Financial Crises, the Great Recession and the Middle Class in the Americas, an Empirical Analysis

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Paper Abstract: We analyse the evolution of the middle classes in five Latin American countries before and after the world financial crisis of 2008, using both traditional income-based middle-class measures, relative bipolarisation indices, and relative bipolarisation Lorenz curves. Despite the relevance of the middle class in modern societies, there is no consensus on its definition, generating a deep discussion among different approaches. The financial crisis of 2008 was one of the most catastrophic events in the modern economic history, leading to a global recession with delayed negative effects on the Latin American region. Our findings show differentiated dynamics on bipolarization among countries after the financial crisis, but also a generalized reduction, suggesting an increase of the middle class in terms of total per capita household incomes. Countries like Brazil and Peru experienced changes in bipolarization a few years after the onset of the financial crisis, while Uruguay follows a particular trend of decreasing bipolarization independent of the 2008 financial crisis.