

Income inequality in India

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The period since the neo-liberal economic reforms were introduced in India, has been one of dramatically increased income inequality. This will come as no surprise to most people. After all, you need only to look out onto the streets, to see the enormous increase in conspicuous consumption by the rich and even the urban upper middle income groups, and also to see side by side how the lives of the poor have become even more vulnerable and precarious.

But the NDA government is trying to persuade us that this is all a mirage and that actually all Indians are much better off than ever before. They are systematically trying to manipulate even the official statistics of the country, in order to push this completely false line. The fact that this will end up destroying the statistical system of the country, which was earlier one of the most impressive in the developing world, seems to be of no concern to them. And in the process, they also seem to believe that by distorting the presentation of facts, they can somehow make the facts themselves change.

Consider the changes that have already been made in the methods of collecting and organising official data, simply in order to "dress up" the data to show much greater prosperity for the majority of the population and less poverty, when the reality is quite the opposite. The National Sample Survey Organisation had been conducting surveys which indicated, up to 1998, relatively flat consumption per person as well as no decline in poverty.

This was clearly an uncomfortable outcome for the ruling powers, who have put all their stakes in the process of neo-liberal reform. Therefore, there was a dramatic revision of poverty figures in 1999-00, and the National Accounts data were also revised to show higher growth of rural incomes.

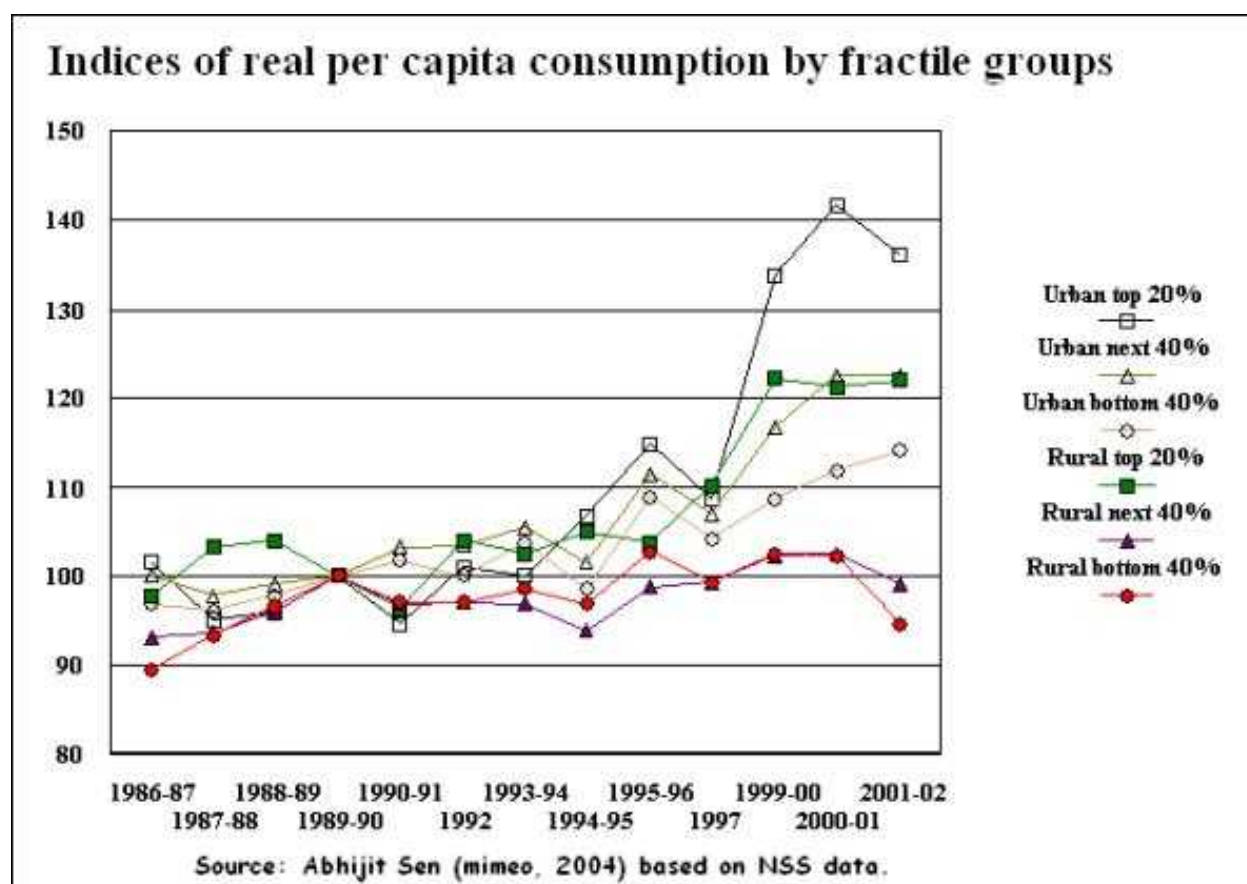
In the National Sample Surveys, a change in survey reference periods led to much lower reported inequality. As a result, although 9 surveys from 1989-90 to 1998 had shown no poverty reduction, the 1999-00 survey reported 10 percentage points reduction in the poverty ratio!

Further, the revision of National Accounts more than doubled the estimates of production of fruits and vegetables – for which there are no reliable data on which to base the estimates! As a result, although the official index numbers of agricultural production show stagnant or declining per capita production since 1996, the National Accounts data show over 1 percent growth per year.

All these statistical changes were seen to be necessary for various reasons. In India, the middle classes were sought to be reassured that inequality was not increasing as a result of the reforms. Abroad, this was sold as showing benefits of globalisation did percolate down to the poor.

But even the attempts to massage the official data to serve official purposes, cannot completely conceal a much more stark and depressing reality. The truth is that while a minority of the population (around 20 per cent) has indeed benefited greatly from the economic policies and processes of the last decade, for the majority of the rural population and a significant part of the urban population, things have got worse.

This comes out very clearly from the statistical work done by Abhijit Sen of Jawaharlal Nehru University, New Delhi, in calculations based on the NSS data. The basic results of his work are displayed in the chart, which shows the per capita consumption by different groups in rural and urban India since the late 1980s.



This chart may appear a little confusing, but actually it shows some very clear trends in terms of which sections of the population have benefited and which have lost out from the years of economic reforms. The most dramatic and remarkable improvement in consumption has been of

those who were already the richest people in India – that is the top 20 per cent of the urban population. Their per capita consumption has increased by around 40 per cent since 1989-90, and this increase is likely to have been even more in actuality since the NSS usually underestimates the consumption of the rich.

This is the highest and most rapid increase in the consumption of the rich that has ever been recorded in India. No wonder our rulers think India is shining, because obviously the people they meet most often have never had it so good in material terms.

The other group that seems to have done rather well is the top 20 per cent of the rural population – the rural rich – whose per capita consumption increased by more than 20 per cent since 1989-90. This was similar to the increase in consumption among the next 40 per cent of the urban population.

By contrast, the bottom 40 per cent of the urban population relatively little increase in per capita consumption compared to these other groups, at only around 14 per cent since 1989-90.

But the most dramatic evidence is for the bottom 80 per cent of the rural population – well more than half of India's total population. For these people, who now number nearly 600 million, per capita consumption has actually declined since 1989-90. In other words, even the official statistics of the government still show that more than half of India has lower consumption per person than more than 10 years ago, after a decade when national income were supposed to be growing at around 6 per cent!

All through history, sharp increases in economic inequality of this order of magnitude, have been associated with massive social unrest, and even with cataclysmic changes in society. This makes the coming national elections even more notable, because it must be the case that such huge economic changes will reflect in some way in voting patterns as well.