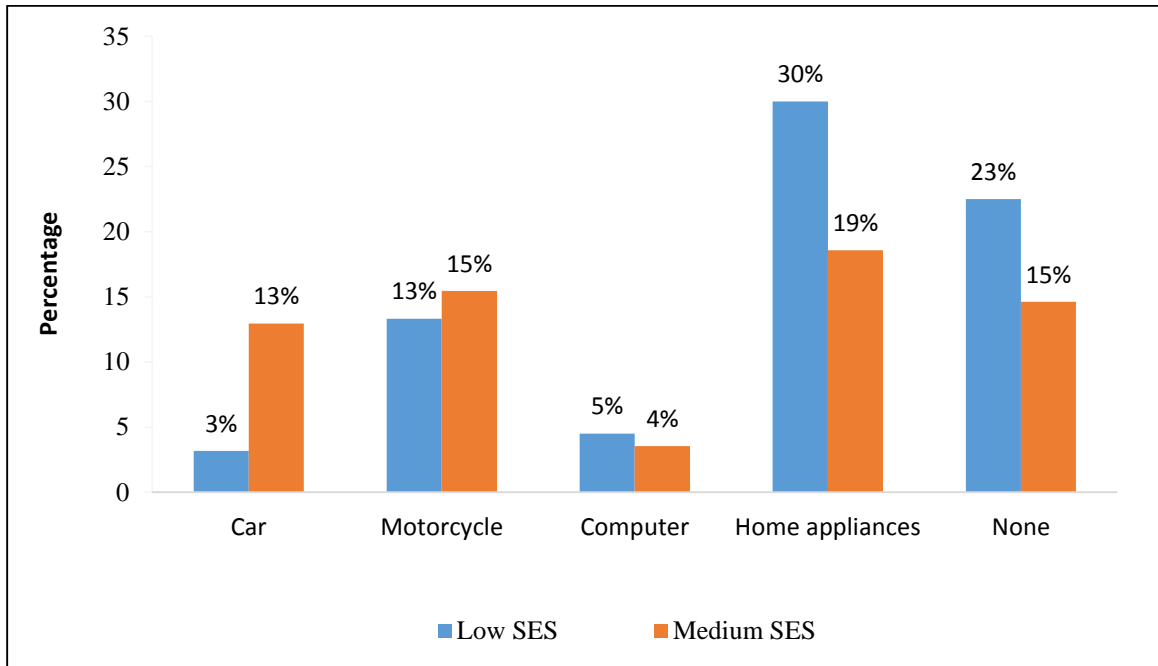


Figure 3. Main asset at home by socioeconomic strata

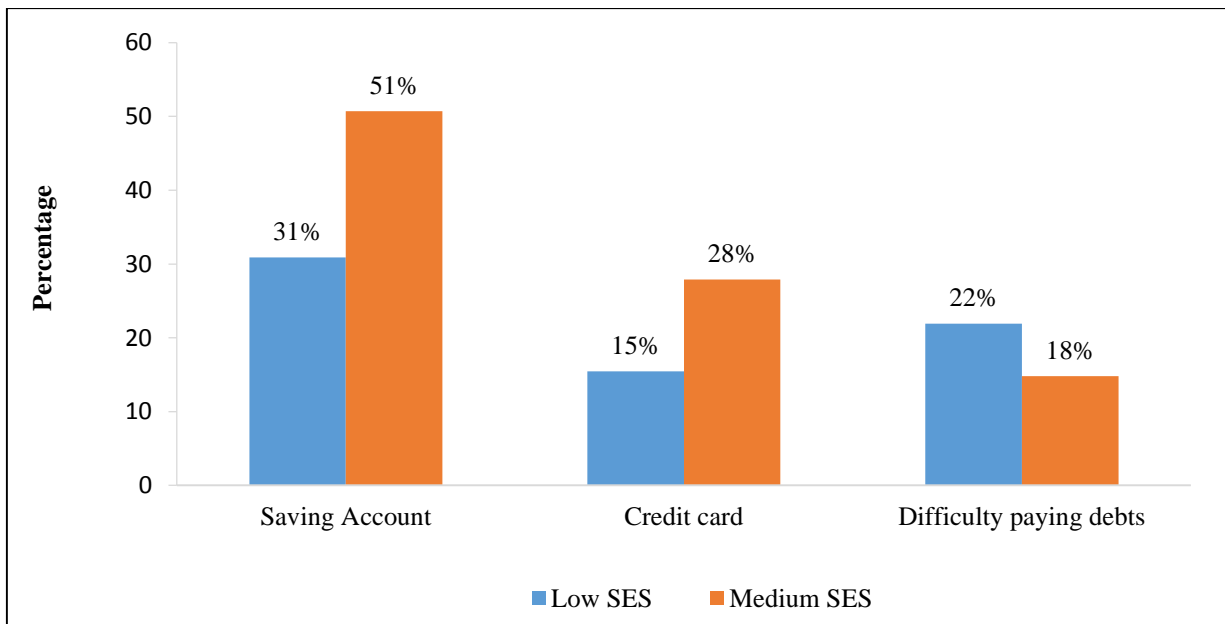


Figure 4. Access to banking and difficulty paying debts by socioeconomic strata

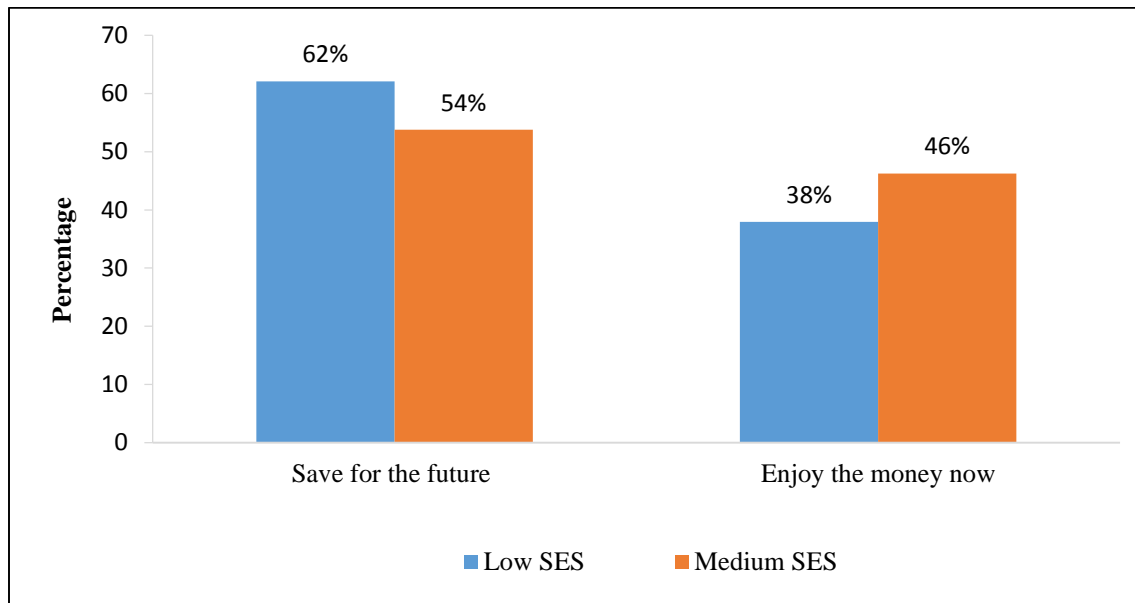


Figure 5. Attitudes towards the future

