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The decommissioning of the Middle Class

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Abstract. The euro crisis has threatened the balance of social structures, through the impoverishment of the middle class, in almost all countries of the Old Continent. This trend has not only posed a threat to social cohesion, but it also threats the very nature of the so-called Western-style Democracy. The reason for this is that there is a class that has always been a "cushion" that absorbs both the vibrations of competition and the confrontation of the social elite with the socially weak, offering the latter the ability to overcome their misery. In most capitalist economies, the middle class label is based on an economic definition that is largely based on a lifestyle that is based on a certain economic robustness and endurance. With the deepening of the crisis, however, the diversity of the middle class not only has it been jeopardized, but rather, it has gradually been replaced by a new demographic category called the prekariat. This new category consists of a group of people once in the middle class and currently marginalized. All of this leads to generalized uncertainty and totally unstable political attitudes, with intense mobility at the extremes. The rapid rise of right and left-wing populism is an aspect of the threatened subjugation of the middle class strata. The consequences for societies when their layered center is lost are obvious and significant.
Keywords. Middle class, Prekariat, Decommissioning of middle class, Elevator effect.
JEL. D60, H53, H75.

1. Introduction

The international economic crisis of 2007 markedly disturbed the established situation in Europe and, above all, the balance of social structures. While in fact the economic crisis has emphatically highlighted the need to take initiatives across Europe to stimulate purchasing power, through redistribution measures and isometric and proportional tax measures, the policy makers and the financial centers have indeed imposed the opposite policies (Lühman, 2011).

Clearly, the neo-liberal crisis managers have tried to eliminate the issues of poverty, income inequality, social exclusion and unemployment from the top of the decision-making agenda and replace them with panic over the deficit and the one-dimensional fiscal discipline. However, these social issues have become even more acute in the midst of the rapid rise of far-right populism (Kowall & Lindner, 2017). Ultimately, the emergence of populism is a clear indication that important splits in neoliberal sovereignty are emerging.

As Francis Fukuyama (2017) notes, today, mankind is going through a very rough time in world history because not everyone has benefited from the simultaneous growth of the world economy and the expansion of democracy in the last decade, but rather, many people have been left behind and they have not got

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richer but they probably lost money. This very fact, according to Fukuyama (2017), is now fueling populism and nationalism. What happens according to Fukuyama (2017) is that the democratic part of liberal democracy is directed against its liberal limb and is trying to erode the rules of open society and tolerance that we have taken for granted. This is the risk at the moment.

In the present paper, it is asserted that the economic crisis has contributed significantly to the social decline of the middle class, especially in Europe, and that it threats the established bourgeois democracy, something that is confirmed by the rise of populist perceptions and parties. In order to confirm this position, chapter 2 deals with a brief theoretical foundation of the importance of the middle class and the empirical emergence of the descending course that it takes, especially during the crisis. Particular emphasis is given in the countries of southern Europe and more specifically in Greece, which, by common accord, have been particularly exposed to the effects of the economic crisis. Chapter 3 emphasizes the process of class differentiation, triggered in the midst of globalization and intensified amidst an international economic crisis, rendering the so-called elevator effect in the sense of a social descent fear for the middle classes, unavoidable. The fear of social descent is seemingly confirmed by the emergence of new social stratifications such as the prekariat, which seems to occupy an increasing space in western societies (chapter 4) as well as the phenomenon of intensification of social inequality (chapter 5) and the cancellation of the elevator effect, ie the expectation of social ascend (chapter 6). All these, lead the middle class to inert and withdraw its confidence towards the socio-economic system. Against these phenomena, there is no institutional or social rehabilitation but, on the contrary, the states' failure to react further exacerbates due to the rivalry of the North and South of Europe (Chapter 7). Thus, the tendencies of populism are strengthened (chapter 8), as social discontent and impoverishment are intensified, creating an explosive situation with societies divided in two. In the conclusion (chapter 9), it is pointed out that the crisis of democracy, which is the outcome of the decline of the middle class, demands that the primary task of politics be restored, that is the neutralization of existential fear.

2. The fall of the middle class and the peril for democracy

The historical rise of the middle class was beneficial for democracy in the sense that it concerned a social stratum that sought more involvement and an open society. With the fall of middle classes in many developed countries, including the United Kingdom and the United States, the disastrous aspect and the political toxicity associated with the loss of social status, were precisely expressed. This loss drove middle-class to anger and mobilization and, ultimately, to the vote for Brexit and Donald Trump and policies of this kind (Fukuyama, 2017).

Thus, through the shrinkage of the middle class, overall social cohesion is weakened, creating a significant potential for jeopardy for the very essence of the Western-style bourgeois democracy. The reason is that there is a class that has always been a "cushion" that absorbs the vibrations of competition and the confrontation of the social elite with the socially weak, offering the latter the ability to overcome their misery. In most capitalist economies, the middle-class label rests on an economic definition that is based largely on the lifestyle that one can afford. A beautiful home in a safe and well-known neighborhood, two cars, good schools for children and a few weeks of vacation somewhere far and sunny, are the traditional pleasures when someone meets the criteria of middle class status. In the "nouveau riche" era it was even better to have a cottage with a swimming pool and a boat to look at the endless horizon of the sea. Particularly in southern Europe, middle-class fauna once possessed a rich biodiversity, including the most speculative species, from the neighborhood merchant and the high-ranking private employee, the craftsman and small business owner and the professor of middle and higher education, to the successful entrepreneur, the civil servant and in general, the majority of the population of a middleware society (Theodoropulos, 2013).

In a sense, the middle class was a social category that represented the social environment of uniformity and proportionality of the economic surface of one with that of the nearby fellow humans, while at the same time, diffusing a sense of security and optimism (Smith, 2015). However, this image that prevailed in the 1960s and 70s when most people had similar living standards and similar economic prospects began to change from the 80s when a combination of globalization and competition, neoliberal politics and technological progress began to displace the old - and more stable - hierarchy in the business world (Smith, 2015).

Even more intensely with the deepening of the 2007 crisis, the diversity of the middle class not has only been jeopardized, but it is slowly evolving into a new demographic category of people, once in the middle class and now marginalized. In particular, they are "nouveau riche" who climbed to the middle class at the time of the fat cows, but then they were again financially slaughtered. For this new class, the gap between pre and post-crisis living standards will be enormous and disappointing (Searcey & Gebeloff, 2015).

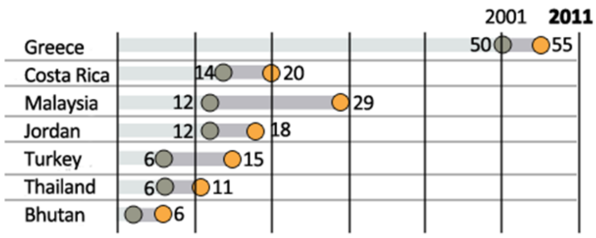
Various empirical studies have also shown that during the crisis, not only the size of the middle class in southern Europe was reduced, but also the income that was a determinant element of classification was reduced as well (Vaughan-Whitehead, 2016). As a result, Spain's middle class is slipping into poverty - a phenomenon involving 1, 7 million employees, or 10% more than in 2012 (Vaughan-Whitehead *et al.,* 2016).

There is a similar trend in Italy where the middle class was greatly impoverished during the crisis as a result of major cuts in social investment and welfare spending, privatizations, increased financial contributions to social services and significant tax increases (Vaughan-Whitehead *et al.,* 2016).

In Portugal, there is a significant reduction in social mobility from lower to middle and middle to upper levels, while social mobility was very high between 2008-2011 (Vaughan-Whitehead *et al.,* 2016).

Regarding the special case of Greece, which was in a sense a negative pattern of exposure in the storm of the economic crisis, it is noteworthy that the country was a positive model of social mobility and advancement. As evidenced by a survey by the PEW Research Center (Kochhar, 2015) on the middle strata, Greece was the only country in the western world for the decade 2001-2011, which raised the upper-middle economy income from 49.8% of the population to 54.9% (Table 1). It is a fact that the middle income has declined - but not towards the lower strata but towards the highest, to the upper class. The highest income has more than doubled from 10.8% of the population to 23.2% in 2011. But rising mobility was not limited to middle-income, but rather, low income moved towards middle income, halving low incomes from 9.4% in 2001 to 4.0% in 2011.

Table 1. *% of a country's population that is upper – middle income*



Source: (Kochhar, 2015, p.41).

At the same time, both European and Balkan states have seen a terrible rise in the upper economic stratum, but not in their middle class. The lower economic strata did not shift to middle income, but remained stagnant, thus increasing economic inequality. That is, there was a decrease in the middle class with both the upper and the lower ones increasing dramatically. A world of extremes began to appear. On the other hand, comparative figures highlight the distance Greece has from countries such as the Scandinavian ones for instance, where more than 70% of the population belongs in the upper class. However, with the economic crisis, this explosive rise in living standards was drastically interrupted. Household real spending fell by 4.4% in an annual basis, during the period 2007 - 2013.

Table 2. *Reduction of households with middle income*

Annual declared income (From... ...to)	Net monthly income (From... ...to)	2016	2011	Changes (2016-2011)
20.001 – 22.000	1.447 – 1.557	172.000	199.101	-27.101
22.001 – 24.000	1.557 – 1.666	132.000	169.470	-37.470
24.001 – 26.000	1.666 – 1.775	106.000	146.301	-40.301
26.001 – 28.000	1.775 – 1.884	88.000	127.973	-39.973
28.001 – 30.000	1.884 – 1.993	77.000	109.241	-32.241
30.001 – 50.000	1.993 – 2.854	380.000	604.731	-224.731

Source: Tsiros (2017).

As shown in Table 2, in Greece, in a total of 6.2 million households, currently only 955,000 have a family taxable income from 20,000 to 50,000 euros per year, when in 2011 there were about 400,000 more households. In Greece, today, only 955,000 households are left with net wages that may vary - depending on the distribution of income between family members and their origin - from 1,450 to 2,850 euros per month, when in 2011 the corresponding figure reached 1,356,817 households (Tsiros, 2017). From the rapid shrinkage of the middle class, a revenue of around 13 billion euros was lost. Households with an annual taxable income of between € 20,000 and € 50,000 now share about € 28.2bn, when income in 2010 was € 41.4bn, which means that the losses - at least on paper - have already exceeded 31%.

More specifically, a survey on the case of Greece (Nelis, 2017) shows that almost 700,000 people, who before the crisis were in the middle class, are now facing poverty as a result of income inequality. As shown in the diagram below, the percentage of people at risk of poverty or social exclusion during the period 2007-2016 increased by 8%, which in practice means an increased risk of poverty or the exclusion of a very significant population (about 700,000 people) that during the crisis was considered as middle class. Indeed, as shown in the same diagram, this increase is equal for men and women.

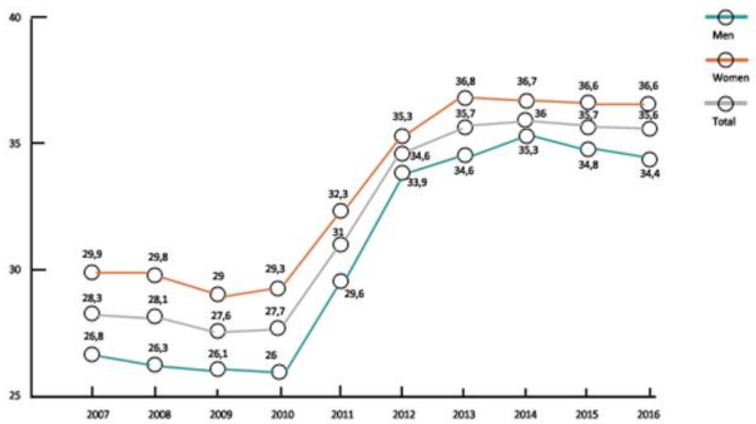


Diagram 1. *At risk of poverty and social exclusion: green: men orange: women grey: Total*
Source: Ntelis (2017).

Looking at the percentage of people at risk of poverty and social exclusion by age group, it seems that the only age group that is not experiencing an increase in risk is the group of people that are 55 years old or older, mainly retired. On the contrary, both the risk of child poverty and social exclusion and the corresponding risk for productive ages are increasing. In addition, the increase in risk for young people aged 16-24 years old, is huge.

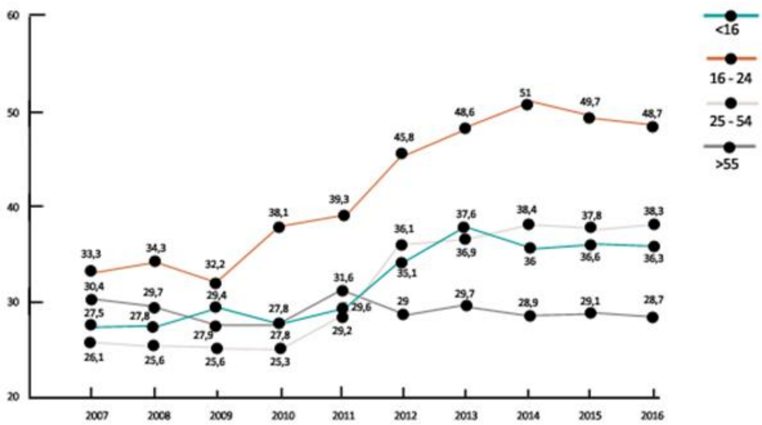


Diagram 2. *At risk of poverty and social exclusion according to age groups*
Source: Ntelis (2017).

The impact of the crisis on social structures can be alternatively assessed by separating the different categories that are defined by their income levels: the lowest, middle and upper income categories. This allows one to assess the impact of the crisis on the size of the middle class. The following figure (3) shows how the crisis overturned trends in the middle class as a whole across Europe. Prior to the crisis, the middle class expanded to around two-thirds of the Member States, especially in the European region (although it declined significantly in Austria, Germany, Sweden, Luxembourg and Latvia). However, the prolonged recession shrank the middle class in most EU Member States (all but Latvia, Luxembourg, Poland and Lithuania). This shrinkage is particularly strong in the countries that were most affected by the crisis in the European region (Mediterranean countries such as Cyprus, Greece and Spain and eastern countries such as Estonia, Hungary and Slovenia), but it is also particularly important in Scandinavian countries as well as in Germany, where average incomes have shrunk throughout the period (as in Sweden). This cut from the European middle class generally resulted in an expansion of the lower income rather than the higher income class, although the latter also significantly expanded in some countries (especially in Ireland and the Czech Republic). These trends turn out to be a clear source of concern and can have significant repercussions. The middle class is indispensable for the stability of European democracies and social welfare systems, and its erosion can cause growing political and social upheaval.

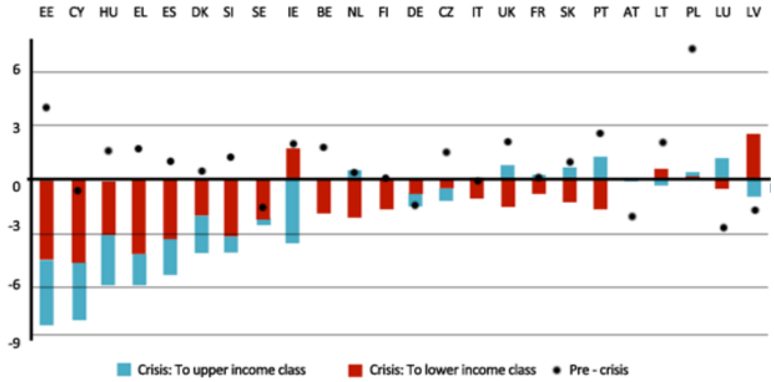


Diagram 3. *Change in size of middle-income class before (2004-2008) and after (2008-2013) the crisis and decomposition of change by income class of destination after the crisis, in percentage points*

Source: EU-SILC. Note: Countries are ranked according to the absolute size (in percentage points) of the decline in the size of the middle class from 2008 to 2013. We define the middle class as including those with disposable household income ranging between 75 and 200% of income revenue in each country (Vacas-Soriano & Fernandez-Macias, 2017).

Overall, the recession has halted the process of convergence of incomes among European countries that was observed before the crisis. People whose incomes were at the lowest 20% of the scale were more affected than those with higher incomes. Income inequalities in many European countries have widened as the middle class shrinks instead of widening, as it used to do over the years (Vacas-Soriano & Fernandez-Macias 2017).

3. The new field of class liquidation

It is obvious that the process of globalization has triggered a process of professional and cognitive mobility that was linked to the abolition of the state social security monopoly and its replacement by a combination of public and private services of social care (Metz, 2008). This process has gradually shaped a class liquidation field which has been further widened in the aftermath of the international economic crisis and has completely undermined the traditional model of class differentiation.

At this point, it is worth noting that some empirical research (Savage *et al.,* 2013) goes beyond the typical class categorization into three ranks, ie working class, middle class and upper class. More specifically, Savag *et al.,* (2013) distinguish seven classes based on the income and wealth gap. In the lower part of the social pyramid ranks the so-called "prekariat", and in the upper a super-rich elite. Based on this new approach, the class rating is not only determined by the type of work, wealth and education but as Pierre Bourdieu would put it, by the economic, cultural, and social conditions as well as the capitals (Savage *et al.,* 2013).

The size of household income, the value of available real estate, available savings and so on, constitute the economic capital, the political views and the type of available acquaintances and relationships with other people constitute the social capital and cultural interests, recreational leisure preferences and food preferences constitute the cultural capital.

According to these new criteria, Savage *et al.,* (2013) only classify 39% of UK workers in traditional labor and middle class categories, and the traditional working class shrinks to 14%, while historically it is the oldest one with 66 years of life. According to the authors, as far as the capital of the United Kingdom is concerned, there are seven social classes that relate to economic, social and cultural capital. Most important here, is the fact that between the prekariat or the proletariat and the middle class there are extra layers that do not fit neither in the prekariat nor in the middle class, but are exposed to a continuous elevator effect, ie social ascend-descent.

There follow the seven social categories or classes as they are defined by scientists (Savage *et al.,* 2013, p.230, and p.233-243):

Elite (6%): higher wealth (89,000 pounds household income, 142,000 pounds savings, 325,000 pounds worth of property), high social capital, very high cultural capital (high culture).

Established middle class (25%): the largest social class, second in wealth (47,000 pounds income, savings of 26,000 pounds, property value 176,000 pounds) and high social and cultural capital.

Technical middle class (6%): a new rich layer (37,000 income, savings of 65,000, property value of 163,000 pounds), low social capital (limited relations and contacts but relatively good status) and low cultural capital.

New affluent workers (15%): composed of young people with average economic capital (income 29,000, savings of 5,000, property value of 128,000 pounds), socially and culturally active. They do not have many relations of high social importance and they are more oriented towards the new computer culture, Hip Hop, etc.

Traditional working class (14%): low economic capital (13,000 income, 9,500 savings, property value of 127,000 pounds), low income but relatively high property value, few social contacts, low cultural capital.

Emergent service workers (19%): a young, urban and relatively young social mattress with low economic capital (21,000 income, 1,000 savings, property value of 18,000 pounds), medium social capital and high cultural capital, highly centered on new culture.

prekariat (19%): the poorest social class with low economic capital (income 8000, savings of 800, property value of 18,000), low social and cultural capital. The emergent service workers as well as the new affluent workers derive from the de-industrialization of the former large working class.

The diversified depiction of these classes attributes to some extent the "complex and multidimensional nature of the inequality of social classes in Britain" with seven social strata. The "elite" constitutes the more isolated but also compact class of the economically, socially and culturally privileged (Savage *et al.,* 2013, p. 245).

The existence of intermediate socio-economic strata between the middle class and the prekariat indicates that the boundaries between the working class and the middle class are fluid and that the professional activities themselves are no longer the main characteristics of the social classes. Despite the fact that the middle strata are the largest and most stable social classes, the prekariat is emerging, a bottom socioeconomic layer that includes well trained and culturally elevated people who do not manage to ascend to the middle class or to the technical middle class.

4. The prekariat as a lost class

The fall of the middle strata, which is represented graphically in the above diagrams, feeds the emergence of a new class. This class has been named "the prekariat" by the sociologist Guy Standing (2013). The prekariat are those people who live and work in precarious conditions, often in successive short-term jobs without forming a stable professional identity and conscience, without any social security and protection. In essence, the work of the prekariat

> “is insecure and unstable, so that it is associated with casualization, informalisation, agency labour, part-time labour, phoney self-employment and the new mass phenomenon of crowd-labour discussed elsewhere …All of these forms of ‘flexible’ labour are growing around the world. Less noticed is that, in the process, the prekariat must perform a growing and high ratio of work-for-labour to labour itself. It is exploited as much off the workplace and outside remunerated hours of labour as in it. That is one factor that distinguishes it from the old proletariat. Global capital and the state serving

> its interests want a large prekariat, which is why it is a class-in-the-making, not an underclass. Whereas national industrial capital in the Great Transformation wanted to habituate the core part of the proletariat to stable labour and stable living, today's global capital wishes to habituate the prekariat to unstable labour and unstable living. This fundamental difference is one reason for believing that to put the proletariat and prekariat together as one category would put a block on analytical reasoning and political imagination" (Standing 2015, p.6).

Standing, among others, argues that these social strata have a destabilizing influence in society. The people who experienced the rapid social descent during the economic crisis, are logically the most disappointed and therefore very vulnerable to the call of the sirens of the extreme political parties. Amidst the aversion of public policies from crucial areas of social policy and the welfare state that is taking place in the neo-liberal turn of the 1980s, in the name of efficiency, austerity, privatization, deregulation, private-public partnership sector, states have lost much of their control over the quality, price and distribution of public services (Offe, 2014).

As a result, more and more groups of citizens (especially those dependent on social spending and public services) feel that participation in democratic politics is largely an unnecessary activity.

> "As the arenas in which policies are actually made move ever further away from citizens, the latter respond to both the form and substantive content of policies made "elsewhere" by moving away, on their part, from the official yet evidently blocked channels of political communication and influence. If "there is no alternative" anyway, why should citizens bother to find out and decide which alternative to opt for? The obvious question that worries political elites as well as social scientists today is this: What are citizens likely to do instead? Obviously, it would be risky to expect that citizens' retreat from politics into a mental state of alienated silence could be a steady state, although the media market does its utmost to make it one" (Offe, 2014, p.25).

The blow to social structures and to the overall political and economic grid is drastic as more and more Europeans are in a state of social descent after years of excessive consumption. Modern sociology refers to this evolution, among other things, with the term "missing class" (Newman & Tan-Chen, 2007). This class counts tens of millions of people in the US and Europe.

Years ago, these people had the potential for social ascend. But the ground on which they were moving was nevertheless unstable: a dismissal, a sickness, a divorce was enough to get them under the poverty line. The above developments reasonably produced a great deal of uncertainty, as the clear trend of shrinkage of the middle class started to be visible though numbers as well.

In Germany, for instance, the strongest economy in Europe, at the end of the 90s, 64% of the population ranked in the middle class (Binder, 2018). This percentage is usually set according to the number of people earning between 70% and 150% of the average income of a country. Meanwhile, the German middle class has shrunk by 4.5 million people and includes only 56% of the population (Binder, 2018).

The majority of the small and middle class population has suffered a major decline in its income and only a tiny fraction has gained income. Similar is the trend in most OECD countries (OECD, 2017).

There is a fall of the middle class by a few percentage points. This, at first sight may not cause a sense of drama. The problem, however, is that the development of labor flexibility and flexible labor markets is intensifying, while the welfare state is being dismantled and refugee, security and terrorism issues take up much of the public agenda.

All of these together, create a fertile ground for the expansion of the populist wave that is already sweeping Europe. At the same time, it seems that the importance of the classes as central actors of the political process makes a comeback. It is noteworthy that for many decades the working class had been marginalized and most people in the Western world had ranked in the middle strata, which in itself reflected the spirit of social ascend at the core of Western society. The institution of classes was therefore in a process of retreat in the face of the emergence of a new set of identities and new issues from gender and race to sexual orientation and the environment.

> "The return of class, because of its sheer reach, has the potential, like no other issue, to redefine the political landscape. The re-emergence of class should not be confused with the labour movement….The re-emergence of the working class as a political voice …. can best be described as an inchoate expression of resentment and protest, with only a very weak sense of belonging to the labour movement. In other words, the neoliberal era has delivered the west back into the kind of crisis-ridden world that we last experienced in the 1930s. With this background, it is hardly surprising that a majority in the west now believe their children will be worse off than they were. Second, those who have lost out in the neoliberal era are no longer prepared to acquiesce in their fate – they are increasingly in open revolt. We are witnessing the end of the neoliberal era. It is not dead, but it is in its early death throes, just as the social-democratic era was during the 1970s" (Jacques 2016).

5. Income inequality

The return of the importance of classes has to do with the increase in income inequality, which is expected to continue unabated. It is noteworthy, that at the end of the eighties, a top executive of a medium European brokerage agency earned on average 14 times more than the average of the company's employees. Today the ratio is 50: 1. This means that the higher income classes have benefited significantly from the crisis, while the middle classes have been stagnant.

Once, the Nobel award winner economist Simon Kuznets, captured the famous Kuznets curve (1955), which showed that the glaring social inequality in income and wealth decreased significantly during the first decades after the Second World War in the developed west. Simon Kuznets described the relationship between disparity and prosperity as an upside down U. According to Kuznets, inequalities grow at the initial stage of industrialization, during the transportation of human resources from agriculture to factories. When, however, this process is completed, citizens are demanding redistribution of wealth, resulting in inequality being limited.

Based on the promising results of his investigation, Kuznets dared to forecast that the normalization of inequality would continue in the future (Wehler, 2013). The factual data confirmed Kuznets' theory until the early 1990s. Then, the neoliberal policies that President Reagan and Prime Minister Thatcher introduced marked an unprecedented income contraction and the upsurge of wealth inequality within nation states as well as between them. After a smooth start in the 1980s, this immense polarization intensified, culminating in the current economic crisis.

In line with the Kuznets' curve, Milanovic's Elephant Curve (2016) was introduced. Milanovic (2016) interprets thoroughly the process through which the income gap is making circles, influenced by wars, diseases, technological developments, access to education and, of course, by the redistribution of wealth. In the 21st century, middle-class incomes in China, India and other emerging economies are rising, while middle-class incomes in the developed world are stagnant.

The split between them narrows and thus a global middle class is being formed. Although this position is controversial, Milanovic demonstrates that those in the middle of the global income pyramid and those at the highest point of the pyramid have profits in their income while those in the middle (ie poorer than the 15% of the richest people on the planet, but richer than all others) are losing and are thus being the "forgotten" of the West. In fact, he asserts that they are being pushed between the plutocrats of their own countries and the rising middle class of Asia. Those who are at the bottom are also lost. Thus, an elephant-like curve is formed with a raised proboscis. This "elephant" triggers social and political upheavals. Especially rising populism and growing discontent with the system are undoubtedly linked to the growing social inequality, especially as inequalities within countries have widened after the global financial crisis of 2007.

As Piketty notes, this is due to central banks and governments' policies that result in stock market gains growing much faster than gains of real economies and wages. As a result of these policies, more and more wealth is accumulated in the hands of already extremely wealthy households. According to Piketty, with today's overall data, return on capital is greater than growth. Piketty (2014, p.25) claims that the average annual rate of return on capital (r) is in the long run greater than the growth of the economy (g) (ie the annual increase in income and output). However, if the rate of capital return [r] remains significantly above the growth rate [g] over a prolonged period, then the risk of radical deviation in the wealth distribution increases significantly (Piketty, 2014). In addition, Piketty assumes that hereditary wealth grows faster than income if the rate of return on capital remains for a long time longer than growth. Wealth rises faster than production and income.

> "When the rate of return on capital significantly exceeds the growth of the economy (as it did through much of history until the nineteenth century and as is likely to be the case again in the twenty-first century), then it logically follows that inherited wealth grows faster than output and income. People with inherited wealth need save only a portion of their income from capital to see that capital grow more quickly than the economy as a whole" (Piketty 2014, p.26).

So, if annual wealth is rising faster than annual national income, then income inequality is likely to grow.

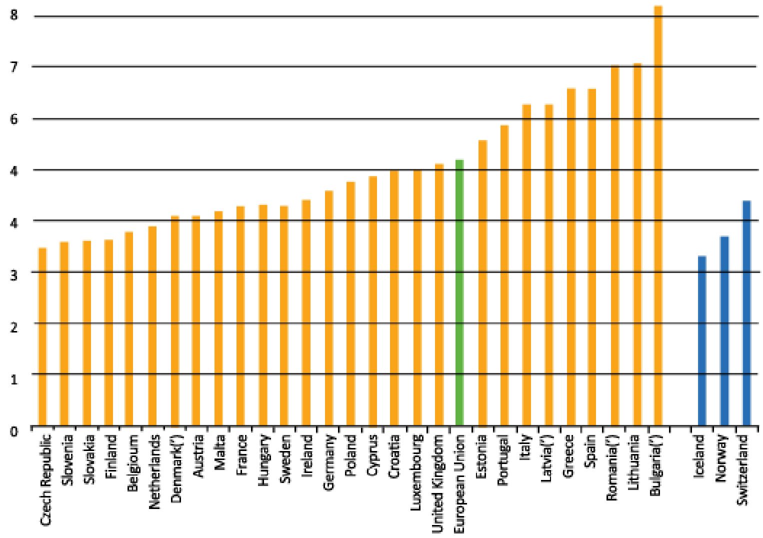
A central contradiction of capitalism is highlighted by Piketty (2014) as follows:

> The inequality r>g implies that wealth accumulated in the past grows more rapidly than output and wages. This inequality expresses a fundamental logical contradiction. The entrepreneur inevitably tends to become a rentier, more and more dominant over those who own nothing but their labor. Once constituted, capital reproduces itself faster than output increases. The past devours the future. (Piketty, 2014, p.571).

The pessimistic conclusion of Piketty is that capitalism acquires an oligarchic structure with a distribution of wealth reminiscent of the aristocracy. Such a division is incompatible with the fundamental values of modern democracy. These trends are undoubtedly confirmed by empirical evidence. As the recent OECD report on inequalities (Keeley, 2015) in the OECD member states concludes, the richest 10% of the population now has an average of 10 times higher income than the poorest 10%. The ratio was 9: 1 in 2000 and just 7: 1 in the 1980s (Keeley 2015, 11). The richest 1% controls 18% of the total wealth of households and the richest 10% the 50%. On the contrary, the poorest 40% has in its hands only 3% of the total wealth (Keeley, 2015, p.32-39).

Apparently, the image in the European Union is not the same, as evidenced by a survey by the Bruegel institute (Darvas, 2018). According to this survey the income gap in the EU of 28 Member States as a whole, is smaller than anywhere else in the world. Indeed, in the period 1994-2008, the Gini index for the EU declined from 36 to 33, as there was a convergence of average incomes, and has since remained stable (Darvas, 2018). Nevertheless, during the same period the index has grown within 15 of the 28 members. The latest available Eurostat data (Table 2) reveal that the richest 20% of the EU population has an income 5.2 times higher than the poorest 20%. The proportion varies considerably from country to country, exceeding 6.6: 1 in Greece and Spain. It is 7: 1 in Romania, 7,1: 1 in Lithuania, 8,2: 1 in Bulgaria, 6,3: 1 in Italy and Latvia, while it is only 3.5: 1 in the Czech Republic and 3.6; 1 in Slovenia, Slovakia and Finland.

Table 3. *Income inequality – quintile share ratio, 2016*



Source: [Retrieved from].

It is also noted that from 2009 to 2017 the number of Europeans at risk of poverty increased approximately from 7.5 million to 123 million, while the continent hosts 342 billionaires. All this leads to a generalized picture of uncertainty and to totally unstable political attitudes, with intense movement at the extremes. The consequences for societies when their layered center is lost are obvious and significant. It is known from comparative political analysis that democracies are always particularly stable when there is a large middle class because it absorbs the shocks created by inequality and the unequal distribution of goods, thus supporting democracy. The existence of a large middle class is also positive for domestic consumption and demand for education and training.

Increasing social inequality, however, may turn into a major economic problem, when a middle-class imitation phenomenon is reproduced to apparently cover the income regression through overconsumption beyond the real potential, resulting in over-indebtedness.

This phenomenon was observed especially in the US in 2008 and caused, among other things, the economic crisis. In addition to the increasing inequality, dynastic structures appear because social permeability and mobility are diminishing. A kind of (neo) feudal society is emerging, in which social positions are inherited.

This means that the motivation of those at the lower levels of the social pyramid disappears because they do not see any possibility of being ascended. So they no longer make any effort. Through this social process of hibernation, society loses many talented, creative, energetic people.

6. The end of the Elevator Effect

In Northern Europe, the impact of the crisis has not yet produced the dramatic social outcomes that are observed in the South and especially in Greece. In northern Europe there has prevailed the long-term fear of loss rather than the direct loss that is observed in Italy, Spain or Greece. If a random middle-class northerner is asked what concerns him the most, it is reasonable to assume that he will answer that he does not care whether he can pay his rent next week, but rather, he will probably say that he cares about what is going to happen to his children and whether he will get an adequate pension to ensure a decent living standard when he gets old. We therefore see that even in Northern Europe the faith in the future has been completely lost. After World War II there emerged the so-called elevator effect.

The distances between the groups remained the same. But they all together ascended several floors. Today, on the other hand, middle-aged children who are growing up cannot be certain that they will be better off than their parents, and hence they have to work very hard to keep a tolerable position. These developments, of course, as well as the toughest social competition, did not fall suddenly from the sky. Large sections of the middle class have in the past backed tax cuts, cuts in social services and benefits, and deregulation across Europe. They did it because they succumbed to the lure of the market. If we go 10 to 15 years back we will remember that the new markets were flourishing.

Suddenly everyone wanted to own stocks. Private insurers were luring up with high retirement returns and many people began to speculate on real estate. In Greece, there was the renowned period of the stock market, which was based on the expectation of the rise of the middle class. Many believed at that time that the state was no longer needed. However, once again the very wealthy benefited. The neo-liberal approach prevailed, according to which the accumulation of wealth for the rich is a prerequisite for spreading a share of prosperity to the lower strata. Therefore, inequality was then accepted with a relative tolerance.

7. The weakness of the state and the North-South contrast

In a sense, the middle class was seduced through its participation in the neo-liberal venture in the context of an ambiguous process. The middle class is dependent on wages, thus, in essence, it needs state protection. However, a portion of the middle class holds significant property, functions as a small investor and has a potential heritage. On the other hand, the state as an active person has less and less room for maneuver, since it has weakened over time. As a result its intervention is currently insufficiently available.

Many European states, due to over-indebtedness, are unable to allocate resources and adopt the necessary arrangements to ensure their middle class in the long term. The result is that serious problems for Democracy arise. In the heavily indebted countries of southern Europe, for example, governments are not governed by the people, but by the Troika, the rating agencies, the ECB, the big investors - imposing on these countries the way that they will restructure the labor market, the limits of the retirement age, the way to assess social support for vulnerable groups, and how health insurance should work. But this means that politics are no longer what should be, that is a process of decision-making within the electorate. The policies in these countries are now imposed only from abroad, mainly from financial imperatives. The paradox here is that decisions are made by the same financial market players who handle middle-class money. This means that the middle class is partially decommissioned on its own because as an investor it has diametrically opposed interests than as a citizen of a state. The reluctance of the Nordic states, and especially Germany, to effectively help the heavily indebted European states is potentially a consequence of the uncertainty and weakening of the middle class. Of course, solidarity is always linked to the situation of the donor countries. When there is confusion and insecurity in the majority of the citizens, tolerance and willingness for solidarity is diminishing. Due to this internal insecurity of the middle-class majority in the countries of the North, there are currently imposed strict and imperative behaviors in countries such as Greece.

However, it is conspicuous that a completely erroneous calculation of the adaptability of societies is taking place. The requirement of total reform towards the countries receiving assistance impinges on the objective assumption that no society can re-discover itself overnight. Indeed, impatience with Greece, especially from Germany, is constantly increasing, irrespective of the fact that the climate between the two countries has been somewhat normalized.

We are clearly in front of a crossroad. The northern Europe with Germany in its leadership wheel has the choice to accept the long-term support of the countries of the South or to accept the division of the United Europe, showing indifference to its problems. As far as the skepticism revolving around the transfer of responsibilities to Europe is concerned, we must oppose the argument that the only alternative is linked to democratically demoralized states under the pressure of financial markets and merciless competition with other parts of the world. It is obvious that the best alternative is a process of Europeanization with greater emphasis on cooperation. In this context, the southern European states cannot regain their room for maneuver, that is to say, the potential of their sovereignty, exclusively through a fiscal consolidation based on cuts in benefits for the unemployed, the sick, the elderly and the households.

In other words, unilateral austerity is a way of debt deleveraging, which of course decommissions the middle class at every level. The intense dissatisfaction towards the policies being exercised has to do with the fact that ordinary citizens are burdened, while the "privileged" ones of the economic crisis have been almost left unscratched. The alternative route is linked to a reorientation on state funding. In particular, high private wealth, great heritage and high incomes could be burdened more by intelligent contribution schemes such as the TOBIN tax, the special high-income solidarity tax, the high-value property tax under the European model, and the scrutiny control of intra-group transactions of multinationals.

In Germany, for example, there is a private property of 8 trillion euros while the country's public debt is 2 trillion. This private wealth is extremely unevenly distributed. The 10% of the rich owns the 60% of total wealth. At the same time, the split will continue to open - mainly due to heritage. Even a small shift of the tax burden can create substantial cure and mitigate the German middle class from the burden it carries. Such an insignificant shift in taxation in Germany at the expense of the rich would in any case widen the tolerance of German society towards the Greek problem.

8. Rise of populism

It is no exaggeration to say that the social dissatisfaction associated with the lack of work and poverty in the periphery of Europe is wider than the statistics show. As a result, the explosive state of dissatisfaction now concerns half the population of Greece, Spain, Italy and Portugal. The gloomy developments predicted in the whole of southern Europe, with "societies divided in two" - if there is no immediate change of policy - will not be simply expressed by the electoral rise of any left party, but rather, they will be expressed in an unknown, uncontrolled manner. There may even be a question of total systemic controversy, with neither required relief valves nor proper smoothing mechanisms since all institutions, parties and unions have been de-institutionalized and are in no way pillars of wider social consensus. In other words, we talk about a total crisis of trust.

First of all, one must consider how deep the current crisis really is. If we are dealing with a crisis of the magnitude of the global economic crisis of 1929, then the real winners will neither be democratic left-wing reformers and regulators, nor the center-right formalizers, but very different and incompatible political forces: Anti-systemic, populist movements left and right of the dominant political spectrum. We have already witnessed the strengthening of the far-right and, more generally the anti-systemic anti-European political space. However, the evidence of the limited capability of defense and action by states towards the consequences of the crisis in the real economy is obvious.

9. Conclusion: The importance of politics and the crisis of Democracy

It is important to understand that "in all societies, elites use their greater access to the political system to protect their interests, in the absence of a dissuasive democratic mobilization that would balance the situation. This mobilization is not going to take place, however, as long as the middle classes in the developed world remain fascinated by the myth of the previous generation: the myth that their interests will be better served by an even more free market and less state. The alternative myth is out there and is waiting to be born" (Fukuyama, 2012).

It is well known that 147 large multinational corporations currently control more than 43,060 companies worldwide and hold shares in another 400,000 companies, controlling 99% of international financial flows. However, this dramatic fact does not seem to scare enough those who have the monopoly of politics and executive power (Taylor, 2014). Under these conditions, those still in the middle classes watch uneasily bank managers behave like gangs and financial directors remodel the payroll systems in a medieval way, while at the same time others make incredible profits from funds put in tax havens.

At the same time, multinationals are attacking states through systematic lawsuits against them, that are not finally tried before ordinary courts, but in backstage meetings in the presence of law firms specialized in financial law, representing the multinationals (Taylor, 2014). Hence, it is not the classical mobocracy that threatens democracy today, but the oligarchy of the 147 multinationals. They enforce their rules even in the parliaments where they have abundant "elected" representatives.

The middle class appears to be temporarily decommissioned by the oligarchy of the powerful and the rich, living with the fear of maintaining jobs, with scarce savings, with the fear of its children's future, the fear of loss of social status, and daily competition. The fear of the big gap that is pending when objectives and life plans are being destroyed by the risk of social dumping is now a permanent component of today's society (Bude, 2010).

Fear, however, deprives man of the necessary freedoms that he needs in order for him be complete in the sense that he who fears avoids unpleasantness, denies the real and loses the attainable. Fear makes man prone to dependencies from demagogues, guardians and opportunists, almost inevitably leading to the tyranny of the majority of the few just because the majority of the many remains silent and inexpressible. Therefore, according to Roosevelt, the primary duty of politics is to neutralize existential fear. In this sense, the entire history of the welfare state's development after the end of the Second World War is interpreted as an effort to eliminate fear.

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