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Who are the Middle Class
and What Values do They Hold?
Evidence from the World Values Survey

Glenita Amoranto, Natalie Chun, and Anil Deolalikar

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Abstract

This paper examines key determinants of class status and the relationship between class status and values. We show that class status is largely determined by factors related to higher incomes, but is highly divergent among regions. Higher class status is significantly correlated with values that are more likely to foster economic growth. However, political activism is to a greater degree driven by the middle class rather than the upper class or the lower class. This indicates that the middle class may have special importance in demanding greater political accountability. Thus, policies that raise class status through education and better jobs may be highly important to creating a society with values that can contribute to higher economic growth. However, higher income may have to be assessed against the need to have a larger and more politically vocal and active middle class that can place checks on government behavior. In general, the large variation across regions in values indicates that the social and cultural make-up of a country may factor into whether a country has more values that are more conducive to economic growth. This may indicate that there are deeper and more complex issues that cannot simply be resolved by policies that attempt to increase income and move people up in class status.

I. Introduction

The importance of the middle class to economic growth lies beyond what is captured by income or consumption measures. Yet, economists have tended to define the middle class using features solely based on consumption or income despite large variations in perceptions of what people consider middle class.

This paper brings a different dimension to the middle class discussion by basing analysis on people's self-identified perceptions of social class and their reported values. In particular, we attempt to answer the following questions:

(i)   What are the characteristics of people who are "middle class"?

(ii)   How do middle class values differ from the values of lower class or upper class? Are middle class values necessarily more conducive to economic growth than other classes or are values that are related to economic growth more simply a factor of increases in income?

(iii)   How may inequality within the country, level of income, and size of the middle class potentially affect values of the different classes?

To answer these questions we use data from the World Values Survey (WVS) aggregated file covering a large set of developing and developed countries from 1996 to 2008. We find that there is generally a wide range of variation in what people consider middle class, but perceived class status is largely related to higher education, more skilled and stable jobs, and the ability to "save", which are all characteristics of people with higher incomes. Moreover, values that are related to stronger and more stable economic growth appears consistent with a story of raising class status, potentially through income and education, rather than a story of the importance of the middle class itself. The only exception is in regard to political activism, which shows that the middle class has a higher tendency to take part in political activities than both the lower and upper classes.

In Section II we discuss the related literature that has covered the relation of values to human capital investments and economic growth. In Section III we describe the WVS data used in our analysis. Section IV examines the characteristics and determinants of people who consider themselves middle class. Section V examines how class status, in particular middle class status, relates to values that are strongly considered to foster economic growth. As we are largely interested in how these values vary among different

regions, Section VI provides a more in-depth look at how values differs across different regional economies. Finally Section VII concludes.

II. Related Literature

Research into values and its connection to the labor market, investments, and economic growth is a highly important area of research. Graham (2009) notes that surveys measuring happiness, values, and perceptions allow researchers to gain insights into the relative importance that respondents attach to various public policies and to the allocation of public expenditures. It helps provide a gauge between policy reforms and the public support for such reforms.

A.   Locus of Control and Investments

While the foundation of economics is based on rational choice models, economists have increasingly recognized the importance of focusing on behavioral models of choice that can lead to differences in outcomes and individual choice. One strand of the literature has focused on locus of control that refers to psychological aspects relating to individual perception of how much control they have over their lives versus how much of their lives is determined by fate or environmental factors.

Coleman and Deleire (2003) show that the youth in the United States who perceive greater control over their lives are more likely to invest in more education and to continue on to university-level education. Likewise Baron and Cobb-Clark (2010) examine school completion rates in Australia and find that an individual with greater perception of control over his/her life is more likely to enter higher education.

However, there is some indication that locus of control may merely be a proxy for cognitive ability, and thus may be attributing perceptions to completion of schooling and schooling investment when in fact the perceptions are correct assessments of one's ability. Cebi (2007) finds that even after accounting for the cognitive ability of an individual, those with greater locus of control obtain higher earnings on the labor market. In fact labor market returns are further verified by Caliendo, Cobb-Clark, and Uhlendorff (2010) who find that on a panel data of individuals in Germany that allows one to control for individual characteristics, individuals with greater locus of control are more willing to search for a new job and therefore obtain higher earnings upon job entry. Such findings are further supported by Doepke and Zilibotti (2008) who propose a theory of how parents shape their children's preferences in response to economic incentives. They find that middle class families are especially prone to developing patience and work ethic for their children, and can explain how class-specific attitudes that are rooted in the nature of

pre-industrial professions can become key determinants of success once industrialization transforms the economic landscape.

B.   Perceptions, Values, and Economic Growth

Most happiness studies find that within countries, wealthier people are on average happier than poorer people, but that across countries and over time, one finds little relationship between increases in per capita income and average happiness levels. Since Easterlin (1974) highlighted this common finding, economists have sought to explain this apparent paradox. Easterlin in particular interpreted these findings as indicative that after a certain point, relative, rather than absolute, levels of income matter to personal well-being. In revisiting this paradox, Sacks, Stevenson, and Wolfers (2010) and Stevenson and Wolfers (2008) look at happiness within countries, across countries, and over time for 140 different countries. They find that while absolute income does play an important part in well-being, subjective well-being grows with material living standards.

The fact that there is a feedback relationship between values and economic growth is apparent in this continued debate. Kohut et al. (2009) examine people's opinions about democracy and social issues, finding that as wealth increases, individuals tend to be more likely to hold democratic values, emphasize free speech, de-emphasize religion, and care more about the environment. Meanwhile, Johnson and Lenartowicz (1998) look at why some economies such as Hong Kong, China; the Republic of Korea; Singapore; and Taipei,China have experienced high levels of growth, while other economies have experienced low or negative real growth. They find at least partial evidence of a relationship between ideology and economic growth.

Trust may be another aspect that is highly conducive to strong economic growth, and this is related to Easterly (2001) who finds that lower ethnic polarization and a larger middle class lead to higher levels of economic growth. One reason why less polarization and more trust may lead to strong economic growth is provided by Tausch and Heshmati (2009) who examine social cohesion as a way out of the modernization trap that accepts government corruption, fraud, and cheating. Moreover, Bloom, Sadun, and Van Reenan (2009) empirically examine how levels of regional trust as measured by the WVS and rule of law can improve aggregate productivity by facilitating greater firm decentralization. They find that trust in a region is associated with larger firms and a different pattern of industry specialization, and that it can explain why the most productive firms have a smaller market share in developing countries such as India. More specifically they point to the inability to decentralize in developing countries as a constraint that prevents the most productive firms from effectively expanding. Similarly, Fukuyama (1995) argues that more prosperous countries, such as Germany and the United States, are those where people can conduct business relations informally on the basis of trust. However, in countries where business deals are made on the basis of dysfunctional loyalties such as

family relationships, these can induce governments to intervene with policies that distort incentives and retard economic growth.

Values taught through religion such as honesty, thrift, willingness to work hard, and openness to strangers may also have potential positive benefits on economic growth as described by Barro (2004). Barro and McCleary (2004) find that religious beliefs are highly determinant of economic growth in cross country data, but that when these religious influences involve significant time in attending church economic growth is negative. They identify the causal effects of religion on economic growth by instrumenting for average religious beliefs using dummy variables for existence of state religion and existence of regulated market structure where government approves or appoints church leaders.

Overall, the literature shows that incorporating values into research can be highly informative about the shape and success of growth and how growth may affect values. This brings an additional perspective to why the middle class matters beyond the reasons suggested by Banerjee and Duflo (2008). Thus, we attempt to add to this literature by examining people along different parts of the income distribution, specifically focusing on three categories of class definitions, namely, lower class, middle class, and upper class; and by examining how the general income level and the shape of the distribution may ultimately affect people's outlooks, and potentially retard or foster growth-inducing values and behavior.

III. Data and Descriptives

The WVS data contains a wide range of information on cultural, social, and political values from a large set of countries (see www.worldvaluessurvey.org/). Survey collection began in 1981 with 14 countries and had subsequently expanded to capture a greater number of countries in each successive wave. So far five waves have been covered through 2008. In our analysis, we focused on the last year for each country that responded to the class status question. This resulted in a coverage of 80 distinct countries with 12 of the surveys occurring between 1996 and 1999, and the remaining 68 countries having survey years between 2000 and 2008. The countries in our sample are listed in the Appendix. We focus on individuals between the ages of 25–55, to better capture the values of productive working members of society, with the number of raw observations for each country ranging from a low of 238 individuals in the Dominican Republic, to a high of 2,138 observations for Egypt. In our sample and analysis, each individual included in our sample population was reweighted so that the sum of the weights for a given country was equal to that country's population in 2008.

We focused on six types of values covered by the WVS that are considered to contribute to greater economic growth and increased welfare. These values were then used to form indexes representing market competition, upward mobility, trust, gender equality, value of science and technology, and political activism. The indexes in our analysis were constructed by rebasing the answers to the chosen questions, seen in the note to Table 1, so that their value ranged between 0 and 1, with values closer to 1 considered to represent values that are more conducive to economic growth or political accountability. We then took the average of nonmissing responses to different questions so that each question was weighted equally in the index. Table 1 reports the mean values of indexes by class, while Table 2 presents the basic descriptive statistics and summary distributions of variables used in our analysis. We see from Table 1 that except for technology adoption, the upper class has more liberal views (i.e., views that place less restrictions on business and promote greater equality) on all broad types of values, as shown by the high average index values, compared to those of the lower and middle classes across all countries. Most notable is that compared to the lower and upper classes, the middle class tends to have a more advanced view regarding technology.

Table 1: Mean Values of Indexes and Corresponding Components by Class

Type of Value	Across Classes			
	Upper	Middle	Lower	All
Market Competition	0.40	0.39	0.37	0.38
Gender Equality	0.59	0.56	0.55	0.56
Upward Mobility	0.65	0.61	0.59	0.60
Trust in Others	0.47	0.44	0.43	0.44
Political Activism	0.28	0.26	0.22	0.24
Technology Adoption	0.62	0.64	0.60	0.62

Note: The value indexes comprise questions whose details are found in the WVS 2005–2006 Wave, Root Version. Included under each type of value: Market Competition – Codes v45, v117, v119, v121; Gender Equality – Codes v44, v61, v62, v63, v161; Upward Mobility – Codes v46, v52, v115, v116, v120, v122; Trust in Others – Codes v23, v47, v126-v130; Political Activism – Codes v27, v28, v29, v32, v95, v96-v103; and Technology Adoption – Codes v77, v90-v94, v123, v230.
Sources: Authors' estimates.

Table 2: Descriptive Statistics and Summary Distributions of Individual and Household Characteristics by Self-Perceived Class Status

Variable	Distribution across Classes (percent)				Distribution within Classes (percent)		
	Upper	Middle	Lower	All	Upper	Middle	Lower
Number	1.8	53.0	45.2	100.0			
Sex							
Male	2.3	53.0	44.7	100.0	62.0	50.5	50.0
Female	1.4	52.9	45.6	100.0	38.0	49.5	50.0
Civil status							
Single	2.1	56.9	41.1	100.0	14.4	13.8	11.7
Married/widowed/divorced/separated/ living together as married	1.8	52.4	45.8	100.0	85.6	86.2	88.3

Table 2: *continued.*

Variable	Distribution across Classes (percent)				Distribution within Classes (percent)		
	Upper	Middle	Lower	All	Upper	Middle	Lower
Level of education							
Individuals with lower level of attainment[a]	1.1	38.7	60.3	100.0	24.6	29.6	54.1
Individuals with middle level of attainment[b]	1.4	57.1	41.5	100.0	33.2	44.9	38.3
Individuals with high level of attainment[c]	4.3	76.3	19.4	100.0	42.2	25.5	7.6
Living with parents							
No	1.5	52.1	46.4	100.0	57.0	68.1	70.8
Yes	2.6	54.7	42.8	100.0	43.0	31.9	29.2
Occupation of individual							
Nonmanual type	3.1	70.5	26.4	100.0	59.7	48.5	20.8
Manual type	1.2	42.2	56.6	100.0	40.3	51.5	79.2
Occupation of chief wage earner							
Nonmanual type	2.6	70.3	27.1	100.0	62.8	50.8	23.0
Manual type	0.9	42.5	56.5	100.0	37.2	49.2	77.0
Institution of occupation							
Public institution	2.7	63.6	33.7	100.0	28.3	22.4	14.5
Private business	1.4	57.6	41.1	100.0	30.9	43.0	37.5
Private nonprofit organization	3.4	49.3	47.3	100.0	34.1	16.4	19.2
Self-employed	0.5	43.3	56.1	100.0	6.7	18.2	28.8
Supervises someone at work							
Yes	2.6	64.6	32.8	100.0	40.0	35.2	20.7
No	1.5	47.8	50.7	100.0	60.0	64.8	79.3
Individuals engaged in paid type of employment	1.8	55.6	42.6	100.0			
Family savings during past year							
Save money	4.0	70.0	26.0	100.0	57.7	34.2	15.2
Just get by	1.0	51.2	47.8	100.0	25.0	42.7	47.5
Spent some savings and borrowed money	1.5	47.0	51.5	100.0	12.6	13.7	17.9
Spent savings and borrowed money	0.6	36.2	63.2	100.0	4.7	9.3	19.4
Town of residence							
Urban	2.3	63.3	34.4	100.0	40.8	46.8	31.9
Nonurban	2.3	48.3	49.4	100.0	59.2	53.2	68.1

Variable	Mean			
	Upper	Middle	Lower	All
Age[d]	37	39	39	39
Nature of task at work (response on a scale of 1–10)				
Manual versus cognitive	4.6	4.5	3.0	3.8
Routine versus creative	3.6	4.0	3.5	3.8
Practice of independence	6.9	6.8	6.3	6.6

[a] Includes incomplete elementary education, completed (compulsory) elementary education, and incomplete secondary school: technical/vocational type.
[b] Includes complete secondary school: technical/vocational type, incomplete secondary: university-preparatory type, and complete secondary: university-preparatory type.
[c] Includes some university without degree/higher education, and university with degree/higher education.
[d] From a sample that includes only those aged 25–55.
Source: Authors' estimates.

IV. Determinants of Identifying Oneself as Belonging to a Certain Class

There is little consensus on how to define the middle class even when basing the definition purely on income or expenditure measures.[1] A simple examination of people's reported middle class status versus their reported position in the income distribution, as seen in Figure 1 for nine countries in Asia, shows a wide variation in what people consider to be middle class, which is unlikely to be captured purely by income or expenditure measures. This section attempts to provide some general information on what people perceive as their class status based on various demographic characteristics. It allows us to provide a more general story about the influences on class status and the relation of class status to values that likely drive economic growth. In particular we attempt to find estimates for the following specification:

$$Y_{ict}* = \alpha + \beta X_{ict} + \varepsilon_{ict} \tag{1}$$

where $Y_{ict}*$ is a latent unobserved variable representing a value that translates into an individual's selection of a certain class. Hence we estimate the probability that a person chooses a certain class status conditional on different demographic characteristics as follows:

$$Pr(Y_{ict} = j) = Pr(c_{j-1} <= Y_{ict}* <= c_j) \tag{2}$$

where $j = 1$ (lower class), $j = 2$ (middle class), $j = 3$ (upper class).

Figure 1: Distribution of Self-Identified Middle Class across Self-Identified Income Distribution, 2001–2007 (percent)
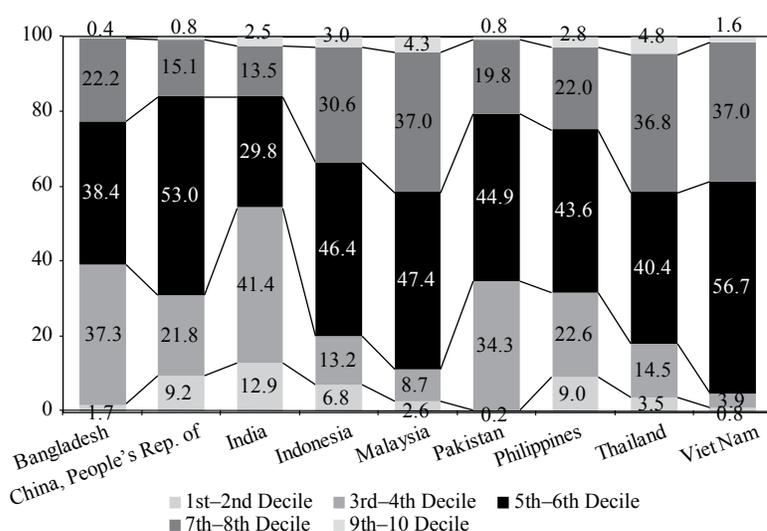
Source: Authors' estimates.

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[1]   For example, Easterly (2001) used a relative definition of middle class based on the income share held by the middle 60% of a country's distribution, while Kharas and Gertz (2010) defined middle class as those making between $10 to $100 per person per day (2005 purchasing power parity dollars).

The vector of coefficients β on the independent variables, X_{ict}, consists of household and individual characteristics as well as characteristics that capture social and economic factors at the country level. This includes inequality represented by the Gini; average level of income of the country; measures of ethnolinguistic diversity,[2] representing deep cleavages (ELF(1)) and shallow cleavages (ELF(15)); and region fixed effects. The inclusion of the ethnolinguistic variables is meant to proxy for cultural heterogeneity, which likely impacts class status and is correlated with a wide range of outcomes, fostering civil war, undermining growth, and hindering redistribution and provision of public goods.

The corresponding marginal effects are presented in Table 3. We find that household and individual characteristics influencing self-perceptions of social class are educational attainment; household head's occupation; nature of job or occupation (i.e., whether tasks are manual, practice some degree of independence, and is paid employment); whether or not the household saved money during the past year; the degree of income inequality in the country; and per capita gross domestic product (GDP) level. The variables reflecting sex; age; indicators for living with parents; institution of occupation; nature of job (i.e., whether manual or cognitive, whether routine or creative); urban residence; and civil status are not significant. As expected, higher educational attainment and more skilled occupations are associated with higher probabilities of choosing a higher class status. In the case of measures of ethnic diversity, marginal effects for fractionalization are shown to have differing impacts dependent on whether there are superficial or deep cleavages within the country. The negative marginal effect of ELF(1) for middle class means that a person who belongs to a more ethnically diverse society (based on deeper cleavages) is less likely to perceive himself/herself belonging to the middle class than one in a less diverse society. On the other hand, the positive coefficient of ELF(1) for lower class means that, controlling for region of residence and certain household/individual characteristics, a person in a more diverse society is more likely to classify himself/ herself as belonging to the lower class than someone living in a less diverse society. This is consistent with findings that lower ethnic polarization is empirically associated with higher income, higher growth, more education, better health, better infrastructure, better economic policies, less political instability, less civil war, more social modernization, and more democracy (Easterly 2001). ELF(15) representing more superficial cleavages (i.e., more refined language differentiations) shows exactly the opposite trend, that is, higher ethnic diversity is associated with greater tendency of considering oneself in the upper or middle classes. This may perhaps arise from more superficial cleavages, indicating that people's worlds are more insular, which changes their perception of their class standing in a positive way, or that people are more likely to generalize their class identity to a broader group. For all covariates, marginal effects for upper and middle classes have identical signs while the opposite sign is observed for the lower class. We also find that the degree of ethnic diversity within a society is highly determinate of a person's perceptions of class status across countries (Figure 2).

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[2] See Desmet et al. (2009) for details on the computation. Fractionalization is the probability that two individuals chosen at random will belong to different groups. This measure is maximized when each individual belongs to a different group. Polarization, in contrast, is maximized when there are two groups of equal size.

Table 3: Marginal Effects (dy/dx) of Different Demographic Chacteristics on the Probability of Perceiving Oneself in a Particular Social Class

Demographic Characteristic	Socioeconomic Class		
	Upper	**Middle**	**Lower**
Female	0.00131	0.0254	-0.0268
	(0.00125)	(0.0233)	(0.0245)
Age	-2.49e-05	-0.000484	0.000509
	(7.87e-05)	(0.00150)	(0.00158)
Educational attainment	0.00701***	0.136***	-0.143***
	(0.00192)	(0.0207)	(0.0211)
Living with parents	-0.000658	-0.0130	0.0137
	(0.00153)	(0.0314)	(0.0329)
Own occupation: non-manual type	0.00439**	0.0860**	-0.0904**
	(0.00222)	(0.0348)	(0.0366)
Occupation in private business institution	-0.00196	-0.0374	0.0394
	(0.00140)	(0.0238)	(0.0251)
Nature of job task: mostly cognitive	0.000369*	0.00715	-0.00752
	(0.000222)	(0.00463)	(0.00483)
Nature of job task : mostly creative/non-routine	1.11e-05	0.000215	-0.000226
	(0.000247)	(0.00478)	(0.00503)
Practice of independence at job	0.000463*	0.00898**	-0.00945**
	(0.000269)	(0.00448)	(0.00472)
Supervises someone at work	0.00476***	0.0834***	-0.0881***
	(0.00183)	(0.0245)	(0.0257)
Occupation of chief wage earner: non-manual type	0.00617***	0.117***	-0.123***
	(0.00211)	(0.0300)	(0.0313)
Employment status: paid employment	0.00335*	0.0820**	-0.0853**
	(0.00176)	(0.0386)	(0.0401)
Saves money	0.0112***	0.158***	-0.169***
	(0.00327)	(0.0244)	(0.0258)
Urban	0.00138	0.0260	-0.0274
	(0.00126)	(0.0220)	(0.0232)
Single (civil status)	-0.000948	-0.0193	0.0203
	(0.00161)	(0.0328)	(0.0344)
Gini	-0.000674***	-0.0131***	0.0137***
	(0.000193)	(0.00219)	(0.00225)
Log(Per Capita GDP)	0.00739***	0.143***	-0.151***
	(0.00206)	(0.0190)	(0.0194)
ELF(1)	-0.0278***	-0.539***	0.567***
	(0.00882)	(0.123)	(0.127)
ELF(15)	0.0254***	0.492***	-0.518***
	(0.00685)	(0.0460)	(0.0460)
Central Asia	0.0651***	0.220***	-0.285***
	(0.0216)	(0.0152)	(0.0224)
Europe (developing)	-0.00579***	-0.182***	0.188***
	(0.00175)	(0.0457)	(0.0462)
Latin America & Caribbean	0.0141**	0.153***	-0.167***
	(0.00639)	(0.0346)	(0.0397)
Middle East & North Africa	0.00159	0.0276	-0.0292
	(0.00247)	(0.0382)	(0.0407)
OECD	-0.0169***	-0.433***	0.450***
	(0.00495)	(0.0732)	(0.0751)
South Asia	0.0103*	0.137***	-0.148***
	(0.00563)	(0.0393)	(0.0442)
Sub-Saharan Africa	0.00673	0.0889**	-0.0956**
	(0.00415)	(0.0359)	(0.0397)
Observations	7,640	7,640	7,640

*** $p<0.01$, ** $p<0.05$, * $p<0.1$.
Note: Robust standard errors in brackets.
Source: Authors' estimates.

Figure 2: Marginal Effects (dy/dx) of Significant Demographic Characteristics on the Probability of Perceiving Oneself in a Particular Social Class (with region dummies)
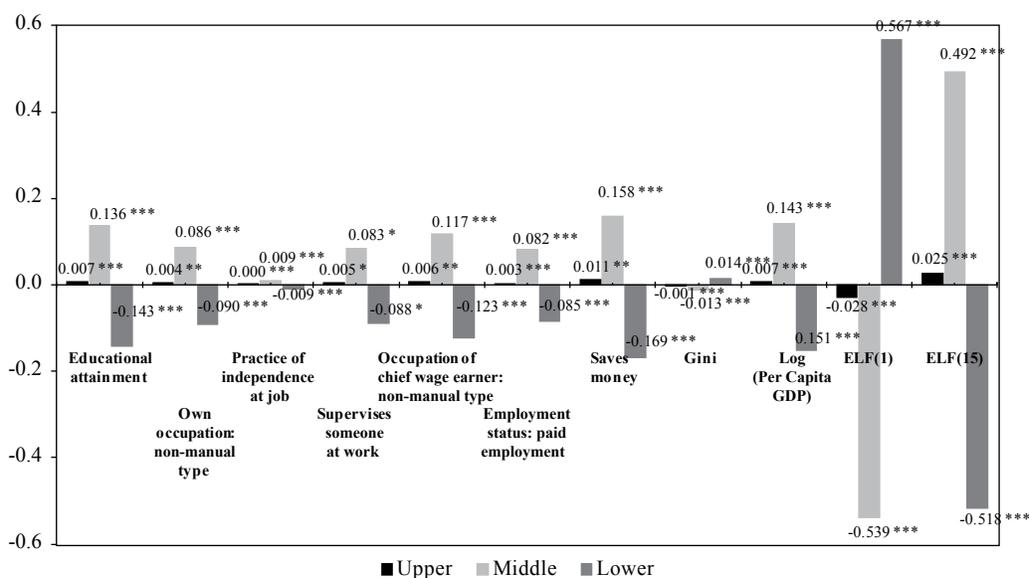
Source: Authors' estimates.

V. Attitudes and Values of the Middle Class

We showed that class status is largely related to characteristics that proxy for higher income, the cultural construct, and divisiveness of a country. However, we seek to examine how perceived class status relates to values that are highly related to higher economic growth and greater accountability in public services. This examination is undertaken by regressing class status and characteristics, capturing a country's economic and social construct on six indexes representing market competition, upward mobility, trust, gender equality, value of science and technology, and political activism. In particular we run the specification as follows:

$$I_{ict} = \alpha + \beta LC_{ict} + \beta UC_{ict} + \delta \log(GDP_{ct}) + \gamma GINI_{ct} + \zeta + \varepsilon_{ict} \tag{3}$$

In the model, lower class is represented by LC, upper class is represented by UC, and ζ represents region fixed effects. Our coefficients of interest are the β's representing the marginal difference in values represented by index scores between someone who is lower class or upper class versus someone who is middle class. Our inclusion of a country's average level of income and the Gini are thought to affect a person's perceptions outside of its effect that influences class status. Model 1 in Table 4a shows the regression estimates for each of the six indexes for models with controls for region effects, income inequality, and country's log per capita GDP. People who perceive themselves as middle

class are found to have values that are more likely to contribute to economic growth than the lower class for all six indexes, but generally have less liberal values and attitudes than the upper class relating to market competition, gender equality, upward mobility, and trust. For political activism and technology adoption, the self-perceived middle class is more likely to play a part in politics and advocate the use of technology than the lower class, but are not distinguishable from the upper class on these measures.[3]

Table 4a. Class Progressivity in Values Regressions (Model 1)

Variables	Market Competition	Gender Equality	Upward Mobility	Trust in Others	Political Activism	Technology Adoption
LC	-0.012**	-0.011***	-0.033***	-0.008**	-0.041***	-0.043***
	[0.005]	[0.004]	[0.003]	[0.004]	[0.004]	[0.003]
UC	0.044**	0.071***	0.066***	0.036**	-0.027	-0.021
	[0.022]	[0.018]	[0.014]	[0.015]	[0.017]	[0.014]
Gini	-0.001***	-0.002***	0.002***	0	0.004***	-0.003***
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Log(per capita GDP)	0.026***	0.042***	-0.034***	0.039***	-0.004**	-0.031***
	[0.002]	[0.002]	[0.002]	[0.002]	[0.002]	[0.002]
Constant	0.250***	0.329***	0.821***	0.211***	0.053***	1.008***
	[0.014]	[0.015]	[0.012]	[0.017]	[0.014]	[0.014]
Region fixed effects	Y	Y	Y	Y	Y	Y
Observations	60,040	60,262	60,878	60,415	60,957	60,881
R-squared	0.046	0.127	0.076	0.073	0.132	0.077

*** $p<0.01$, ** $p<0.05$, * $p<0.1$.
GDP = gross domestic product, LC = lower class, UC = upper class.
Note: Robust standard errors in brackets.
Source: Authors' estimates.

In Model 2 of Table 4b, we include the ethnolinguistic cleavage variables as they are also likely to highly affect values of an individual independent of their effect through the class choice. We find that fractionalization within the society at a more superficial level is associated with greater market competition, gender equality, and trust, but less associated with perceived ability to be upwardly mobile, and less likely to advocate use of technology. However, deeper cleavages represented by ELF(1) generally has the opposite effect as it is associated with less market competition, less trust, but greater perception of upward mobility. Moreover, deeper cleavages are associated with people having greater

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[3]   We also tried specifications that included the demographic characteristics influencing class status. We found that after the inclusion of these variables, perceived class status still had a positive and significant effect on values, indicating that class status is not fully captured by basic demographic characteristics and region dummies, i.e., that we may still not be capturing something fundamentally important to one's perceived class status, which is largely related to one's values. It further shows that there is a decreasing return to support for market competition, but an added tendency to capture gender equality and upward mobility.

political activism that is consistent with network effects, which may arise from having a larger population within a society who has similar goals.

Table 4b: Class Progressivity in Values Regressions (Model 2)

Variables	Market Competition	Gender Equality	Upward Mobility	Trust in Others	Political Activism	Technology Adoption
LC	-0.011**	-0.010**	-0.035***	-0.007*	-0.041***	-0.049***
	[0.005]	[0.004]	[0.003]	[0.004]	[0.004]	[0.003]
UC	0.047**	0.071***	0.065***	0.037**	-0.029*	-0.014
	[0.022]	[0.018]	[0.014]	[0.015]	[0.017]	[0.013]
Gini	0	-0.002***	0.002***	0	0.004***	-0.001***
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Log(per capita GDP)	0.038***	0.047***	-0.046***	0.047***	-0.014***	-0.032***
	[0.002]	[0.002]	[0.002]	[0.003]	[0.002]	[0.002]
ELF(1)	-0.146***	-0.017	0.149***	-0.125***	0.088***	-0.064***
	[0.011]	[0.011]	[0.009]	[0.014]	[0.010]	[0.011]
ELF(15)	0.036***	0.035***	-0.129***	0.081***	0.007	-0.207***
	[0.008]	[0.008]	[0.007]	[0.010]	[0.007]	[0.007]
Constant	0.118***	0.291***	0.977***	0.096***	0.137***	1.044***
	[0.015]	[0.017]	[0.013]	[0.019]	[0.015]	[0.015]
Region fixed effects	Y	Y	Y	Y	Y	Y
Observations	59,279	59,499	60,115	59,661	60,198	60,121
R-squared	0.05	0.128	0.088	0.076	0.136	0.117

*** $p<0.01$, ** $p<0.05$, * $p<0.1$.
ELF = ethnolinguistic fractionalization, GDP = gross domestic product, LC = lower class, UC = upper class.
Note: Robust standard errors in brackets.
Source: Authors' estimates.

VI. Variations in Values across Regions

We examine how values dependent on class status vary across regions, to see whether a new paradigm is being created by classes in different societies compared to the western countries of the Organisation for Economic Co-operation and Development (OECD). Moreover, it allows us to shed some light on whether class values may possibly explain the lower rates of growth in some countries after controlling for inequality (or size of self-perceived middle class). In particular we estimate the following regression:

$$I_{ict} = \alpha + \beta\ \zeta\ LC_{ict} + \beta\ \zeta\ UC_{ict} + \delta\log(GDP_{ct}) + \gamma GINI_{ct} + \zeta + \varepsilon_{ictt} \qquad (4)$$

Table 5a shows the estimated coefficients from these regressions. Figure 3a, which presents the estimated value of the indexes over the six value types, shows that there is a high degree of variation across regions. In particular, East Asia has values that

are much more conducive to market competition than many other regions except in the OECD and Latin American and Caribbean countries. While there is little differentiation between classes in East Asia in terms of outlook of gender equality, they are relatively higher than many other regions except developing Europe and Latin America, though still far lower than OECD countries. Perceptions of upward mobility are relatively high in East Asia, as they have values or perceptions of upward mobility that are higher than OECD countries; while in South Asia (most likely driven by India), there are relatively low perceptions of upward mobility. Trust in East Asia is fairly high, as in South Asia, although the relationship is different among classes. Finally, East Asia has one of the lowest rates of political activism but lower rates of belief in technology than many other regions. On the other hand, rates of political activism in South Asia are the highest among the regions except in comparison with OECD countries. Moreover, the middle class in the region has higher rates of political activism and technology adoption than the lower and upper classes. The degree of differentiation between classes is fairly large. Overall, the differences in values seem to somewhat explain the higher rates of growth in East Asia versus South Asia. In general, more economically liberal values that can contribute to higher economic growth generally have a positive monotonic relationship with higher class status, indicating the close relationship that class status has with incomes. However, the results do seem to support the role of the middle class in the political sphere in democratic societies (India and many of the OECD countries) where the middle class is on average found to be more politically active and thus may play a significant role in making governments more accountable.

Figure 3a also shows that OECD countries clearly hold more economically liberal views over the other regions except in terms of values relating to upward mobility and technology adoption. Further, the middle class in the OECD countries tend to have more advanced views compared to both the lower and the upper classes except in terms of values relating to market competition. East Asia seems to be the only region where there are very little differences in values among the classes as shown by the almost flat lines in all six charts. Moreover, a great deal of trust in society exists in East Asia than in all the other regions except for the OECD countries, but East Asia has less radical views when it comes to political activism. Compared to the lower and upper classes, the middle class are less trusting in Central Asia, Middle East and North Africa, and South Asia; more supportive of gender equality in OECD, Latin America and the Caribbean, and Central Asia; more politically active in OECD, South Asia, and developing countries of Europe; has the highest perception of upward mobility in OECD and Latin America and the Caribbean; and more receptive to technology in OECD, developing Europe, and South Asia. The two measures of ethnolinguistic cleavages are shown in Table 5b. However, these measures did not result in any significant changes in the estimated index values by region and by social class (Figure 3b). The results suggest that there may be strong cultural aspects that can subsequently hinder or help economic growth in line with Minkov and Blagoev (2009) and Pryor (2005).

Table 5a: Class Progressivity in Values across Regions Regressions (Model 1)

Variables	Market Competition	Gender Equality	Upward Mobility	Trust in Others	Political Activism	Technology Adoption
LC × Central Asia	-0.015**	-0.016*	-0.009	0.017	-0.025***	-0.034***
	[0.006]	[0.008]	[0.006]	[0.014]	[0.007]	[0.008]
LC × Europe (developing)	-0.025***	-0.003	-0.011**	-0.001	-0.026***	-0.054***
	[0.005]	[0.006]	[0.004]	[0.006]	[0.005]	[0.005]
LC × Latin America and Caribbean	0.013**	-0.012**	-0.043***	-0.021***	-0.013**	-0.039***
	[0.005]	[0.005]	[0.005]	[0.006]	[0.006]	[0.005]
LC × Middle East and North Africa	0.005	-0.021***	-0.010**	0.078***	-0.040***	-0.035***
	[0.005]	[0.006]	[0.005]	[0.008]	[0.004]	[0.006]
LC × OECD	-0.008	-0.014*	-0.016***	-0.050***	-0.030***	-0.060***
	[0.007]	[0.007]	[0.006]	[0.009]	[0.009]	[0.008]
LC × South Asia	-0.016	-0.019*	-0.039***	0.022**	-0.055***	-0.084***
	[0.011]	[0.011]	[0.009]	[0.009]	[0.010]	[0.007]
LC × Sub-Saharan Africa	0.002	-0.021***	-0.024***	-0.014*	-0.050***	-0.033***
	[0.008]	[0.007]	[0.005]	[0.009]	[0.006]	[0.006]
UC × Central Asia	0.023	-0.062***	0.041**	0.132***	0.071***	0.048**
	[0.016]	[0.020]	[0.018]	[0.041]	[0.017]	[0.022]
UC × Europe (developing)	-0.004	-0.01	0.050**	-0.021	-0.042**	-0.001
	[0.021]	[0.027]	[0.023]	[0.034]	[0.018]	[0.016]
UC × Latin America and Caribbean	0	-0.064*	-0.033	-0.006	-0.027	0.03
	[0.037]	[0.034]	[0.033]	[0.033]	[0.030]	[0.024]
UC × Middle East and North Africa	0.021	0.017	0.086***	0.052	0.076***	0.067*
	[0.021]	[0.031]	[0.024]	[0.041]	[0.024]	[0.035]
UC × OECD	0.053**	-0.069**	-0.02	-0.032	-0.006	-0.038
	[0.026]	[0.029]	[0.041]	[0.051]	[0.032]	[0.027]
UC × South Asia	0.054	0.128***	0.092***	0.094***	-0.057**	-0.070***
	[0.035]	[0.028]	[0.021]	[0.022]	[0.027]	[0.022]
UC × Sub-Saharan Africa	-0.002	0.001	0.013	-0.035	0.01	0.029
	[0.023]	[0.022]	[0.016]	[0.024]	[0.019]	[0.018]
Gini	-0.001***	-0.002***	0.002***	0	0.004***	-0.003***
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Log(Per Capita GDP)	0.027***	0.042***	-0.034***	0.039***	-0.003	-0.030***
	[0.002]	[0.002]	[0.002]	[0.002]	[0.002]	[0.002]
Constant	0.244***	0.324***	0.807***	0.204***	0.029**	0.980***
	[0.013]	[0.015]	[0.011]	[0.017]	[0.014]	[0.014]
Region fixed effects	Y	Y	Y	Y	Y	Y
Observations	60,040	60,262	60,878	60,415	60,957	60,881
R-squared	0.046	0.129	0.073	0.077	0.13	0.084

*** p<0.01, ** p<0.05, * p<0.1.
GDP = gross domestic product, LC = lower class, OECD = Organisation for Economic Co-operation and Development, UC = upper class.
Note: Robust standard errors in brackets.
Source: Authors' estimates.

Figure 3a: Differences in Values by Class across Regions (Model 1)
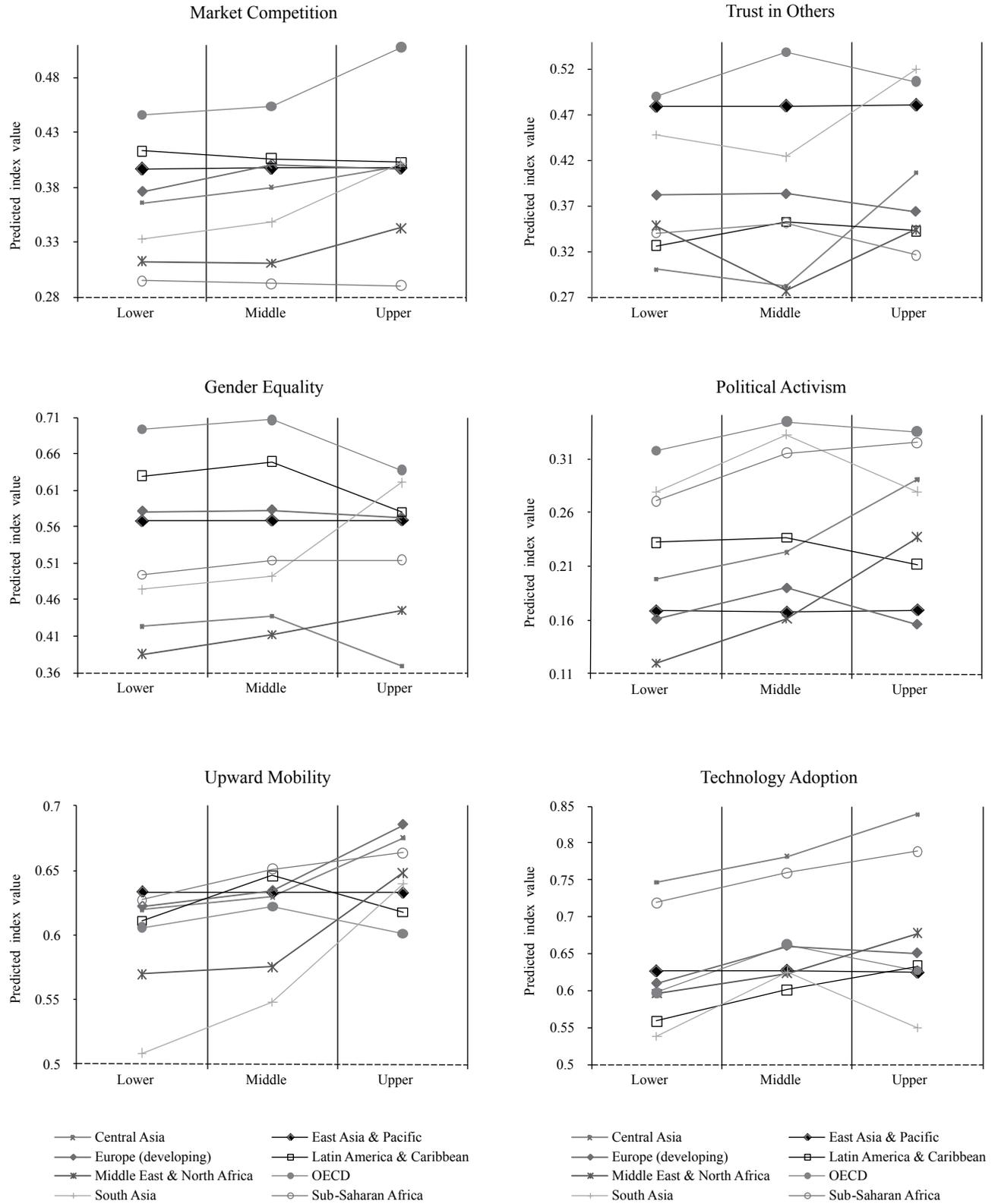
Market Competition

Trust in Others

Gender Equality

Political Activism

Upward Mobility

Technology Adoption

OECD = Organisation for Economic Co-operation and Development.
Source: Authors' estimates.

Table 5b: Class Progressivity in Values Across Regions Regressions (Model 2)

Variables	Market Competition	Gender Equality	Upward Mobility	Trust in Others	Political Activism	Technology Adoption
LC × Central Asia	-0.016***	-0.016**	-0.007	0.015	-0.026***	-0.030***
	[0.006]	[0.008]	[0.006]	[0.014]	[0.007]	[0.008]
LC × Europe (developing)	-0.028***	-0.002	-0.011**	-0.001	-0.023***	-0.061***
	[0.005]	[0.006]	[0.004]	[0.006]	[0.005]	[0.005]
LC × Latin America and Caribbean	0.009*	-0.010*	-0.042***	-0.023***	-0.009*	-0.051***
	[0.005]	[0.005]	[0.005]	[0.006]	[0.006]	[0.005]
LC × Middle East and North Africa	-0.010**	-0.020***	-0.003	0.070***	-0.027***	-0.065***
	[0.005]	[0.006]	[0.005]	[0.008]	[0.005]	[0.006]
LC × OECD	-0.01	-0.014*	-0.013**	-0.053***	-0.030***	-0.059***
	[0.007]	[0.007]	[0.006]	[0.009]	[0.009]	[0.008]
LC × South Asia	-0.013	-0.020*	-0.039***	0.023**	-0.059***	-0.074***
	[0.011]	[0.011]	[0.009]	[0.009]	[0.010]	[0.007]
LC × Sub-Saharan Africa	0.002	-0.020***	-0.026***	-0.013	-0.049***	-0.038***
	[0.007]	[0.007]	[0.005]	[0.008]	[0.006]	[0.006]
UC × Central Asia	0.026	-0.061***	0.038**	0.134***	0.069***	0.046**
	[0.016]	[0.020]	[0.018]	[0.041]	[0.018]	[0.022]
UC × Europe (developing)	-0.004	-0.009	0.048**	-0.02	-0.041**	-0.005
	[0.020]	[0.027]	[0.023]	[0.033]	[0.018]	[0.016]
UC × Latin America and Caribbean	-0.001	-0.062*	-0.035	-0.005	-0.024	0.02
	[0.037]	[0.034]	[0.032]	[0.033]	[0.029]	[0.024]
UC × Middle East and North Africa	0.019	0.017	0.088***	0.05	0.080***	0.065*
	[0.022]	[0.031]	[0.024]	[0.040]	[0.025]	[0.034]
UC × OECD	0.053**	-0.070**	-0.019	-0.032	-0.007	-0.035
	[0.024]	[0.028]	[0.040]	[0.052]	[0.032]	[0.027]
UC × South Asia	0.059*	0.127***	0.092***	0.095***	-0.063**	-0.055**
	[0.035]	[0.028]	[0.021]	[0.022]	[0.027]	[0.021]
UC × Sub-Saharan Africa	0.002	0.001	0.01	-0.032	0.007	0.034*
	[0.023]	[0.022]	[0.016]	[0.023]	[0.020]	[0.018]
ELF(1)	-0.148***	-0.021*	0.144***	-0.125***	0.085***	-0.076***
	[0.012]	[0.011]	[0.009]	[0.014]	[0.010]	[0.011]
ELF(15)	0.040***	0.038***	-0.118***	0.082***	0.021***	-0.189***
	[0.008]	[0.008]	[0.007]	[0.009]	[0.007]	[0.007]
Gini	0	-0.002***	0.002***	0	0.003***	-0.001***
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Log(Per Capita GDP)	0.040***	0.047***	-0.045***	0.047***	-0.012***	-0.031***
	[0.002]	[0.002]	[0.002]	[0.003]	[0.002]	[0.002]
Constant	0.111***	0.283***	0.954***	0.090***	0.104***	1.003***
	[0.015]	[0.016]	[0.013]	[0.019]	[0.015]	[0.015]
Region fixed effects	Y	Y	Y	Y	Y	Y
Observations	59,279	59,499	60,115	59,661	60,198	60,121
R-squared	0.05	0.13	0.083	0.079	0.134	0.119

*** p<0.01, ** p<0.05, * p<0.1.
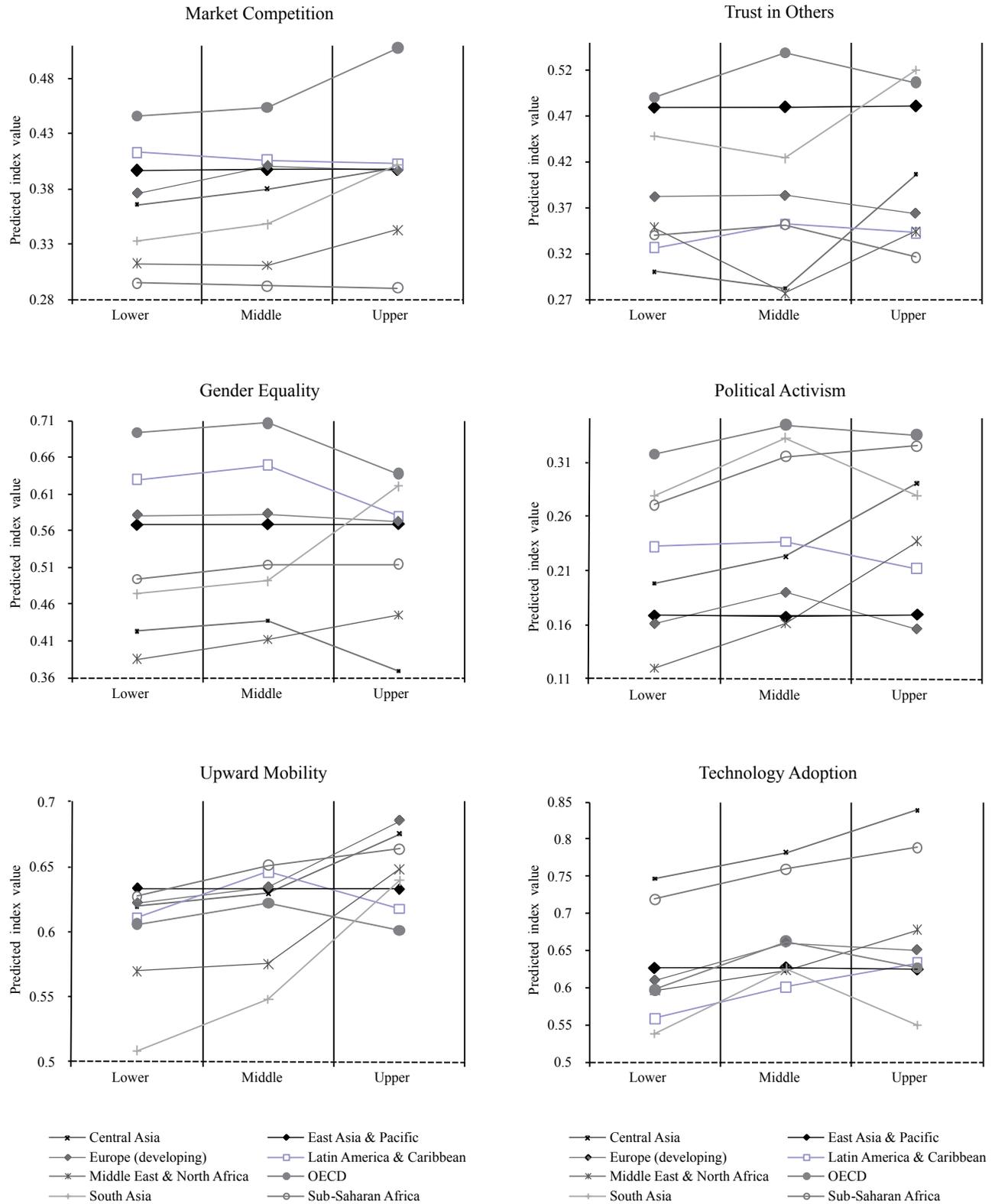ELF = ethnolinguistic fractionalization, GDP = gross domestic product, LC = lower class, OECD = Organisation for Economic Co-operation and Development, UC = upper class.
Note: Robust standard errors in brackets.
Source: Authors' estimates.

Figure 3b: Differences in Values by Class across Regions (Model 2)

Market Competition

Trust in Others

Gender Equality

Political Activism

Upward Mobility

Technology Adoption

Legend:
- Central Asia
- East Asia & Pacific
- Europe (developing)
- Latin America & Caribbean
- Middle East & North Africa
- OECD
- South Asia
- Sub-Saharan Africa

OECD = Organisation for Economic Co-operation and Development.
Source: Authors' estimates.

VII. Conclusion

Our examination provided a different perspective on class status that is based on self-perceptions rather than merely income or expenditure measures. Namely, we explored what some of the key determinants are to one reporting a certain class status. It was found that key characteristics associated with higher incomes largely determines one's perception of their class status, but that it is affected negatively by higher inequality within a country. Yet one's reported class status is only one component of the story. The examination into the relationship between class status and the average values of individuals found that higher class status is generally related to values that are considered to foster economic growth. However, there is a nonmonotonic trend in the relationship between class status and political activism, and to a lesser degree in relation to technology adoption. The middle class is on average more politically active than the lower or upper classes. This is consistent with the story that the middle class is important in its demand for better goods and services and keeping governments accountable.

There is generally a high degree of variation across regions. In particular, compared to the OECD countries, many of the developing regions place lower values on market competition, gender equality, trust, and political activism, whereas upward mobility and belief in the benefits of technology are roughly at par with or lower than a number of developing regions. In general, many of these values seem driven by income factors.

This seems to imply that policies that try to raise a person's perceived class status through education and better jobs are highly important in fostering values that can contribute to higher economic growth. However, where the size of the middle class could really matter, versus just in its relationship to increasing incomes, is in its contribution to politics, as the middle class is much more likely to participate in political activities. The variation across regions indicates that the social and cultural makeup of a country is likely indicative of whether values within a country are more conducive to economic growth. This means that some countries may have much deeper and complex issues that may prevent growth in values that lead to higher economic growth. Therefore, fostering values that can help economies grow may not simply be resolved by policies that attempt to increase income and move people up in income class status.

Appendix: Economies Included in the Sample

	Survey Year	Observations	Population, 2008		Survey Year	Observations	Population, 2008
Albania	2002	608	3143291	Korea, Rep. of	2005	802	48607000
Algeria	2002	814	34373426	Kyrgyz Republic	2003	638	5277900
Andorra	2005	707	83811	Latvia	1996	706	2266094
Argentina (Urban)	2006	527	39882980	Lithuania	1997	559	3358115
Armenia	1997	1108	3077087	Macedonia	2001	636	2041342
Australia	2005	723	21431800	Malaysia	2006	756	27014337
Azerbaijan	1997	1343	8680100	Mali	2007	772	12705736
Bangladesh	2002	1142	160000128	Mexico	2005	979	106350434
Belarus	1996	1170	9680850	Moldova	2006	597	3633369
Bosnia and Herzegovina	2001	739	3773100	Morocco	2007	856	31605616
Brazil	2006	913	191971506	New Zealand	2004	478	4268900
Bulgaria	2006	520	7623395	Nigeria	2000	1338	151212254
Burkina Faso	2007	819	15233884	Norway	2008	569	4768212
Canada	2006	1130	33311400	Pakistan	2001	1470	166111487
Chile	2005	579	16803952	Peru	2008	927	28836700
China, People's Rep. of	2007	1229	1324655000	Philippines	2001	771	90348437
Colombia	2005	1985	45012096	Poland	2005	497	38125759
Croatia	1996	686	4434000	Puerto Rico	2001	381	3954037
Cyprus	2006	630	862434	Romania	2005	963	21513622
Czech Republic	1998	610	10424336	Rwanda	2007	905	9720694
Dominican Republic	1996	238	9952711	Saudi Arabia	2003	990	24645686
Egypt	2008	2138	81527172	Serbia	2006	754	7350221
El Salvador	1999	675	6133910	Singapore	2002	836	4839400
Estonia	1996	630	1340675	Slovak Republic	1998	678	5406626
Ethiopia	2007	923	80713434	Slovenia	2005	556	2021316
Finland	2005	519	5313399	South Africa	2007	1669	48687000
Georgia	2008	849	4307011	Spain	2007	643	45555716
Germany	2006	958	82110097	Sweden	2006	495	9219637
Ghana	2007	905	23350927	Switzerland	2007	607	7647675
Guatemala	2005	623	13686128	Tanzania	2001	770	42483923
Hong Kong, China	2005	763	6977700	Thailand	2007	975	67386383
Hungary	1998	336	10038188	Trinidad and Tobago	2006	564	1333388
India	2006	1411	1139964932	Turkey	2007	884	73914260
Indonesia	2006	1169	227345082	Uganda	2001	585	31656865
Iran	2007	1583	71956322	Ukraine	2006	574	46258200
Israel	2001	685	7308800	United States	2006	689	304060000
Italy	2005	543	59832179	Uruguay	2006	481	3334052
Japan	2005	617	127704000	Venezuela	2000	729	27935000
Jordan	2007	787	5906043	Viet Nam	2006	931	86210781
				Zambia	2007	710	12620219
				Zimbabwe	2001	565	12462879

Sources: WVS and WDI population statistics.

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About the Paper

Glenita Amoranto, Natalie Chun, and Anil Deolilakar examine key determinants of class status and the relationship between class status and more progressive values. They find that class status is largely determined by factors related to higher incomes, but is highly divergent among regions. In general, higher class status is significantly correlated with more progressive values that likely contribute to higher economic growth. However, the middle class appears to have a greater role in political activism compared to the poor and upper classes, indicating that the middle class may be especially crucial in demanding greater political accountability. Thus, policies raising one's class status through education and better jobs are likely important to creating a society with more progressive values that can contribute to higher economic growth.

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ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than $2 a day, with 903 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

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