

Wealth Inequality and Elites in India

Surinder S. Jodhka and Vamsi Vakulabharanam
(*Indian Wealth Inequality research group coordinators*)

**Concept Note for the Indian team in the Collaborative project on
Wealth Inequality in South Africa, Brazil and India led by SCIS, WITS**

I. **Motivation:**

The common social science approach to the understanding of the contemporary Global South has been through looking at the changing status of their poor and marginalized populations; the processes of their mobilities into middle-class locations; the migration of workforce from rural/agrarian economy to urban industrial/service economies; and more recently, the nature of economic disparities, with a primary empirical focus on the poor and the middle classes. The rich and wealthy, or the trajectories of change taking place in their social composition, their political power or the consolidation/disintegration of their economic empires have been less popular areas of research. The rich and wealthy, like other sections of the elite, are also harder to access and explore. However, this does not make them any less significant. While the poor and middle-class locations tell important stories of social and economic inequality, they certainly do not tell everything. Further, inequality is not simply an economic process, of difference between the holder of the top 1% or 10% and the bottom 50% or 70% of the income bracket of given population or a country. As the emerging literature on the subject is increasingly showing, inequalities are shaped historically and sociologically. They, thus need to be approached using a political economy and multi-disciplinary frame, which combines different aspects of the process.

India has often been described as a land of contradictions. This is perhaps most evident in the sphere of wealth and its economic disparities. Despite its rapid economic growth over the past 30 years or so, India remains a country with the largest number of chronically poor in the world today, higher than that of sub-Saharan Africa. Its rank in the UN scale of human development remains among the lowest, below 125, with very little change over the past 20 or 30 years. However, India has the distinction of having the 4th or 5th highest number of dollar billionaires in the world today. Even while the number of precariat has been rapidly growing due to the global pandemic since the early 2020, India's rich have been doing spectacularly well. The two richest Asians in early 2021 were from India.

Who are the wealthy Indians? What kinds of wealth do they own? Have their numbers been expanding or shrinking over time? What have been the sources of their wealth creation? What kind of social backgrounds do they come from? Have they become more diverse over time in terms of their social or ethnic background? We propose to look at the **processes that produce, expand/dissolve and reproduce the extreme concentration of wealth (or extreme ownership of assets) in the context of the institutional and social structures in India.**

II. A Brief Overview:

a. How did private Indian wealth evolve during the colonial period?

Land inequality in rural areas and inequality of land, buildings and capital in urban areas was already in place by the end of colonial period. In a background note/piece to the overall study, we wish to throw light on cultures of wealth concentration, the role of institutional processes like customs and laws, caste and kinship practices, and the ways in which state and society came together in establishing and deepening wealth inequality prior to independence.

In the popular Western imaginations, India had long been viewed as a land of the “other-worldly Hindus”. It was not only Max Weber who popularized such a view in his comparative study of religion and development of capitalism, its origins lay in the orientalist framings of the region and the colonial representations of India as a land of self-absorbed, autonomous, and never changing village communities. Even Karl Marx took the writings of the British colonial administrators to be valid empirical facts about the region. Wealth in the region presumably was all held by the rulers, who had little to do with the local communities, and hence effectively all “outsiders”. The narrative on inequalities in such writings tends to emphasize on the obsessive pre-occupation that the Hindus of the region had with ‘status’, which manifested itself in the rigid hierarchies of caste, a system that valued only the ‘ritual status’ and nothing else.

This was indeed not the case, as later historical writings have clearly shown. Such a view of pre-colonial India has been unanimously rejected by the historians of pre-colonial India. Private customary rights in land existed in the region long before the British introduced formal ownership titles starting with the Cornwallis settlement in 1793. More recently, sociologists and historians have also been revising the popular Hindu-religion centric theories of caste and pointing to its obvious materiality, in the past and in its contemporary modes of reproduction. The social life of village in the region was as much shaped by material processes as it was by culture. Caste too underwent significant changes as the economies of individuals and communities changed. Even a process like Sanskritization had to be preceded by economic mobility of the community, as M.N. Srinivas argues.

However, the two centuries of the British colonial rule did produce significant changes in the social, economic and political life of the region. It transformed many disparate regions into an integrated territorial and administrative unit. It also unleashed many economic processes and laid the foundation of capitalism. Although its land revenue systems produced misery and under-development of agriculture, they also produced a new category of wealth owner in many parts of rural India: the landlord-moneylender. Even though a large volume of the wealth created in the region was drained out of India by the British rulers, it did produce new classes of wealthy Indians: landlords, professionals, and capitalists.

b. Nehruvian Period (1947-80s): Mix of State and Private Capitalist Dynamics

For the period prior to 1980s, we intend to dip into secondary literature that throws light on the newer processes that deepened wealth inequality during the post-independence period. Independence from the colonial rule marked an important shift in the history of wealth and power in India. The post-colonial ruling elite initiated a new form of economic policy with state playing

an important role in the domain of economic growth by directly investing in select areas, leaving a significant segment of the economy to the private sector.

Four new processes contributed to growth of wealth inequality in the immediate post-independence period apart from the deepening of the processes that were already in place. First, in rural areas, those that had significant landholdings and access to relatively inexpensive capital were able to consolidate their position at the expense of small landholders and landless workers. The policy of land reforms was largely a failure unlike in the neighbouring East Asian region. Merchant and moneylending classes continued to consolidate their position at the expense of indebted small landholders. Second, in urban areas, the fledgling capitalist class that was able to obtain significant concessions from the state, and the professional classes that were able to secure formal employment and consolidate themselves. Third, those groups that were able to secure contracts from the state in construction or other areas because of their proximity to the state. Fourth, the relatively large players that emerged in the informal processes of real estate and finance, although these groups would really consolidate themselves in the post-1980 period of a business-friendly environment, economic liberalization and reforms.

c. Post-1980s, Neoliberal Capitalism

Along with the above two sets of processes, the post-1980 period witnessed the emergence of new classes of wealth owners that consolidated their position.

The first of these are agrarian elites that brought their wealth to urban areas and began to participate in the rapid accumulation of urban wealth holdings.

A second group emerged from professionals and business owners that entered new rapid growth sectors such as IT, Pharma, Construction, Real Estate, Finance etc. There has been an emergence of a state-business nexus that aided the wealth creation of certain groups and individuals that have maintained close ties with the state at various scales.

In the top decile of the wealth distribution, there has also been a consolidation of housing wealth by professionals in cities or those that migrated abroad in search of professional employment in sectors such as IT.

All these above groups have consolidated their wealth in terms of rural landholdings, urban land and buildings, and financial options (e.g. stocks and bonds). They have mostly come from privileged caste backgrounds and elite class status, although there has been an expansion of elites with the entry of agrarian rich, who moved to urban areas. This new consolidation of wealth was largely urban-centric and concentrated in the greater city regions of Mumbai, Delhi, Bangalore, Chennai, Hyderabad, Kolkata and city regions of Gujarat and largely from other Western, Northern (around Delhi) and Southern states of India.

III. Broad Research Questions:

(a) Mapping Wealth Temporally (Regimes of Capitalism):

Marking the major turning points.

How has private Indian wealth evolved during the colonial period?

What was the nature of its expansion during the Nehruvian period, from 1947 to 1980s?

How did it change during the post-1990s period, after the economic reforms and increasing globalization?

Changes in the high growth sectors over time and production of wealth.

(b) Spatial and Social Mapping (Regional and Social Varieties of Accumulation):

Spread of wealth across regions of India.

Changing locus of wealth in terms of rural-urban spatiality.

Changing dynamics of wealth possession across social groups: caste, religious communities; ethnic groups.

Wealth cultures across social groups.

(c) Wealth and Politics:

How does wealth interact with processes of electoral politics? This could be direct, through electoral participation; or indirect, through electoral funding. Its changing dynamics over time and across regions.

(d) Changing Nature of State-Business relationship:

A study of political rhetoric articulated through election manifestoes and participation of the members of political class in business platforms, such as ASSOCHAM and FICCI.

At a second level, this would entail a review of the changing laws and state policies towards businesses during the post-1947 period, particularly after the 1990s.

(e) Reproduction, Expansion, Shrinking:

Our primary focus will be to explore the challenges the new entrants encounter and strategies they deploy in their journey. Also, how does the 'old' wealth reproduce itself? We hope to also highlight processes of wealth decaying or shrinking by looking at individuals/families who have gone down over the past 30 years or so.

IV. Methods and Process

We hope to explore all available and accessible sources of data, quantitative and qualitative.

a. Quantitative:

Existing Surveys: We will focus on existing wealth surveys (e.g. All India Debt and Investment Survey).

Listing of Individuals: We will try to prepare a comprehensive list of large wealth owners, individuals and families, nationally as well as in the focus regions of the study. This list should give us an estimate of their economic class and spread. We will use sources such as Forbes India, Credit Suisse data and Oxfam billionaires report.

Administered Survey: The listing will provide us a universe of big wealth owners. We hope to undertake a multi-respondent/ multi-source survey of a select number of wealth owners with a semi-structured schedule. The schedule would have a range of variable, quantifiable as well as qualitative.

b. Qualitative:

Case Studies: extending the survey schedule, we hope to identify a few case studies from each select regions, around 4 to 5, and explore their life histories with our research questions in minds.

Popular culture: We hope to collect qualitative data reflecting wealth cultures across regions and communities. This would include (but will not be confined to) the imaginations of wealth in popular culture, stories, cinema, music etc. We will look for both positive as well and negative stories.