The Cold Truth about India's Income Inequality

What is the issue?

The latest edition of the World Inequality Report has confirmed that the world continues to run down the path of inequality.

What is the status of India's inequality?

- As per the **World Inequality Report**, in global level, the top 1% took 38% of all additional wealth accumulated since the mid-1990s, whereas the bottom 50% captured just 2% of it.
- India's middle class is holding 29.5% of the total national income, compared with the top 10% who own 65%.
- As per the recent **Multi-dimensional Poverty Index prepared by Niti Aayog**, one in every four people in India was multi-dimensionally poor.
- The Nobel laureate economists, Abhijit Banerjee and Esther Duflo said that India is now among the most unequal countries in the world.
- The gap between the top 1% and the bottom 50% is wider for India than the United States, the United Kingdom, China, Russia and France.

To know more about the World Inequality Report 2021, click here

What is the pattern of inequality over the years?

- **During Independence**- In the Nehruvian years and after that too, a bid was made to battle the basic absence of social democracy in India, but it remained confined to States and regions.
- The Five Year plans contributed to reducing the share of the top 10% who had 50% of the income under colonial rule to 35%-40% in the early decades after Independence.
- **During economic reforms**- Since the mid-1980s, deregulation and liberalisation policies have led to the top 1% majorly profiting from economic reforms whereas the growth among low- and middle-income groups has been relatively slow.
- The income of the bottom 50% in India grew at the rate of 2.2% per year between 1951 and 1981, but that the growth rate remained exactly the same over the past 40 years.
- **Post-2014**- India seems to have got into a phase of an even greater reliance on big business and privatisation to fix economics and the latest World Inequality Report concludes that the bottom 50% share has gone down to 13%.

What flaws can be attributed to this?

- **Moving away from secularisation**-The Union government's now-stated policy to prioritise members of one religion and one language, has severe economic consequences widening the income inequality.
- **Reverse modernisation**- By choosing to reverse the idea of modernisation, linking religion

firmly into the public sphere, trying to unmake the modernity, we may be setting ourselves on a narrow path that nations in the world have already arrived at.

- **One size nation**- The quick descent into a one size nation does not fit its much diversity. The state is now fanning systems and principles to further inequalities.
- **Denial of equality**- B.R. Ambedkar had issued a grim warning in 1949 that if we continue to deny social and economic inequality for long, we could blow up the structure of political democracy.

Reference

1. https://www.thehindu.com/opinion/lead/the-cold-truth-about-indias-income-inequality/article38050949.ece

