

World's most extreme inequality increase in India

Syllabus-GS 2: Issues relating to Poverty, Hunger & Inclusive Growth

Why in news:

- ❖ India stood out in terms of income and wealth inequality, claimed the **World Inequality Report 2022**.
- ❖ The report comes after the maiden year of a pandemic that has disrupted the world economy and, for the first time in many decades, **pushed up the rates of extreme global poverty**.

More findings regarding India:

- ❖ Per capita annual earning of the bottom half of the country's population was Rs 53,610. Someone among the top 10 per cent earns, meanwhile, **made 20 times that amount**.
- ❖ The **top 1 per cent held more than a fifth of the national income** while the **bottom half accounted for a mere 13 per cent** — and this share has been reducing for some decades.
- ❖ According to the *World Inequality Report 2022* released on December 7, 2021 by The **World Inequality Lab**:
 - ✚ “Since the mid-1980s, **deregulation** and **liberalization** policies have led to one of the most extreme increases in income and wealth inequality observed in the world. **India stands out as a poor and very unequal country, with affluent elite.**”
 - ✚ Countries like **China and India saw a faster increase in private wealth than rich nations after they abandoned the regulated economic models** and adopted the free market.
- ❖ India's wealth distribution also signals how fast inequality is growing. A household here, on average, had wealth worth Rs **983,010**. But the general wealth held by the **bottom half** was at Rs 66,280. That's **just 6 per cent of the Indian average**.

World worse off:

- ❖ The **world's richest 1 per cent now control more than a third of global wealth** generated since the 1990s. In fact, the number of billionaires rose to new records in 2020 — the year of the pandemic.

DO YOU KNOW

Gini Coefficient:

- **Gini coefficient**, is a measure of demographic distribution with the aim of projecting the income of a nation's populace.
- The Gini coefficient is the most commonly used estimation of inequality.
- A value of **0 indicates perfect equality** (where everybody has the same wealth/income) and **1 indicates perfect inequality** (that is, where one person owns all the wealth in a country).
- As per the World Bank, India's Gini Index is 35.2 (0.35) as of March 2020.
- Currently, though, **it is estimated to be close to 0.50**, which is the highest value to date.

- ❖ The other worrying aspect is the **huge imbalance between wealth and income levels**.
 - ✚ Wealth is the capital or assets that an individual or country holds now and that the next generation will inherit. Income, on the other hand, is the flow of money for an activity.
 - ✚ The level of wealth held often decides the capacity to increase the level of income earned. Global wealth was around 510 trillion euros (\$575.5 trillion) in 2020, about 600 per cent of the global income level. This ratio was just 450 per cent in the 1990s.
- ❖ Those born today will inherit a world that has never been more affluent. But it is also a highly unequal world, and the **gap between the haves and have-nots will further widen** as they grow up.
- ❖ The first thing the inheritor will realise is that **nearly half of the world's population has neither the wealth nor the capital** necessary for a decent life.
- ❖ Next, the person would find that his or her country is richer than it has ever been. But the **government, after going on a privatisation spree for decades, is poorer and holds fewer assets**.
 - ✚ The share of **wealth held by public actors is close to zero or negative in rich countries**, meaning that the totality of wealth is in private hands.
 - ✚ This means the *government is also deprived of adequate wealth or capital to meet an economic shock like the one caused by the novel coronavirus disease (COVID-19) pandemic*; it is forced to borrow from private sources, adding to the inheritor's debt.
 - ✚ According to the report, there has been unbridled inequality in both income and wealth with the rise of **democracy, economic liberalisation** and the **free market**.
 - ✚ The remainder, on the other hand, has become richer: **It owns more wealth and earns more income than the country itself**.
- ❖ To put it in perspective, **global wealth is now concentrated in the hands of a few private individuals**. They have, effectively, become the **economic rulers** of the world.
 - ✚ Such a situation also prevailed in the early 20th century and the periods before it, when western imperialism was at its peak and democracy was not as widespread.