

# Why this fuss about income inequality?

India has always had income inequality. In the past, it housed a large swathe of the world's poor, and now it also houses some of the world's richest, and many in between. This columnist, a homegrown, non-economist people researcher, struggles to understand the expectation that moving from socialism to capitalism should have decreased income inequality, despite the starting point of a steep pyramid on income and human development parameters.

After 1991, a smaller group with skills, assets, education and enterprise, set free with the world as their oyster, seized the opportunity and made quantum leaps in income and wealth. A much larger group, with lower income and poor skills were — and still are — not equipped to make a big income and social mobility leap. However, their incomes did not stagnate or deteriorate and their quality of living did improve. There has been a significant increase in the quality and quantity of public amenities, though far from enough for the size of the country. Obviously, there are miles to go before victory can be called. But is a part of the answer to the question that visiting foreigners invariably ask about widening income inequality and visible wealth causing social tension to spill out onto the streets?

The rest of the answer, as always in India, is that God is in the details and that People India has its own logic that bears listening to.

The rich club today is pleasantly more inclusive than it was in the 1970s. In addition to mega-inheritor industrialists, there are equally large first generation industrialists, IT czars, startup prodigies with modest education who sold their companies for billions, stock option CEOs with well-positioned companies in a booming stock market, sports star in IPL, whizz financial investing professionals, and more. And then there is a huge inequality even among the rich. According to the latest Hurun

report, there are 271 billionaires in India with a combined wealth of \$1 trillion. One of them has 11.5 per cent of this wealth and another has 8.6 per cent, so less than 1 per cent of billionaire India has 20.1 per cent of its wealth. Of course, 271 dollar billionaires is a big deal as billionaires go, but it is a nano fraction of India.

This phenomenon of professionals and first-generation wealth creators is noticed and admired, serving as inspiration and aspiration for many young people from very modest-income homes. They say in focus groups that unlike earlier, you don't have to be born right, people with smarts and talent are making it super rich too.

A research article available online at *PNAS.org* titled "People are more tolerant of inequality when it is expressed in terms of individuals rather than groups" holds some clues as to why we struggle socially with caste-based inequalities more than with individual inequality. It observes that "the success of individuals at the top can also seem more inspiring and exciting than success of groups...the sense of awe that sustained individual success tends to inspire".

Of course, in India, every narrative will have an opposite one, which is also true. The narrative of envy and anger that Booker winner Aravind Adiga so chillingly writes about in his book, *The White Tiger*, is also evident. But it is safe to say that aspiration for one's own progress in life is the more dominant societal theme than the envy of the haves. People tell us they want their family's quality of living to improve, social mobility through better skills and education for their children, and better jobs with higher income and more predictability.

A canny politician described this as "sweating your mind not your body". Expectations are pragmatic, graded and focused on themselves. If there

is visible and continuous improvement for me and/or my peers, then there is less chance of discontent spilling on the street, even if the 271 billionaires become 500 trillionaires.

A *Bloomberg* comment on this new report on inequality in India poses this question to political scholars: "Why would 1 billion voters prefer to make the rich even richer, given the odds stacked against them? What's the incentive?"

What's in it for them is the steady improvements in their day to day living and their experience of the opposite of what inequality is supposed to do, which is to increase the power of the rich over the poor. Polling agency C-Voter data shows: 18 per cent say the country is moving forward but not my life; another 15 per cent say that my life and the country are doing badly, while 62 per cent say that the country is moving forward and my life too. Sixty per cent feel that their living standards will improve in the next year, while 11 per cent say it will deteriorate.

Digital *moksha* has decreased power distance for many in so many ways, making access and service status blind — whether it is gas cylinder refills, money transfers, Covid vaccine (a big one), or access to cash benefits without the indignity of middlemen. Much has been said about how this operates, and undeniable progress has been achieved. As long as low-priced smartphones and cheap data rates prevail, the juggernaut gathers speed and life does get easier.

There is still a huge gap between aspiration (what I want for myself and my family) and opportunity/access for decent education, health care and employment — more so, in some parts of the country than others. It is this gap that needs constant monitoring and fixing more than the gap between the rich and the poor.

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*The writer is a business advisor in the area of customer-based business strategy. Her forthcoming book is titled Lilliput Land: How Small is Driving India's Mega Consumption Story; [www.ramabijapurkar.com](http://www.ramabijapurkar.com)*



RAMA BIJAPURKAR