

# The Role of the Middle Class in Distributional Outcomes: Chile and South Korea

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**Abstract** This article examines the role of the middle classes in the divergent distributional outcomes that characterize South Korea and Chile. While equality has been historically low in South Korea, it has been high in Chile throughout the twentieth century, increasing substantially during the period of military rule. The analysis provides a historically grounded explanation of the role of the middle classes in these outcomes, emphasizing processes over time and contextualized comparisons. In Chile, the middle class became sufficiently politically powerful to obtain social improvements for itself, but reacted against popular mobilization and allied with the propertied classes, supporting a military regime that pursued policies that worsened inequality. In South Korea, on the other hand, the middle class, not threatened by intense mobilization from below, played an active role in keeping inequality low through the twentieth century. The timing and thoroughness of land redistribution, the pace of industrialization, and the extent of pressures from the popular classes and of political polarization, all powerfully shaped middle-class distributional politics. Hence, middle-class distributional politics is integral to the power struggles that shape distributional outcomes.

**Keywords** Chile · South Korea · Inequality · Middle class

## Introduction

Understanding why high levels of inequality emerge and persist in some cases while low levels of inequality endure in others has been a central concern in scholarly and official circles for some time. Today, and for much of the twentieth century, stagnant or negative growth, persistent poverty, and unacceptable levels of inequality have plagued many countries of the global south. The East Asian newly industrializing economies

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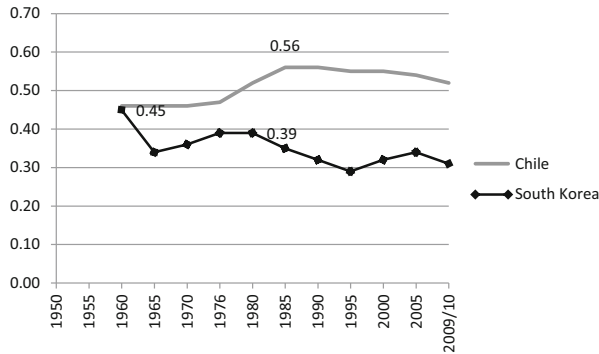
(NIEs; South Korea, Taiwan, Hong Kong, and Singapore), however, stand out for their ability to achieve rapid economic growth rates, while reducing poverty and keeping inequality comparatively low. This article analyses two cases with distinct distributional outcomes. While inequality in South Korea has experienced some periodic increases, the country has maintained a generally low level of inequality. Inequality spiraled upward in Chile between 1975 and the mid-1980s and has remained high by international standards<sup>1</sup> (see Fig. 1).

A full explanation of distributional outcomes requires consideration of a complex of interrelated factors, including asset distribution (particularly land), economic growth, taxation and spending policies, and social welfare policies, especially access to health care and quality education, institutional development, and political contestation. This paper draws attention to one very significant factor not recognized in the literature. I argue that support from key sectors of the Korean middle classes was important in improving the lot of the lower classes and contributed to better distributional outcomes. In Chile, middle class disinterest in, and even resistance to, the redistributive demands of the lower classes, combined with a tendency to ally with the propertied upper class, contributed to greater inequality.

Much of the literature comparing East Asia's and Latin America's distinct development outcomes focused on differences in policy, in particular, on East Asia's ability to maintain macroeconomic stability, provide support for rural producers, lead employment-generating industrial growth capable of competing in export markets, and manipulate rent-seeking opportunities as inducements for business export performance (Kay 2006; Boyd 2006; Kim 2009). This observations of the distinct behaviors of East Asian states, understood as largely absent in Latin America, leave the deeper underlying realities of class configurations and alliances, which can shape institutions and state action and inaction, unexamined. Historical political and social contexts molded the role and impact of middle classes, which, in turn, had implications for the state's role and policies. In particular, the timing and nature of land reform, the pace and timing of industrialization, the militancy of the industrial and agricultural classes, and the strength of the propertied classes were the fundamental ingredients structuring the role and impact of middle classes in the two cases. While early and thorough land reform in South Korea, and its late and incomplete nature in Chile, had a powerful bearing on initial distributive conditions, this difference also swayed middle-class politics and alliances with important consequences for inequality into the future.

This work falls within the tradition of comparative historical analysis. As such, it seeks to combine a historically grounded explanation of divergent outcomes with a causal explanation that emphasizes processes over time and contextualized comparisons. Focusing on the

<sup>1</sup> Chile's top 10 % of households increased its share of national income from the mid-1960s to the late 1980s (from 34.8 to 45.2 %) while the bottom 10 % dropped from 13.4 to 10.7 %. In the same period, these proportions remained stable for South Korea (UN-WIDER Data Base 2009; Song 2003, p. 200). Figures on South Korean inequality have come under considerable criticism for, among other things, their failure to take into account asset concentration (Kwon S 1993, pp. 136–140). Chile's level of asset inequality, however, is also considerably higher than South Korea's. In 1998, the 10 largest Chilean economic conglomerates (*grupos*) controlled 70 % of total assets (Lefort and Walker 2000, p. 18) while in 1995, the top 10 Korean conglomerates (*chaebols*) accounted for 39.5 % of total assets (You 2005, p. 32). It can reasonably be argued that South Korea has maintained *comparatively* lower levels of inequality than Chile. Indeed, lower inequality in the Asian NIEs, compared with Latin American countries, is widely accepted in the literature (see, for example, Sen 2000, p. 45).



**Fig. 1** The rise and fall of inequality (Gini coefficient). Sources: South Korea: Koo 2006, p. 60; Song 2003, p. 200; UN-WIDER Data Base; Kim 2011; Chile: Thorpe 1998, p. 352; UN-WIDER Data Base; CEPAL 2011, Table 14

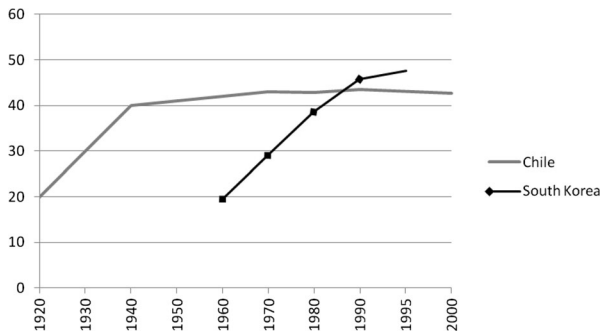
experience of two countries allows the analyst to draw out causal complexity in a way that is not possible in a broad regional comparison. The decision to compare a case from Latin America and with an East Asian case arose from the wish to explore the reasons for their often-observed divergent experiences. Meanwhile, Chile stands out among Latin American countries insofar as it has struggled with high levels of inequality even as it has experienced healthy economic growth rates since the mid-1980s—a reality that suggests that economic growth alone may not reduce inequality substantially. Korea, on the other hand, has experienced comparatively low rate of inequality throughout its twentieth century development trajectory.

This analysis assumes that the middle-class designation means more than having an income level less than that of top earners and more than that of lower quintiles. Rather, the term incorporates the following features: an income *considerably above* that of the lower classes, assets (financial and/or human, particularly, education), and location in the urban sector. The term, however, encompasses an admittedly heterogeneous group of occupations: professionals, administrators, managers, office workers, technicians, owners of small business, and the self-employed. It is the confluence of features—that is, these characteristics *in combination*—that shape the life style, identity, political attitudes, and, in combination with contextual features, politics.<sup>2</sup> In addition, in both cases, inclusion in the middle class required an income significantly superior to the working/lower classes, sufficient to provide a comfortable life style and typical middle-class assets. See the notes in Fig. 2, for the sources and adjustments used to obtain comparable figures on the size of the middle classes for the two cases.

This work builds on a long tradition of viewing the middle class as a social and political category worthy of analysis despite (or even because of) its heterogeneity.<sup>3</sup>

<sup>2</sup> While a substantial body of literature defines social class objectively, scholarship also treats social class subjectively (self-identification as middle class) and often, analyses will incorporate both definitions. Data on subjective middle class identity in Latin America is available only for recent years. When the middle class identifies other than just income (such as education and material assets) are taken into account, subjective and objective definitions largely coincide in Latin America (Lora and Fajardo 2011). In South Korea, self-identification as middle class increased from 41 % (versus 39 % if defined objectively) to 61 % between 1980 and 1991 (Song 2003, p. 207), a figure considerably above the objective definition (see Fig. 2).

<sup>3</sup> C. Wright Mills (1951) examined the social changes and political characteristics of the American middle class, while Seymour Martin Lipset argued that the middle class was a stabilizing force in capitalist society, supporting a consensual, middle of the road democracy (1959).



**Fig. 2** Estimated growth of the middle class, proportion of population. Sources: South Korea: Arita 2003, p. 204; Chile: Boyle and Hojman 1985, p. 17; Koch 1999, p. 13; Barozet and Fierro 2011, p. 30. Notes on the comparability of figures: For Korea, figures are for males only; for Chile, the figures are for male and female income earners. Figures for both countries define the middle class in terms of type of occupation (as described in the text) and income. For Korea, inclusion in the middle class required an income superior to the working/lower classes, sufficient to provide a comfortable life style and typical middle class assets, such as home ownership. Arita found the average education of this middle class to be higher than the class below it. Given the early and rapid expansion of Chile's post-secondary educational system and its almost exclusive focus on the urban sector and on secondary and post secondary education, the analysis assumes a higher degree of education among Chile's middle class. The figures for 1970–2000 for Chile were reworked from the original sources to remove lower paid skilled manual laborers from the middle class category and to include small employers with middle class incomes, a group also included in the Korean sample. The 1920 and 1940 figures for Chile are not directly comparable since the 1920 figure probably includes small landowners and small shopkeepers with very low incomes and the 1940 figure includes all salaried workers and all self-employed, including some with very low incomes

Indeed, middle classes may be deeply fractured politically. Mayer (1975, p. 410) alerts us to the possibility that the political stance of the lower middle class may change over time and that the lower middle class may initially support the lower classes, but is likely to later fall in line behind the propertied class, due to feeling threatened by mobilization from below. Two observers of the middle classes of their respective societies, Hagen Koo (Korea) and Manuel Antonio Garretón (Chile), both point to extreme heterogeneity within the middle class, but also acknowledge that a factor of commonality among its various sectors is distaste for insecurity and instability (Koo 1991, p. 499; Garretón 1989, p. 10). Understanding the political behavior of the middle classes is warranted today given the increasing interest in it on the part of official development circles (Ferreira et al. 2012; Kharas 2010).

The argument that consideration of the middle classes is important in explaining distributional outcomes joins a growing body of literature that emphasizes political struggles over market factors as the driving force behind such outcomes. Below, I review some of the main explanations of distributional outcomes and situate my contribution within this literature.

### Competing Explanations of Inequality

The best known explanation of the sources of inequality is found in the work of Simon Kuznets who predicted that while inequality will rise during the early phase of industrialization/modernization, it will subsequently decline thereafter, as the growing industrial sector expands to absorb labor from the rural sector (Kuznets 1955). Various

observers have challenged the applicability of this explanation to Latin America (Bruno, Ravallion, and Squire 2000). Stiglitz (1996) has disputed the Kuznets curve in the case of East Asia, including South Korea, pointing out that industrialization and export-led growth occurred in the absence of high levels of inequality. In the case of Chile, the Kuznets explanation appears especially problematic. In 1965, employment in manufacturing reached its highest level with employment in agriculture at less than 25 % of the economically active population. However, between 1975 and 1985, inequality increased (Fig. 1) and did not begin to decline until 2006.

Indeed, various scholars have challenged the relevance of Kuznets' explanation even for western industrialized nations—the cases upon which Kuznets based his original formulation. One recent work claims that the decline in inequality was largely accidental, occasioned by the shocks of the Great Depression and the two World Wars (Piketty 2014); other observers, however, place a far greater emphasis on the expansion of the franchise as *the* key factor in inequality reduction. Acemoglu and Robinson (2006, p. 26) portray the emergence of democracy as entailing a struggle between rich and poor, which, when resolved, created a commitment to pro majoritarian policies, particularly redistributive ones. Muller (1988) presents data demonstrating that the impact of democracy is positive for equality over the long term (20 years plus)

According to this perspective, poverty and inequality decline because democracy creates the opportunity for the lower classes to exercise demands for redistributive measures. Social reform—expansion in educational spending, labor legislation, and social security—all occurred in Europe, due to the pressure exerted by the working class through labor unions and left political parties (Robinson 2010; Rueschemeyer et al. 1992). While institutions (such as parties and distinct electoral systems) play an important role in shaping distributional outcomes, underlying conditions, in particular, the configuration, interests, and alliances of social classes, have a determinant effect upon those institutions and practices. A powerful propertied class, for example, may shape institutional design in ways that inhibit the extent that pro-majoritarian policies can improve poverty and distributional outcomes (Acemoglu and Robinson 2006, p. 34). In the Scandinavian countries, underlying production relationships, which capital and labor sought to maintain, produced proportional representation electoral systems, which encouraged the formation of left/center coalitions and robust social programs (Iversen and Soskice 2009, p. 444). Iversen and Soskice also point to the presence of a farm-owning peasant class which, when faced with economic uncertainty, gave strong support to left social democratic parties.

Various scholars have linked the middle class to distributional outcomes. When the extension of the franchise occurred as a consequence of redistributive demands from the lower classes, the middle class has often acted as a buffer between the propertied and lower classes (Acemoglu and Robinson 2006, p. 278). According to this argument, the elite will be more likely to support democratization if the middle class is both prosperous and large, because such a middle class will support the elite's wish for only limited redistributive measures. At the same time, members of the middle class have been important actors in the establishment and expansion of the welfare state and therefore, in important distributional improvements. Roberts found that British public servants (such as health, school, prison, and factory inspectors) and professionals (doctors, clerics), whose work involved them in direct contact with the lower classes, became strong advocates of state intervention to alleviate social suffering (Roberts

1969, pp. 109, 147, 180). Other observers have identified fragments within the middle class, particularly, university students and intellectuals, as having become the primary agents leading to redistributive change, even lending their skills and support to socialist revolution (Oppenheimer 1982).

In non-European countries, the middle class is likely to play a more important political role owing to the relative political weakness of the popular classes, especially the working classes. The presence of large informal sectors in many global south countries often means that organized labor is politically weak (Rueschemeyer et al. 1992, p. 58). Indeed, the political power and impact of the middle class is often disproportional to its numerical presence. Rueschemeyer et al. (1992) argue that in Latin America, the middle class has played a much more central role in democratization than the working class despite its small size. Koo (1991) makes the same argument for South Korea. In addition, fractions of the middle class, particularly in mineral export economies, may lead to radicalized left parties, organizing the working class around highly redistributive demands (Rueschemeyer et al. 1992, pp. 168, 176, 191).

Difficulty in reducing high levels of inequality has been linked to the reinforcing impact of concurrent distinct ethnic or racial identities (Huber and Stevens 2012, pp. 2727–2734). But even in the absence of sharp ethnic or racial divisions, cultural differences separating social groups can arise and contribute to the difficulty in improving distributive outcomes. As Tilly (1998, p. 195) points out, time is a key ingredient in accounting for the resiliency of inequality because time allows for the development of shared understandings within social categories, and entrenches distinct relational practices in the treatment of/and attitudes toward those outside of the group. In this process, distinct cultural identities and attitudes that initially may be only incipient, are strengthened and passed on through the generations. The boundaries separating groups from each other become deeply rooted and structured into institutions, including political institutions. I refer to the development of such rigid boundaries between social groups as *social compartmentalization* and argue that social compartmentalization is especially salient for cases, such as Chile, where both time and perceptions of threats to group survival combine to entrench attitudes and politics that are counterproductive to improved distributional outcomes. While Tilly (1998, p. 225) acknowledges the importance of political mobilization from below in securing state response to poverty and inequality issues, he also suggests that whether or not the interests of the economically disadvantaged become represented in politics in ways that improve their life chances may also depend upon whether other social groups are willing to form a coalition and take up their cause. Sharp social compartmentalization contributes to the inability to establish such a coalition.

As industrialization and urbanization progresses, not only does the proportion of the middle class increase, but also the proportion of salaried white-collar employees in government and corporations rises. Those earning their living as paid employees often form trade unions and might, given a concern for such issues as wages, benefits, and working conditions, find a common cause with the working class. At the same time, the higher educational level of members of the middle classes (compared with the lower classes) is likely to afford them the opportunity to shape policy through the leadership of political parties and civil society organizations, and through their participation in the state bureaucracy. In authoritarian political contexts, activist members of the middle class are very likely to lead the demand for democratization—one of the widely

recognized preconditions for distributional improvements. If, on the other hand, middle classes, or sectors within this group, are disinterested in distributive issues, are fearful and hostile toward the classes below them, or if the conditions of their daily lives become precarious or unstable, there is a strong likelihood that they may forge an alliance with powerful propertied interests in an effort to stymie both lower class mobilization and redistributive demands.

While powerful propertied classes are important sources of resistance to redistributive measures, they cannot, by themselves, normally maintain or impose policies that are regressive in their social impact for an extended period of time. The maintenance, and especially the increase, of inequality requires that the propertied classes find allies; that is, a significant proportion of the population which, if not active supporters, is at least willing to acquiesce in measures with regressive consequences. This occurred in the case of Chile while the Korean middle class consistently supported lower class social justice aspirations. Below, I sketch the principle historical events shaping the formation of middle classes in Chile and South Korea, and outline the theoretical framework used to explain the divergent behaviors and outcomes in the two cases.

### Historical Forces Shaping Middle Class Formation

In Korea, high levels of peasant mobilization, the American occupation, and the Korean War (1950–1953) propelled forward a thorough land redistribution program, creating a class of small farmers.<sup>4</sup> Initiated in 1948 under American occupation, land redistribution was complete by 1952 (Shin 2003, p. 190). Korean land reform therefore occurred prior to its industrialization drive and before the emergence of the country's middle classes. Furthermore, on the threshold of industrialization, Korean landed and business elites were weak and the working class was small and non-militant (Deyo 1987, p. 233). The division of North and South Korea, given that most industrial and mineral production was in the north, had left the south as a largely homogenous society of small rural producers with only a small working class; in 1960, only 6.8 % of the economically active population was employed in industry (Kim and Roemer 1979, p. 64). Fierce state repression in the 1950s, combined with increasing wages during the industrialization period, further contributed to the absence of a militant left and worker quiescence (Kim 1990, p. 310). Hence, the Korean middle classes, as they emerged from the 1960s onwards, unlike their Chilean counterpart, did not face land-hungry peasants; militant left parties or trade unionists, who threatened core values; or a powerful propertied class with whom it might be tempting to ally. At the same time, the expanding Korean economy, affording opportunities for all social classes, operated to mitigate social class conflict. The Korean middle class was neither fearful nor insecure.

As will be documented in the following section, South Korean industrialization occurred rapidly over only a 20-year period, from the early 1960s to the 1980s. This compressed process inhibited the creation of highly compartmentalized social

<sup>4</sup> While in 1945, only 13.8 % of cultivators were full owners of the land they tilled, by 1965 that figure stood at 70 % (Ban et al. 1980, p. 286).

categories of middle, working class, urban, and rural poor. The middle class' ongoing contacts with lower classes, a consequence of a rapid and compressed industrialization, fostered a concern for lower class welfare, and among some sectors, an intense activism for social justice. Recent lower class origins among the middle classes were particularly important in the generous private financial transfers from new members of the middle class to poor kin. Indeed, as we will see, despite the fact that members of the Korean middle classes appear to have been hit hard by the 1997 economic crisis, middle class activists continued to press for expanded welfare provisions.

In Chile, on the other hand, the middle classes faced increasingly intense mobilization from the popular classes throughout the twentieth century. Land reform was both late and radical in nature. Most land redistribution, when it occurred between 1970 and 1973 during the administration of President Salvador Allende, involved the establishment of large co-operatively owned and state-run farms, not small peasant-owned farms as in the Korean case (Martner 1998, p. 155). Mining and the expansion of industry produced a trade union movement allied with left political parties, which also became increasingly militant as the twentieth century wore on. The left's rejection of private property was likely key in the vehement opposition of some sectors of the middle classes to lower class aspirations. The Chilean middle class also faced considerable economic turmoil (particularly inflation) as the Chilean economy stagnated or contracted in response to difficulties in commodity export sales. As I will document in the next section, by the early 1970s, Chile's middle classes faced growing economic insecurity, as shortages of consumer products and inflation increased. Hence, the Chilean middle classes were economically insecure and fearful of downward social mobility (Barozet and Fierro 2011, pp. 30, 38; Espinosa et al. 2012, p. 2), a reality that contributed to hostility toward lower class aspirations.

The sense of fear and insecurity felt by Chilean middle classes was reinforced by the many decades of insulation. An industrialization process that spanned some 70 years, and an early process of urbanization, produced social compartmentalization in which most among the middle classes had little intimate contact with, or knowledge about, the lives of the lower classes. This comparatively greater removal from lower class reality afforded the opportunity for class boundaries to solidify into rigid social categories, exacerbating the lack of concern among many sectors of the middle classes for lower class welfare and further deepening feelings of fear and insecurity. All of these factors, in combination, contributed to eventual middle class support for, or acquiescence in, a military coup engineered by propertied classes. The persistence of social compartmentalization into the period of civilian rule, involving the incorporation of memories of political and economic turmoil arising from intense redistributive demands, has likely contributed to comparatively little interest in vigorous redistributive measures.

### **The Chilean Middle Classes: Politics in a Polarized Environment**

From the early twentieth century to the early 1970s, most of the Chilean middle classes moved from cautious support for improvements for the lower classes (largely confined to the expansion of education in urban areas) to positions of indifference or, for some sectors, strong opposition to lower class aspirations. The story of the Chilean middle classes begins at the end of the nineteenth century with the urbanization and

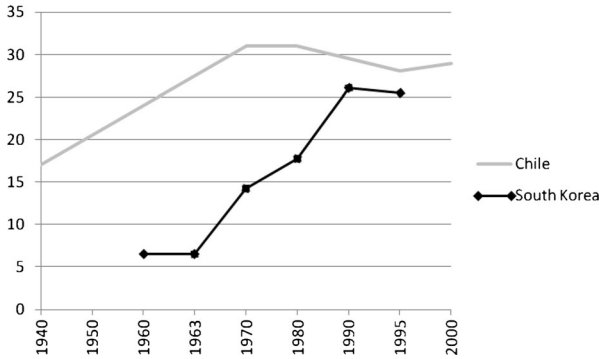


industrialization that was set in motion by the boom in nitrate exports between 1875 and 1902.<sup>5</sup> Figures 3 and 4 below illustrate the growth of the salaried labor force and the high proportion of the economically active population already employed in industry and services by 1910. This early modernization, which involved a rapid rise in government spending using revenues generated by nitrate exports, produced the emergence of a new urban salaried middle class of white-collar workers, much of it (between 30 and 40 % by 1940) in the service sector (Grant 1983, p. 153; Barr-Melej 2001, pp. 6, 18). State employment, including teaching, which expanded rapidly with the increase in educational spending, was an especially important site for the growth of this new group. According to one estimate, between 1930 and 1940, the percentage of the economically active population in the public administration doubled (Drake 1978, p. 226). The Chilean middle class continued to expand more slowly from 1940 onwards with the salaried middle class representing an ever-increasing proportion (Figs. 2 and 3). Chile's early and lengthy industrialization, which occurred over a 70-year period (Fig. 4), combined with comparatively slow economic growth after 1940, blocked upward mobility into the middle classes, particularly from the peasantry, by the mid-twentieth century. According to one observer, much of the inflow into the Chilean middle class then came from "shorn off segments of the bourgeoisie and their descendants" (Grant 1983, p. 165).

By the early twentieth century, rapid mining and industrial development and the unprecedented rate of urbanization had given rise to growing social problems and worker unrest prompting rising middle class concern for what became known as "the social question." The Radical Party, which called for improvements in the living standards of the lower classes, became the chief vehicle for middle class reformism. The election of Arturo Alessandri to the presidency in 1920 marked the entry of the middle classes onto the political stage. He had received most of his votes from the middle classes and was backed by a coalition that included the Radical Party (Petras 1970, p. 118; Johnson 1958, p. 77). The Radical Party's objective of improving the lives of the lower classes through support for educational expansion and compulsory primary education has been credited with bringing about a substantial increase in literacy between 1885 and 1930 from 25 to 56 % (Barr-Melej 2001, p. 163).

While the 1920s and much of the 1930s were characterized by the stiff resistance of the propertied (landed/minding/industrial) elites and their parties to social reform, in 1938, the rise to power of a coalition government known as the Popular Front, headed by the Radical Party, in alliance with the Socialist and Communist parties, appeared to place the pressing needs of the lower classes firmly on the political agenda. Indeed, the Front called for "a more equitable and just distribution of income" (Petras 1970, p. 133). However, an agreement reached between the middle class-backed Popular Front government (1938–1941) and the political right made peasant unionization illegal, thereby effectively blocking the possibility for social improvements for the rural poor (Faúndez 1988, p. 44). The Radical Party became primarily an instrument to promote the middle class' interests, providing members of that group with ever expanding opportunities for public employment and increased salaries and benefits (Boyle and Hojman 1985, p. 16; Drake 1978, p. 225; Petras 1970, p. 155).

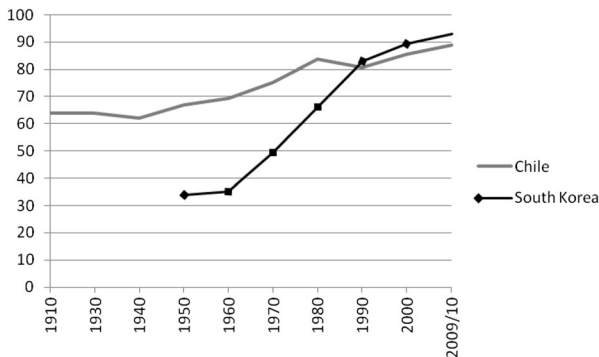
<sup>5</sup> Chile's most dramatic population shift from country to city also occurred at this time with the proportion of the population in urban centers increasing from 27 to 43 % between 1875 and 1902 (Pike 1963, pp. 18–19).



**Fig. 3** Growth of the salaried middle class as a percent of employment, Chile and South Korea. Source: Chile: Boyle and Hojman 1985, p. 18; Koch 1999, p. 13; Barozet and Fierro 2011, pp. 18, 30; South Korea: Arita 2003, p. 2004

As political unrest mounted in response, the Popular Front turned against its left allies. It repressed “agitators” organizing the rural poor and trade union unrest (Loveman 1988, p. 250) and in 1948, expelled the Communist Party from the ruling coalition. Middle class concern about the rising working class unrest, and, for the salaried middle class, anxiety generated by the erosion of income due to inflation, resulted in a shift of support from the Radical Party in the 1952 election and support for the anti-labor regime of President Carlos Ibañez (1952–1958) (Johnson 1958, p. 90; Petras 1970, p. 138) whose policies produced a calamitous decline in workers’ income, contributing to labor solidarity and leftist unity (Mamalakis 1976, p. 197).

While a majority of the middle classes tended to the center/right of the political spectrum, however, their political preferences spanned the full range of political thought. An important fraction of the middle class (about 25 %) consistently voted for the left (Socialist/Communist) party coalition (Boyle and Hojman 1985, p. 23) and assumed the leadership of the left parties, which, backed by the trade union movement, engaged in an intensive organization of the peasantry. By the 1960s, the Socialist and Communist parties became the leading proponents of social change. Most of Chile’s middle classes, however, became supporters of the Christian Democratic Party, which by the late 1960s, had replaced the Radical Party as the main centrist party. In 1964,



**Fig. 4** Employment in industry and services as a proportion of total employment. Source: Chile: Mamalakis 1976, p. 176; Castells 1974, p. 51; Frias and Ruiz-Tagle 1993, p. 66; World Bank (<http://data.worldbank.org/indicator>). South Korea: Kim and Roemer 1979, p. 141; Asian Development Bank 1999, p. 134; World Bank (<http://data.worldbank.org/indicator>)

roughly three quarters of the middle classes voted for the Christian Democratic presidential candidate, Eduardo Frei, who also had the backing of the political right (Boyle and Hojman 1985, p. 22). In 1970, with a right wing candidate in the running, more than one half of the middle classes voted for the political right, with the biggest move in that direction occurring among managers and professionals and the least among salaried white-collar employees (Boyle and Hojman, p. 24).

Survey research shows the Chilean middle classes' weak commitment to social reforms and a tendency to identify with the propertied classes. One 1958 survey revealed middle class tendencies to authoritarianism, disinterest in rural welfare, and aspirations to become large landowners (Petras 1970, pp. 146–149). Another mid-1960s survey of the state bureaucracy revealed the belief among state bureaucrats that the middle class, the social class with which most members of the bureaucracy identified, was the least favored by state policy, and that agrarian reform was of little importance in improving rural welfare (Petras and Guiard Grenier 1969, pp. 74, 80). A survey carried out in 1972 reflected the extent of middle-class antipathy toward the left coalition government of President Salvador Allende: 70 % said they would vote against this government should an election be held, and 92 % thought the country was living in a climate of violence that the government had created (Boyle and Hojman 1985, p. 24).

Indeed, from the late 1960s, Chile's middle classes were plagued by growing fear and insecurity. Radical land redistribution and the state take-over of many urban-based businesses under President Allende contributed to this anxiety, especially among small business (Foxley et al. 1977, pp. 204–205). Increasing inflation, shortages of consumer goods, the intensity of Marxist rhetoric, and the high level of mobilization among the lower classes also generated middle-class opposition, ultimately rendering key sectors among the middle classes supportive of a military coup (Garretton 1989, pp. 10, 24; Sigmund 1977, p. 291). By the late 1960s, the middle and lower classes were profoundly separated from each other, constituting what Constable and Valenzuela (1991, p. 40) have described as “distinct subcultures.”

Some sectors of the middle classes engaged in active opposition to the left regime of Salvador Allende. Strikes carried out by independent businesspeople (the truckers, taxi drivers) and professionals (engineers, doctors, dentists, and architects) were instrumental in destabilizing the economic and political situation and in paving the way for the military coup. Middle-class Christian Democratic trade unions also supported these strikes (Sigmund 1977, pp. 185–186). One important lower middle class group that backed the coup and later became instrumental in the development of post-coup economic policies was a group of economics professors at the Catholic University who became known as the “Chicago boys” because of their post graduate economics training at the University of Chicago. They were closely allied with big corporate executives in public attacks on Allende's policies, in preparing a replacement economic plan, and in establishing contacts with the navy in preparation for the coup (Teichman 2001, pp. 71–72; Constable and Valenzuela 1991, p. 167).

The new military government crushed trade unions and popular organizations, and made the operation of political parties illegal. While the economic difficulties in 1975 and the deep economic crisis of the early 1980s contributed to the deterioration in social conditions, policies implemented by the military regime ensured that the economic downturn was shared very unequally among social classes. Sharp trade liberalization produced a record number of bankruptcies, pushing up unemployment levels (Foxley

1987, pp. 17, 23, 24, 29), while repression of the labor movement ensured that workers could not defend employment or salaries. In privatizing the agricultural land taken over by the Popular Unity government, the regime focused on the creation of large and medium agricultural capitalists with the consequence that small farms declined as did full-time permanent jobs in the countryside (Kurtz 2004, p. 66). Everywhere, wages declined sharply and unemployment rose to record levels, skyrocketing to 26 % by 1982 (Foxley 1987, p. 16). Income distribution worsened with the Gini coefficient increasing from 0.46 in 1970 to 0.56 by the mid-1980s (Fig. 1). The establishment of a two-tier system in health care involving a private system for the better-off and a public system for the remainder of the population produced a sharp deterioration of health services as both government and middle/upper class financial contributions to public health care dropped (Borzutsky 2002, p. 134; Uthoff 2014).

In the aftermath of the military coup, the better-off among the middle classes benefitted from access to imported consumer goods. However, as state-streamlining took hold, salaried employees lost their jobs and the composition of the middle class shifted toward salaried employment in the private sector and entrepreneurship (Montero 1990, p. 99). By the mid-1980s, the sharp economic deterioration, occasioned by the debt crisis in addition to political repression, was causing many among the Chilean middle classes to abandon support for the military dictatorship. They briefly joined workers and shantytown dwellers in the protests against the military regime. As the military government increased repression, however, the middle class withdrew from the street protests (Puryear 1994, p. 105; Garreton 1989, p. 151). The leadership of the political transition then passed into the hands of the political party leaders who negotiated a political transition that left in place institutional arrangements that made it difficult to take aggressive action to reduce inequality.<sup>6</sup>

### The Korean Middle Classes: An Ally of the Lower Classes

In South Korea, in contrast with the Chilean case, the middle classes demonstrated consistent support for the social improvement of the lower classes and were never tempted to ally with the propertied classes against lower class interests, even as the former grew more powerful. The history of the Korean middle classes began later and was much more compressed. Only a very small Korean middle class, composed of professionals, salary earners, and small business people, existed prior to 1960. After that date, employment in industry and services, as shown in Fig. 4, expanded rapidly. In only two decades of rapid economic growth, the economically active population engaged in industry and services nearly doubled. Rapid urbanization accompanied industrialization. At only 28 % of the population in 1960, the urban population hit 57 % by 1980 (UN Common Database). This rapid process of modernization coincided with a brisk rise in the country's middle class (Fig. 2). In 20 years, the salaried middle

<sup>6</sup> Probably the best known of these institutional constraints was the provision for nine appointed senators that guaranteed right wing control of congress. As a result, proposals for tax reform (to increase social spending) and labor reform (to allow labor greater ability to protect its interests) were either blocked or watered down (Boylan 1996; Haagh 2002). The binomial election system, which required that the two candidates with the most votes be elected to office, was probably more important in maintaining the power of the political right in congress.

class alone increased more than two and one half times (Fig. 3) such that the Korean middle class exceeded the size of the Chilean middle class by 1990 (Fig. 2). Whereas the most important site for middle class expansion for Chile was in the state sector, the most rapid increase in white-collar employees in Korea occurred in the private (industrial) sector while intellectuals and independent professionals also increased significantly (Koo 1991, p. 487). The government's shift to emphasis on heavy and chemical industry in the 1970s was especially important in stimulating the rapid increase in engineers and technicians working in the private sector.

In the late 1940s and 1950s, the Korean middle class was politically quiescent. The country was spared the Chilean experience of agitation on the part of left-wing, middle class dissidents through the combined impact of fierce repression of the political left, and the migration of left leaders to North Korea after the Korean War (Woo 1991, p. 47; Koo 1993, p. 241). However, an important segment of the middle classes had a profound impact on the direction of Korean development through their recruitment into the highly trained state techno-bureaucracy that would become responsible for economic development under President Park Chung-Hee (1961–1979). Given that the influence of parties and politicians, trade unions, and business groups was weak at this time, these state bureaucrats were able to have a determinant impact on the nature and direction of economic development. Probably, the most important agency under their influence and direction was the Economic Planning Board, where the policies developed were instrumental in poverty reduction and the maintenance of a low level of inequality (Seo 2006, p. 72, Song 2003, p. 167). In the early 1960s, the country's initial industrialization strategy involved the promotion of labor-intensive light consumer goods for the export market. In selecting industries for state support, bureaucrats regarded employment generation as one of the most important criteria in the selection of which industries would be supported (Lee 2006, p. 94). According to one observer, government officials during the period tended to "believe that they assume full responsibility for the well-being of the people" (Song 2003, p. 78).

Another fraction of the middle classes (a private group of doctors, intellectuals, and civil servants), even at this early date, was advocating for the expansion of social welfare protection. Their group gained official status in 1962 when it was constituted as the Committee for Social Security (CSS). The CSS was advisor to the Minister of Health and Social Affairs until 1972 when the Korean Development Institute (KDI) took over this responsibility (Kwon 1999, p. 31). Throughout its existence, it lobbied the president and other policymakers for the expansion of social welfare programs in an effort to counter the then prevalent viewpoint that doing so would hamper economic development, even advocating for a universal compulsory health care program arguing that this would provide the greatest benefit to the lowest income groups (Ibid, pp. 80, 41, 53).<sup>7</sup>

Although, as in Chile, the Korean middle classes were becoming increasingly differentiated economically from the lower classes,<sup>8</sup> most members retained important social ties, particularly kinship ones, to poorer family members. According to one study, over three quarters of the middle class people surveyed had fathers who were not

<sup>7</sup> Social spending in South Korea was considerably below that of Chile, which was skewed heavily to favor the middle classes.

<sup>8</sup> Middle class earnings were approximately four times that of production workers between 1972 and 1980 (Yang 2012, p. 9).

middle class, with a high percentage of fathers of the middle class coming from the small farming agricultural class—48.6 % for the salaried middle class and 62.1 % of the professional middle class (Arita 2003, p. 207). An important way in which Korea's middle class contributed to low inequality from the early 1960s was through the transfer of income from urban middle-class earners to poorer rural family members. While there is some disagreement as to how much family income transfers contributed to the mitigation of inequality, there is a consensus in the literature that even during the 1980s and 1990s, private transfers between upwardly mobile members of the middle class and poorer kin were even more effective than state social programs in achieving low inequality (Kim 2002; Kim and Son 1995; Son 1999).

The new economic strategy embarked upon by the regime by the early 1970s, which involved an emphasis on heavy and chemical industries (the HCI strategy), combined with the authoritarian nature of the 1972 Yushin Constitution, generated growing opposition, including from sectors of the middle classes.<sup>9</sup> Koo (1991, p. 486) identifies intellectuals as a special, yet very important, category within the middle classes whose activities had a profound impact on working class formation from the late 1970s. Intellectuals led the *minjung* movement, an undertaking described as an alliance between intellectuals and labor, which demanded democracy and social justice for the urban working poor (Lee 2007, p. 213). Intellectuals and university students strove to raise worker political consciousness through joining the staff of various dissident church organizations, which afforded them a modicum of protection from state persecution. There, they organized group discussions and taught night courses to workers (Ibid, pp. 227–229).

Middle class protest, in alliance with labor, was instrumental in the Korean transition to democracy but the mobilizational pressures for democratization, which mounted during the 1980s, also involved demands for improvement in income and wealth distribution (Kim and Mo 1999, p. 76; Kim 2000, p. 83). Through the 1980s, mounting political activism on the part of white-collar employees, factory managers, and independent business people produced the emergence of oppositional civil society organizations (Oh 1999, p. 89). Three surveys conducted in the mid-1980s showed the middle classes to be very dissatisfied with the authoritarian regime and with the unequal way that the benefits of economic growth had been distributed (Koo 1991, p. 490). Middle-class respondents to these surveys expressed strong sympathy for poor farmers, factory workers, and slum dwellers (Ibid, p. 490). Indeed, white-collar unions, which had emerged in the 1980s, had social democratic charters calling for workplace democracy, improved social welfare, and equality of opportunity (Koo 1991, p. 496; Kim 2007, p. 57; Jee 1997, p. 139). These unions, along with other members of the middle class such as small shopkeepers, participated in the massive worker uprising of 1987 (Koo 1991, p. 595).

This pressure from below, combined with the narrowness of General Roh Tae Woo's presidential victory in 1988, ensured that the regime pursued policies conducive to employment expansion, higher wages, and improved social welfare. Despite fierce repression of worker strikes and protests, real wages increased steadily after 1981 (Kim 1994, p. 199), while expenditures on social services as a share of central government expenditures increased from 12.5 % in 1986 to 20.0 % by 1991 (Kim and Mo 1999, p. 77). Immediately following the transition to electoral democracy in 1987, health insurance was expanded to cover the entire population, pensions for all wage earners

<sup>9</sup> Among other things, the new constitution gave the president the right to dissolve the National Assembly.

were introduced, and the government instituted a tax reform that lowered the tax rate for wage and salary owners and increased taxation on high-income groups by strengthening the capital gains tax and implementing a new tax on excess land profits (Kwon 1999, pp. 86, 94, 86; Kim and Mo 1999, p. 81). Hence, although inequality crept up during the 1970s with the Gini coefficient reaching 0.39 in 1975–1980, it declined thereafter, including during the debt crisis (Fig. 1). Government policies, propelled by the middle class' attitudes and activism, combined with middle-class monetary transfer to poor rural family members, were instrumental in this outcome.

### Chilean and South Korean Middle Classes in the Era of Globalization

Even in the face of the growing political turmoil of the late 1980s, most among the Korean middle classes appear to have maintained their commitment to social justice for the less well off. A survey carried out in 1991 revealed continued general middle-class sympathy for the lower classes, while indicating differences in the degree of such sentiments, with professionals being the most sympathetic (Jee 1997, p. 148). Like Chile, economic crisis (in this case, the 1997 financial crisis) catapulted neoliberal technocrats into positions of power (Kong 2000, p. 244–245). However, in the face of stiff resistance from various sectors of the middle classes, post-1997 crisis regimes were forced to pay attention to the social consequences of economic restructuring.

When, under pressure from the country's big conglomerates, the Korean government proposed legislation for labor flexibility, including the right to lay off workers and employ casual labor, lawyers and university professors waged sit-ins and street demonstrations in protest (Kim 2007, p. 61). Through the 1990s and into the 2000s, Korean middle-class civil society organizations, in alliance with the Korean Confederation of Trade Unions (KCTU),<sup>10</sup> continued to play a central role in pressuring for, and achieving, improved social welfare programs.<sup>11</sup> The most important of the civil society organizations concerned with social issues was the People's Solidarity for Participatory Democracy (PSPD). Intensely opposed to the country's big conglomerates, the PSPD was established in 1994 by some 200 lawyers, doctors, academics, and former student activists. Among its 9700 largely middle-class membership (by 2007) were many human rights lawyers (Hong 2011, pp. 99, 101, 109; Park 2010, p. 1146). The PSPD was a key lobbyist for the National Pension Act, passed in 1998, which had a unified redistributive structure. The program was expanded to include the self-employed and the unemployed (Gray 2008, p. 135). The PSPD was also a strong advocate of the financial unification of the health care system, which was finally achieved in 2000, signifying the establishment of a system that involved redistribution among income groups, particularly from the middle and upper income government employees to lower income earners—an achievement that has thus far eluded Chile. Finally, the PSPD helped to develop the National Basic Living Standards Act and lobbied Congress for its passage (Park 2002, pp. 280, 286; Hong 2011, p. 109). The Act provides a stipend for

<sup>10</sup> Based in small and medium industry, the KCTU arose in opposition to the pro government Federation of Korean Trade Unions (FKTU).

<sup>11</sup> For a full discussion of the expansion of health and pension coverage and unemployment insurance coverage, see Woo 2004, pp. 78–129 and Gray 2008, pp. 134–153.

households below a minimum income level along with other benefits such as housing, medical care, and education. In 2007, labor and civil society organizations succeeded in securing legislation requiring employers to offer irregular workers regular employment after 2 years. However, the new law ran headlong into the 2008 economic crisis, which precipitated large-scale layoffs of irregular workers (The Korean Times 2009).

Between 1990 and 2009, most of Chile's middle classes along with the working class supported the center-left Concertación alliance (Elacqua and Aninat 2013, p. 4), which formed four governments between 1990 and 2009. Despite the Concertación's popular base of support, high levels of inequality continued, only declining recently (Fig. 1). Notwithstanding a stated commitment to "growth with equity," governments did not take aggressive action to reduce inequality. Concerned about maintaining business confidence, the Concertación ensured continued poverty reduction largely by increasing the minimum wage and through the support of employment-generating export activities in non-traditional agricultural (Pérez-Alemán 2000, p. 42).<sup>12</sup> While social expenditure did rise between 1991 and 2000, none of the regimes were able to make any headway in reducing the severe inequality in health and education. Both systems, arising with the privatization of services that occurred under military rule, have been key ingredients in sustaining inequality.

An attempt by President Lagos (2000–2006) to unify the public and private health care systems through the establishment of a solidarity fund, which would have brought an important redistributive component to the health care system (along the lines achieved by Korea), failed in the face of strong opposition from the business community, the College of Physicians, and the political right (Borzutsky 2006, p. 157). Similarly, the government was unable to rectify the inequality in the educational system, which was responsible for the exclusion of the lower classes from a quality secondary education and hence, from a university education and upward social mobility. While poorer children attend public schools, which are of lesser quality, the children of the middle and upper class attend publically supported private schools and private schools, which are of higher quality (Taylor 2003, p. 36). Increased spending by the Concertación governments had done little to reduce this duality. Nor was much accomplished in revising the military-designed labor law that stymied labor's ability to protect its interests; only a timid labor reform was carried out in 1991 (Haagh 2002, p. 90). Subsequent attempts at labor reform in 1995 and 1999 failed in the face of stiff opposition from business and the political right. There have been no middle-class civil society organizations supporting the labor movement in its struggles (unlike Korea). Indeed, in general, Chilean civil society did not play an activist role in the 15 years following military rule (Taylor 1998, pp. 91, 105–116; Rindelfjäll 2005, p. 205), particularly, in comparison with post-transition Korea. By 2010 and 2011, middle-class mobilization was on the rise in Chile with protests against the high cost of education waged by the country's middle class students.<sup>13</sup> However, these protests did not address the issue of access to quality education for the lower classes.

<sup>12</sup> Between 1990 and 2009, poverty as a proportion of households declined from 33 % to 11 % (CEPAL 2010).

<sup>13</sup> OECD (2011, p. 4) data supports the claim that education in Chile is a heavy financial burden to families: among OECD countries, Chile has the heaviest reliance on private funding for tertiary education, with most of it coming from household sources.



## Conclusions

While universalistic and redistributive principles have governed social policy in Korea, there does remain a considerable gap between the universal aspirations of most programs and actual coverage.<sup>14</sup> Nonetheless, Korea has a historical record of maintaining a considerably lower level of inequality than Chile. This article has argued that the middle classes played important and distinct roles in shaping distributional outcomes in South Korea and Chile. I have also argued that the politics of the middle classes is structured by history and context. The timing and thoroughness of land redistribution, and the pace of industrialization and its ability to facilitate upward mobility, are key ingredients in mitigating or exacerbating social tensions, producing either a secure and empathetic middle class, or a fearful and hostile/indifferent one.

In its early history, the Chilean middle classes demonstrated some concern for the welfare of the lower classes, although the focus was almost entirely on the expansion of education and on improved social security for the upper echelons of the organized working class. High levels of lower class mobilization and increasingly militant demands, combined with economic insecurity, became sources of growing anxiety for the middle classes. The presence of social compartmentalization, involving insulation from lower class experience, deepened the middle class' distrust and contributed to the level of fear. The presence of a powerful propertied class, seeking allies in its struggle against the political left, set the stage for middle-class support or acquiescence in the military coup and for the regressive distributive consequences that followed. The continued presence of unsympathetic attitudes toward the lower classes suggests the powerful path-dependent consequences of social compartmentalization, where shared perceptions are shaped by past group experiences and fears. Organizations led by the Chilean middle classes did not become strong and effective advocates for redistributive measures following the transition to democratic rule. Indeed, according to a recent survey, one sector of the Chilean middle classes, the lower middle class, continues to harbor considerable hostility toward the poor (Stillerman 2010, p. 230).

In Korea, the middle classes contributed to the maintenance of a low level of inequality through participation in the state bureaucracy; in civil society organizations, which lobbied for the expansion of social programs; and through private monetary transfers to poor relatives. Expanding rapidly during a fast-paced industrialization following the destruction of the landlord class and land redistribution, the Korean middle classes did not have to face increasingly militant demands from workers and peasants. Nor was there a powerful propertied class vying for their support. The compressed nature of Korean industrialization helped to ensure the avoidance of the sharp social compartmentalization and the lack of empathy that appears to have characterized the Chilean situation. Secure and sympathetic to lower class aspirations, the Korean middle classes became supporters of measures to enhance social justice.

The two cases suggest that whether electoral democracy contributes to low inequality is a consequence of deeper underlying power realities and the political coalitions that emerge from them. Electoral democracy does not provide equitable outcomes if it exists in a

<sup>14</sup> The proliferation of irregular employment (workers employed on a daily basis or on short-term or temporary irregular contracts) has made it difficult to extend universal social protection (Kim and Park 2006, pp. 443–444).

context of sharp social compartmentalization and political polarization, especially if there are threats to private property. As the Chilean case demonstrates, such a context encouraged its middle classes to abandon democracy and to support, or acquiesce in, a regime that implemented policies that produced an increase in inequality. The findings of this comparative case study suggest that democracy will have a greater likelihood of producing positive redistributive outcomes if the middle class feels secure (and has historically felt so), and is connected in some way to lower class experience.

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