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A New Dawn? Can India Reverse Its Staggering Inequality?

By: Harsh Mander

How long will India's working people live with a policy regime that concentrates unimaginable levels of wealth in a few hands and leaves millions of people struggling for food, healthcare, decent schooling, work, and pensions when they age?

India is a staggeringly unequal country. The shock of the pandemic years revealed starkly the catastrophic consequences of this inequality for the survival with dignity of India's disadvantaged millions.

No wonder, then, that the *World Inequality Report 2022* observed that “India is among the most unequal countries in the world, with rising poverty and an ‘affluent elite’.” This elite benefit from both inherited wealth and inherited caste status. At the other far end, historically disadvantaged groups are trapped hopelessly in inter-generational poverty – women, the Scheduled Castes and Scheduled Tribes, persons with disabilities, and informal labour.

Yet, even the shame and tragedy of hundreds and thousands of preventable deaths during the pandemic have not spurred any policy correctives. On the contrary, if there was one political message that the latest union budget carried, it was that India's poor are socially and politically dispensable.

This was the last full budget of the union government because the ruling Bharatiya Janata Party (BJP) goes to the polls in the 2024 general elections. Against the backdrop of calamitous human suffering during the pandemic, the general slowdown of the economy, and the highest levels of unemployment that the country has witnessed in decades, it was reasonable to expect at least token symbolism in the budget announcements for jobs, income protection, healthcare, and social rights for the large numbers of farmers and the working poor. But there was none of this.

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The political message of this budget is unmistakable and deeply worrying – that being seen to improve the lives of the poor is not salient for electoral success. The ruling party is confident of being voted to power without signalling any commitment to significantly securing healthcare, education, pensions, and decent work and wages to the masses of people in the bottom half of India's wealth and income pyramid.

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It is reasonable then to assume that India's spectacular inequality will only widen further. Oxfam India's latest inequality report, titled *Survival of the Richest: The India Story*, starkly and boldly draws the contours of India's growing inequality, with evidence that the already immense chasm between the rich and the poor is further widening.

Following the pandemic, it finds that the bottom half of the population has continued to see its wealth “chipped away.” In the immediate impact of the Covid-19 lockdowns, by 2020, their income share had fallen to only 13% of the national income. And they owned less than 3% of the country's wealth.

By stark contrast, the top 30% owned more than 90% of India's total wealth. The wealthiest 10% owned 72% of the total wealth. The top 5% owned 62% of the total wealth. The top 1% owned 40.6% of the total wealth in India. This was more than 13 times the wealth owned by the bottom half of society. This also means that around half of the wealth of the top 10% is mostly owned by the top 1%.

The total number of [billionaires in India](#) increased to 166 in 2022 from 102 in 2020. The combined wealth of India's 100 richest people (mostly men) was Rs 54.12 lakh crore. The wealth of the top 10 richest stood at Rs. 27.52 lakh crore – a 32.8% rise from 2021.

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The astronomical swelling of the wealth of the Adani group chairperson Gautam Adani is particularly instructive. At a time when 97% of Indians became poorer, [his wealth increased eight times just during the pandemic](#), and then nearly doubled to Rs 10.96 lakh crore, according to Forbes in October 2022. He crashed into the exclusive club of the world's richest men, becoming for a while the third richest man on the globe. [Development economist Jean Dreze calculated](#) that if 100 workers worked at statutory minimum wages, it would take a million years for them to earn what Adani accumulated in the pandemic years.

But while Adani raced past all the others, he was not alone in his rise. The wealth of the then-erstwhile richest Indian, Mukesh Ambani, rose during the pandemic by 72% (Dutta and Sardar 2021). He added Rs 90 crore to his wealth every hour. Oxfam India calculated that it would take a casual worker 10,000 years to earn what Ambani earned in an hour (Dutta and Sardar 2021).

During this period, billionaires like Shiv Nadar, Radhakrishnan Damani, and Kumar Birla also added more than 20% to their wealth. Cyrus Poonawala, chairperson and managing director of the Cyrus Poonawala group (who infamously declared that a pandemic was a time to make super-profits), accomplished a 91% rise in his wealth from 2021 onwards (Mahendru et al. 2023). It is telling that apart from the manufacturing sector, the largest numbers of Indian billionaires are in health and pharma.

At the other large end of the wealth spectrum, the country still is home to the world's highest number of poor people, at 228.9 million (Mahendru et al. 2023). This poverty is entrenched and hopeless, more so because in an era of unbridled food and fuel inflation and the gravest health crisis of a century, the poor are even more vulnerable to rising food and energy prices and to catastrophic health expenditures.

Oxfam India reports that the median wage of the country is just enough to provide for the most basic of sustenance and losing a week's income could push a lot of people to the brink of starvation. The Oxfam India report further quotes official data that reveals that 65% of deaths amongst children under the age of five in 2022 were a result of malnutrition and malnourishment. The number of Indians who slept hungry rose from 190 million in 2018 to 350 million in 2022.

[Amartya Sen once remarked that India and China](#) might display similar levels of inequality, but the “penalty” of inequality is much greater in India than in China (2013). This is because if I subsist at the bottom 10% in China, I can still reliably depend on a state hospital to treat my daughter satisfactorily when she falls ill, and to send her to a good quality public school. I have little such assurance at the bottom of the wealth heap in India.

The enormity of this penalty became evident during the Covid-19 pandemic and lockdowns.

People were asked to stay locked in their homes and to work from home. But nine out of 10 workers in India are informal workers, mostly engaged in precarious forms of employment with no security of tenure, very far from fixed and decent wages and legal or social protection. The most vulnerable amongst informal workers are daily wage workers. The National Crime Records Bureau (NCRB) reports that, on an average, 115 daily wage workers died by suicide every day in 2021 (Mahendru et al. 2023).

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People were instructed during the lockdown to maintain a 'social distance', but six out of 10 Indians live in one room or less, making it impossible to maintain any distance. Likewise, people were advised to wash their hands regularly. But, just four years ago, a billion Indians did not have access to piped water supply, and only one in five to toilets.

Turn now to access to affordable healthcare. Even in normal times, more than 17% of households incur catastrophic levels of health expenditures every year, which impoverishes almost 55 million people (Selvaraj et al. 2022). This is aggravated by very low public investment in public health infrastructure and services. As Oxfam India reports, India has just five hospital beds for 10,000 persons.

The inequalities are even greater in the large countryside. Only 31.5% of hospitals and 16% of hospital beds are situated in rural areas, where 75% of the population lives. To top it all, 21.8% of rural primary health centres have no doctors, and, in 2021, 67.96% of community health centres had no specialist doctors.

The decision to impose one of the world's harshest lockdowns with one of the world's smallest relief packages in one of the world's most unequal countries could have led to an even more tragic humanitarian crisis. But it did not, because of legal guarantees of work (through the Mahatma Gandhi National Rural Employment Guarantee Act, which guarantees 100 days of work to any rural family that demands work); and of food (through highly subsidised food grains to 800 million people, as well as cooked meals for school children and pre-school feeding).

These were created as social rights by the earlier government, but openly mocked and decried by the prime minister and his cabinet colleagues. A reluctant union government was later nudged into distributing free food grains by interventions in the Supreme Court. Yet it was these safety nets and court rulings that saved millions of people from far greater tragedy.

As I stated at the opening of this paper, the horrors of the pandemic, mounted on the consequences of years of policies that further widened India's unconscionable levels of inequality, have still not spurred the Indian government to even address inequality.

I would then insist on comprehensive labour law reform, to ensure that all workers are registered, assured job security and decent wages, and social security.

The question can legitimately be asked: what can the union government do to reduce inequality and the suffering of millions of working people? Spurred most by the mass tragedy of the pandemic, at the top of my wish-list would be a massive expansion of budgetary allocations to public healthcare provisioning, with a central focus on building primary and secondary health services. Never again should tens of thousands of people be allowed to die simply because they had no access to public health services.

I would then insist on comprehensive labour law reform, to ensure that all workers are registered, assured job security and decent wages, and social security. I would further strengthen the rural work guarantee, and, in parallel, introduce an urban work guarantee.

We would also urgently have to closely interrogate an economic model that concentrates incredible levels of wealth in just a few hands but does not create jobs or raise workers' wages. I could go on. But the core reform would be to establish a watertight regime of universal social rights; and to ensure an economic model that creates decent work opportunities and affordable and equitable public services for the millions.

Oxfam India fittingly tops its demands with taxing the super-rich. It observes that taxation in itself can contribute to either exacerbating or mitigating inequalities. The present tax structures are markedly regressive and anti-poor.

Before the pandemic, in 2019, the union government had reduced the corporate tax slabs to 22% from 30%, with newly incorporated companies paying an even lower percentage (15%). This, Oxfam India points out, significantly resulted in the 10% downward revision of tax revenue estimates in 2019–20. To fill its revenue gap, the government turned not to the rich, but to the Goods and Services Tax (GST), which it hiked alongside excise duties on diesel and petrol. At the same time, it cut down on exemptions.

Oxfam India calls instead for taxing the net wealth of the top 1% on a permanent basis, with higher rates for millionaires, multi-millionaires, and billionaires.

In other words, the government reduced direct taxes, especially on the super-rich, and instead upped indirect taxes in GST and fuel. In addition, there were a host of tax exemptions and incentives to corporates, resulting in revenues foregone of more than Rs 1 lakh crore.

Oxfam India underlines that failing to tax the rich is not just a “missed opportunity to reduce inequality – it actually worsens it, as governments must resort to taxing the rest of society more, or cut spending on health, education and other public services, and social protection that support the reduction of inequality”.

Leading economist Jayati Ghosh perceptively observes that the other side of the massive increase in private wealth has been a conspicuous decline in public wealth; and that this results in further inhibiting government spending, which derives from returns from public assets.

Patnaik argues that such a tax regime is critical for the preservation, and indeed the deepening, of democracy. The government, he observes, has been distributing corporate tax concessions and matching such concessions with cuts in spending. ... This, he insists, must be reversed.

Oxfam India calls instead for taxing the net wealth of the top 1% on a permanent basis, with higher rates for millionaires, multi-millionaires, and billionaires. A complementary measure for reducing inequality would be to ease the tax burden on the poor, by reducing GST slabs on essential commodities and raising taxes on luxury goods. A robust wealth tax would make the very top of the wealth pyramid contribute the resources that are needed to ensure education, healthcare, and social protection for all.

Let me end with the powerful case made by one of India’s most respected economists, Prabhat Patnaik, for taxing the super-rich in a contribution to the *India Exclusion Report*, published annually by the Centre for Equity Studies, New Delhi (Patnaik is also a Distinguished Fellow of the CES).

Patnaik argues that such a tax regime is critical for the preservation, and indeed the deepening, of democracy. The government, he observes, has been distributing corporate tax concessions and matching such concessions with cuts in spending. These “undermin(e) democracy by increasing the economic clout of big capitalists,” and perversely reduces aggregate demand, dampening private investment. This, he insists, must be reversed.

There are two reasons that Patnaik puts forward to show why taxing the super-rich is essential for democracy. First, democracy requires keeping wealth and income inequalities in check, because “growing economic inequality eventually subverts political equality as well.” Second, he makes a compelling argument for securing a set of universal socio-economic rights, in addition to the existing political rights, because these are essential if we are to “provide every person in society with the material basis for a secure and meaningful life.” Both these requirements, he establishes, could be achieved by taxing the super-rich to finance a rights-based welfare state in India.

Is it likely that any of this will happen? Will governments actually choose to tax the super-rich to rein in inequalities? And to fund a regime of universal social rights for all people, including affordable healthcare, quality education, and the right to decent work, along with disability and old-age pensions?

Given the political economy of the country today, this sounds a most unlikely dream. But we have tried to argue that it is far from impractical – it is entirely feasible in principle.

How long will India’s working people live with a policy regime that concentrates unimaginable levels of wealth in a few hands and leaves millions of people struggling for food, healthcare, decent schooling, work, and pensions when they age?

In my days as a college student, we often sang lustily of our certainty that there would be a new dawn someday. Once again, decades later, I am compelled to sing again thus by both the moral and economic imperatives of this new dawn.

Woh subah kabhi to aayegi (That morning will indeed rise some day).

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