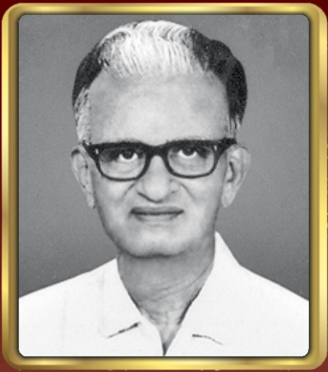

MALCOLM ADISESHIAH
(1910-1994)

2021

Malcolm Adiseshiah Memorial Lecture

UNDERSTANDING INEQUALITY

Reetika Khera
Associate Professor (Economics)
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Understanding Inequality

Reetika Khera*

I was delighted to hear that I had been awarded the Malcolm Adiseshiah award and honoured to learn that my work had received the attention of the committee. It is a pity that the pandemic has meant that the lecture cannot be delivered in person. Reading about Professor Adiseshiah, one feels a great debt for his many and wide-ranging contributions, not merely as an academic scholar, educationist or policy person but also as an institution builder. Most of all, his role as a concerned citizen is inspiring.

I have chosen to focus on inequality for this lecture, though earlier awardees have spoken about it. To my mind, it is the most pressing concern of our times—and the fact that earlier awardees too have chosen to focus on it underlines its persistent nature and suggests a lack of intent in searching for remedies.

There is some evidence of both an aversion to inequity and a universally shared sense of fairness. In experiments with capuchin monkeys, Brosnan and de Waal (2003) found that when two of them are given the same reward (a piece of cucumber) for a simple task, both are happy. But when one starts getting a grape instead, it agitates the other, who then demands the same reward. A video of this experiment succinctly captures the possible social and psychological costs of inequality. Remarkably, in a similar experiment with chimpanzees, researchers found that even the one getting the higher reward rejects it

* This lecture draws on earlier work, some of which has appeared in The Hindu, The Caravan, The Economic Times, Feminism in India, Dainik Bhaskar, etc. Much of my research is explicitly or implicitly collaborative. This lecture is no exception. For this lecture, I draw on earlier work with Nirali Bakhla, Jean Drèze, Vipul Paikra and Meghna Yadav. For assistance, I thank Neha Arya, Krishna Priya Choragudi, Devang Garg and Lavanya Ganesh. I received valuable comments from Jean Drèze, Rajesh Jha, Supriya Sharma and Anmol Somanchi.

when it notices that the others are not getting it (Horner, Carter, Suchak, de Waal, 2011). It is a moving expression of solidarity and 'pro-social' behaviour among chimpanzees. Conversely, looking at the rising inequality in India, the ever-widening gap between the rich and the poor—and the manifest apathy towards it—it appears that an 'anti-social' behaviour has been normalized.

One possible reason for the apathy is a poor understanding of the facts of the problem. The first section of this talk attempts to shed light on this. I present data on the scale of economic inequality, measured and evaluated from different perspectives. There is a tight link with social inequality, resulting in significantly different outcomes in other domains as well. These, in turn, affect life opportunities, and consequently the scope for more equal economic outcomes.

In trying to understand its enduring nature, it is helpful to examine perceptions of inequality, to unpack the Indian 'middle class' so as to evaluate their actual class position in India. I believe that the common misperception among them of their class position provides some clues to why we have achieved so little in remedying the situation.

Another reason to revisit the issue of inequality is that the outbreak of the Covid-19 pandemic forced the so-called middle class to finally confront the inequality crisis. For the minuscule minority whose jobs and earnings were secure, the lockdowns were a blessing, even if a mixed one. As they worked from home, they rediscovered old talents, developed new skills: baking, cooking, sketching, gardening and so on. Yet for many of this class, it was disconcerting to see their reality interspersed with images of exhausted, hungry and harassed workers and migrants, suddenly left stranded and taking desperate measures to try and get home.

Yet, the lockdown and the pandemic also provided a boost to the use of inequality-enhancing digital technologies in India. Some of these are sowing the seeds for greater inequality in the next generation (e.g., exclusive reliance on online education resulting in mass educational deprivation). Others – not exclusively the result of the pandemic - need greater attention (e.g., proposed changes in exercise of basic democratic rights such as voting or how digital media can result in a silo-ed existence, hindering a shared understanding of the state of the world). These are discussed in the third section.

In the final section, I turn to what can be done to build a more robust redistributive programme. Historically, governments have played a key role in mobilizing resources for greater redistribution. But in India the dominant narrative today is that there is a lack of 'fiscal room' for stronger redistributive policy action. This narrative has been promoted by the super-rich, but presented as grudging resignation to the lack of fiscal options, when it is, in fact, nothing other than an attempt to preserve—and grow—their own riches and privilege. The rich 'middle-class' are also culpable as they remain silent or actively support this narrative. It is possible for them to control the narrative because they have captured all counterpoising democratic institutions (Parliament, the media, academia etc.). I also suggest that the rise of philanthropy — often advanced as an alternative to the government's redistributive agenda — is another such act of 'self-preservation' by the super-rich. In a sense, the final section presents an agenda for action to reduce these disturbing levels of inequality.

An Unrecognized crisis

In 2019, I spotted an infographic on Twitter that ranked a handful of countries by the number of weeks of paid maternity leave they mandated. It sought to make a case for paid maternity leave in the United States—where, according to the infographic, there was none. India occupied the second spot, with 26 weeks, just behind the United Kingdom.

What struck me was that even though the Maternity Entitlements Act benefits only women in formal employment in the organised sector— less than 10% of employment in India is in the forma sector, and a thin slice of it goes to Indian women—its provisions were being projected as a universal entitlement. In fact, the meagre entitlements for other Indian women—Rs 6,000 per child in cash from the government, under the National Food Security Act passed in 2013—were not operationalised until 2017, when the government notified the Pradhan Mantri Matru Vandana Yojana.

On the one hand, the Maternity Entitlements Act was amended to increase paid leave from 12 to 26 weeks for women in formal employment; on the other, the rights of women covered by the PMMVY were reduced—instead of providing Rs 6,000 per child, they would get only Rs 5,000 as a maternity benefit, over three cash instalments and for the first child only. For perspective, for someone in my kind of privileged employment, teaching at a public university, the analogous compensation for a full 26 weeks of maternity leave would be at least a hundred times the amount PMMVY provides. Yet when the PMMVY was announced, one reaction from some privileged commentators was that it was a bad idea because the cash benefit would incentivise more births.

The contrast in maternity benefits illustrates a much broader pattern. To be clear, the problem is not that some women in India enjoy world-class maternity benefits, but that the same level of benefits has been denied for so long, even resisted, as a universal right. What sort of society is able to provide more and more for the privileged but grudges every penny set aside for those in greater need? One answer is a society that expects a nanny state for the rich but wants the poor to be *aatmanirbhar*—self-reliant.

Economic inequality

No matter what metric one uses, the levels of economic inequality in India are unacceptably high. The Gini coefficient is a widely used measure of inequality in incomes and expenditures, ownership of various assets, etc. (see Weisskopf, 2011). It is the average difference between all possible pairs of income in the population, expressed as a proportion of the total income. Under-reporting income and under-representation of high-income persons in the data has tended to mean that these estimates are treated as lower limits – inequality may be even higher than the data suggests.

Atkinson (2015) compiled the shares of wages in the GDP of various countries (p. 69). If we compare those numbers with the share of wages in gross value added using Annual Survey of Industries (ASI) data in India, we find that the labour share is very low (less than 14%), compared with over 60% in the OECD countries presented by Atkinson. Further, ASI data show that the share of profits in gross value added has been rising to above 50%, whereas the share of wages has stagnated around 20% in the past 20 years.

Of course, it is possible that even as the share of wages in total income is declining, labour could be benefitting from the rising share of profits in total income if they participate in the ownership of capital (through shares, for instance). However, in India, that is unlikely to be the case. According to the All India Debt and Investment Survey 2018 conducted by the National Sample Survey, only 1% of the rural population, and 1.9% in urban areas owned shares. Weisskopf (2011) reported that the top 10% owned half of the total assets and net worth in 1991-2 and 2002-3 (NSS data). The Gini coefficient for share ownership is .99 and is high for deposits also (.90). Using National Sample Survey data (NSS), Anand and Thampi (2016) estimate that the share of the top 1% in the ownership of all assets in 2012 was 27.6%.

More recent work also suggests that India fares very poorly on inequality: work by Piketty and Chancel (2017) shows that the income share of the top 1% in India has risen from 6% in 1980 to 21% in the 2014-15. The World Inequality Report released in late 2021 also put India among the most unequal countries in the world.

Another look at the top 1%

Pay ratio data has not been studied much in India to understand inequality. Since 2015, a Securities and Exchange Board of India rule requires that publicly traded companies disclose the remuneration to their top management vis-à-vis other employees. The disclosures are mandated under Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Publicly traded companies have been reporting the median salaries of employees and remuneration paid to “Key Managerial Personnel” (KMP).

The median is like an average, which indicates the salary level at which half of the employees earn below it, and half earn above it. If the median is, say Rs. 2 lakhs per year, it means that half of the employees earn less than that.

The ratio of the median to the salary of the top-paid KMP (or, 'pay ratio') is a measure of inequality of pay within the company. A pay ratio of 2 means that the KMP is paid twice as much as the median/middle employee – i.e., if the median remuneration is Rs. 2 lakhs per year, the highest paid person gets Rs. 4 lakhs per year.

In 2020, Meghna Yadav and I compiled these ratios for 42 private companies in the NIFTY fifty list for 2019-20 (the remaining eight are publicly owned companies that are exempt from this disclosure).

Two highlights from our analysis are worth reiterating – the obscene levels of inequality and the lack of diversity among those at the top (discussed later). Even *within* the NIFTY50 companies there is massive inequality in pay. The highest pay ratio is 1:752 – which means the highest paid person gets 752 times the salary of the median earning employee. The annual remuneration in this case was Rs. 84.6 crores – that of Mr. Pawan Munjan at Hero Motocorp. The lowest pay ratio was at Maruti Suzuki, at 1:39. The *average* of these pay ratios is 1:259.

The average median salary in the NIFTY50 is around Rs. 6 lakhs per year, compared the average of Rs. 16 crores for the top paid KMP. These inequalities can only be termed obscene because data from National Sample Survey for 2015 suggest that only 18% of male workers earn more than Rs. 10,000 per month. The median salaries in the NIFTY50 are almost six times this amount.

We also found that in spite of such mind-bogglingly high remuneration for the top paid employee, for 15 companies (out of 37 for which this data was available) the percentage increase in salary of the top paid person exceeded the increase in salary of the median employee! These companies have no commitment to creating flatter remuneration structures.

Did things change due to the economic shock arising from the pandemic? In India, at least some big private players were more willing to lay off employees or reduce their pay than to touch top CEOs. For instance, Infosys reported 'performance-based exits' and the headcount of employees fell by 3000 in the first quarter of 2020-21. Salil Parekh, the highest paid person at Infosys exercised stock options worth Rs. 17.03 crores in 2019-20, which is as high as the remuneration paid to him. The following year, his compensation, inclusive of stock options, increased to almost Rs 50 crore.

Moreover, Meena (forthcoming) who compiles a longer time series of pay ratios, finds that even in the pandemic year, pay ratios remained high; in fact, they increased in 25 companies out of the 41 for whom data is available. The average of the pay ratios increased marginally to 1: 271 (it was 1:259 in the previous year).

Regulations pertaining to pay ratio disclosures exist in other countries – e.g., from 2020 onwards, companies in UK with more than 250 employees are mandated to make pay ratios public. In the US also, the US Securities and Exchange Commission requires such disclosures to be made since 2015. By this measure too, India appears to be among the worst in the world (see this).

The Guardian reported that the CEOs of the top 100 companies were paid the typical worker's annual salary within 33 hours. In comparison, if Mr. Munjal works half a day, his earning already exceeds the annual earning of the median employee.

In the government sector, according to data presented in Vaishnav and Khosla (2016), the pay compression ratio is 12.5. The lowest salary reported there for government sector employees is Rs. 18,000 and the highest is Rs. 225,000 per month. This probably understates the differentials because it does not seem to take into account low paid jobs such as those of Anganwadi workers, who are typically paid less than Rs. 10,000 per month.

Social inequality

Apart from the issue of economic inequality not being fully captured by standard measures of inequality, the issue of the compounding effect of social inequalities, especially those arising from caste and gender, but also religion, needs to be highlighted.

Inequalities are also observed in non-economic outcomes. For instance, Gupta and Sudarsanan, (2020) estimate that life expectancy at birth for Muslim and Dalit men in 2013-16 is lower (62.4 and 63.3 years respectively) than life expectancy at birth among “upper caste” Hindu women (64.2 years) nearly two decades ago (1997-2000). Similar differentials are seen in basic capabilities such as literacy rates. In 2011, even though the literacy rate among rural Dalit women in Rajasthan rose from 5% in 1991 to around 40%, it was less than half of that of urban men in Kerala in 1991. Such inequalities are likely to re-emerge as a result of the prolonged school closures as a result of government policy during the pandemic (more on this later).

Weisskopf (2011) finds that among SCs and STs there are only 6% professionals among household heads, whereas the corresponding figure among “Forward castes” is 15.4% (data pertains to 1999-2000). This is also reflected in the pay ratio analysis mentioned in the previous section. A noteworthy aspect of our pay ratio analysis is the lack of diversity at the top. Among those in the list of the highest paid KMPs it is unsurprising that there is only one woman, at least one Muslim and perhaps no Dalits or Adivasis. A “glass ceiling” exists for everyone other than upper caste men.

Such unequal outcomes in life chances and in representation, by social group also have a bearing on the lack of progress in reducing inequalities.

A middle-class blind spot

Apart from the super-rich (top 1%) discussed earlier, there are some troubling questions regarding the rich/ privileged (the top 10%) also. I have often been frustrated by statements from many of my friends and colleagues referring to themselves as “middle class”. They are English speakers, own one or more cars, invest in stocks, their default mode of travel is by air, have domestic help, often holiday abroad. Their children study in private schools where the annual fee exceeds the annual per capita income in India.

Yet, data suggests that around a tenth of Indians are English speakers or own four-wheeled vehicles. If you use an e-wallet, you are among the 14 percent of urban Indians to do so, or among the 2.4 percent of rural residents. If you hold shares, you are among the two percent to own them. By one estimate, there were 340 million Indian airline passengers in 2020—that’s roughly one fourth of Indians if each passenger were unique. The estimated number of Netflix subscribers in the country is merely two million, and of Amazon Prime subscribers ten million.

Contrast the earlier view of middle class (English-speaking, car-owing, air-travel, etc.) with a rural resident I met in August 2021 on a field trip to Alwar, a relatively prosperous part of Rajasthan. He combines farm income with a salary as a private teacher – a man of modest means. We talked about the lockdown, and he remarked that the middle class had suffered a lot. I asked him how he would define the middle class. His definition was far more modest than that of my friends: “A middle class person is someone who, if he gets work today, he will eat vegetables with his evening meal. Otherwise, he will have plain roti.”

These two contrasting conceptions of the middle class—from paying a lakh or more per year as school fees for one child to earning enough in a day to buy fresh vegetables for your evening meal—capture something important about our society today. Many of the well-heeled urbanites who consider themselves part of the middle class are, in fact, among the top 10 percent of Indians, if not the top one percent.

Who is middle class?

This is actually a difficult question to answer. While some (especially economists) define the middle class by income and wealth, others define it by lifestyle. For instance, according to Ravallion, “Middle class living standards begin where poverty ends" (cited in Atkinson and Brandolini, 2013). Still others say it's "a state of mind".

As indicated earlier, those who are – in fact - among the top 10% in India, often consider themselves 'middle class'. My hunch was that this is a very widespread phenomenon. In 2020 and 2021, I conducted a simple class self-perception test: in my Indian Institute of Management, Ahmedabad and Indian Institute of Technology Delhi classes, I asked around 500 students six questions: what class they think they belong to, whether their family owns a car, an air conditioner, has an internet connection, and a sewage connection. These seemingly middle-class comforts are actually enjoyed by a small minority in India. In fact, according to National Family Health Survey data, in urban India only 11% owned a car and only 18% had piped sewage access (in 2015-16). The self-perception test results show that more than three-fourths of the IIT and IIM students I surveyed had access to these facilities, yet almost 90 percent self-identified as middle-class. Only ten percent self-identified correctly, as members of the upper class.

The World Inequality Database has a tool where you can input your income or wealth to estimate where you sit on the income-distribution scale in your country. Whenever I have asked people to try it, they have been surprised at how high on the scale they actually are. According to the same database, a monthly income of Rs. 65,000, would put you in the top 5%; and with Rs. 1 lakh a month, you would be catapulted to the top 3%.

Why is the blind spot an issue?

In spite of all the evidence, the rich cling to their "middle class" positioning. Why should it matter if people misconceive themselves as middle-class rather than rich or super-rich? The "middle class" in India feels beleaguered, oppressed by the belief that while the entire burden of taxation falls on them (not true) they get nothing in return (also not true). They forget that their tax money is providing them the facility of their sewage magically being taken away from their homes, roads that they can drive their cars on, traffic lights, street lighting, parks, museums and much more.

In discussions on inequality in India, there is often agreement that we must do something about it. Yet, when policy options are floated, we hit a wall. Given the options for raising revenues—say, through wealth, estate, property taxes and so on—the resistance can only be explained by the fact that most options affect the super-rich, whom India's power elite would like to touch, if at all, only with a velvet glove. In this, the so-called "middle class," which aspires to be super-rich, aligns itself with them – partly because some of these (e.g. property taxes and inheritance taxes) would affect them too. The super-rich hide behind their philanthropic efforts (more on this later) and the privileged are loathe to contribute their fair share as they see the tax evasion and avoidance by the super-rich.

Several of India's democratic institutions (India's power elite) have been captured by the so-called 'middle class' who are actually privileged or super-rich. The Association of Democratic Rights, compiles data from the affidavits filed by contestants of various elections in India. These affidavits contain information on asset ownership of Lok Sabha contestants. Combining that with NSS data on asset ownership, one finds that the average wealth of those who contested elections in 2019 was 21 times the-all India average. Of this, those who won the elections, declared wealth more than 100 times the all-India average. Similar remarks are likely to apply to Indian media, academia, bureaucracy and so on.

When one sees that India's power elite are not representative (in terms of caste, class, gender, etc.), the muted public discussion on inequality is easier to make sense of. Elsewhere there appears to be some discussion on these issues. For instance, to moderate pay ratios, Israel adopted a law in 2016 curbing pay ratios in banking and insurance companies to 44 times the salary of the lowest worker. Anything above this is subject to higher taxes. A similar proposal was made by Bernie Sanders last year: impose higher taxes on companies where the pay ratio for CEOs to median workers exceeded 50. His proposal was to increase the tax rate by 0.5% for companies where the ratio was between 50-100, and progressively higher if it exceeded that. By contrast, Indian governments have provided significant relief to the richest over the past few years (corporate taxes were reduced, estate taxes were abolished, entry level income tax rates were halved, debts have been written off and so on).

Decoding inequality in the digital world

At least some of the rising inequality has to do with the manner in which digital technologies are being deployed, in ever-widening spheres of our lives. Shoshana Zuboff's *Surveillance Capitalism* captures many of the key issues with respect to the rise of this digital eco-system. The concerns go beyond the concentration of economic wealth to the corrosive effect of these technologies on democratic practices as well. The disruption caused by the pandemic provided an unprecedented opportunity for widespread use of such technologies, as many routine activities moved online.

Virginia Eubank's widely acclaimed book, *Automating Inequality*, alerted us to the ways that automated decision-making tools exacerbated inequalities, especially by raising the barrier for people to receive services they are entitled to. For instance, as people began to claim their hard earned rights, it became necessary to make online applications. This made it much harder for women who were not digitally literate to navigate the digital bureaucracy and it became necessary to mobilze to set up support centres to help them.

Dissent on Aadhaar, an edited collection, documents similar wide-ranging damage resulting from the ever-expanding use of Aadhaar. It began with welfare programmes such as NREGA and the PDS and has expanded beyond other welfare schemes (such as social security pensions, scholarships, etc.) to health and education as well. In each programme, the linking of Aadhaar has been a saga of "pain without gain". The most disadvantaged have been excluded outright from their welfare benefits or experience greater transaction costs in accessing the same benefits as before without any significant improvement in what they get. In extreme cases, exclusion has lead to deaths as well.

Education and health are important channels of economic and social mobility. The novel coronavirus pandemic has accelerated the use of digital technologies in India, even for essential services such as health and education, where access to them might be poor. Worse than the well documented economic setback from the pandemic is that these well-recognised channels of economic and social mobility are getting rejigged in ways that make access more inequitable in an already unequal society.

Locked out of Online Education

For a few, the switch to online education was been seamless. Notwithstanding the Education Minister's statement in Parliament in December 2020 that no one had been deprived of education because of online learning, at least two young students took their own lives because they could not cope — a college student studying in Delhi and a 16-year-old in Goa whose family could not afford to repair the phone he used.

According to National Sample Survey data from 2017, only 6% rural households and 25% urban households have a computer. Access to internet facilities is not universal either: 17% in rural areas and 42% in urban areas. Sure, smartphones with data have improved access over the past five years, yet a significant number of the most vulnerable are struggling.

Surveys by the National Council of Educational Research and Training (NCERT), the Azim Premji Foundation, ASER and Oxfam conducted during the pandemic also suggest that between 27% and 60% could not access online classes for a range of reasons: lack of devices, shared devices, inability to buy "data packs", etc. Further, lack of stable connectivity jeopardises their evaluations (imagine the Internet going off for two minutes during a timed exam).

In August 2021, with Nirali Bakhla, Jean Drèze and Vipul Paikra, we conducted the SCHOOL survey in 15 states and UTs: Assam, Bihar, Chandigarh, Delhi, Gujarat, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal. The survey focused on relatively deprived hamlets and bastis, where children generally attend government schools. In each of the 1362 sample households, we interviewed one child enrolled at the primary or upper-primary level. About 60% of the sample households reside in rural areas, and close to 60% belonged to Dalit or Adivasi communities.

The SCHOOL survey made it clear that the reach of online education is very limited: the proportion of SCHOOL children who were studying online "regularly" was just 24% and 8% in urban and rural areas respectively. One reason for this was that many sample households (about half in rural areas) had no smartphone. But that was just the first hurdle: even among households with a smartphone, the proportion of children who were studying online regularly is just 31% in urban areas and 15% in rural areas. The results of a simple reading test were particularly alarming: nearly half of all children in the sample were unable to read more than a few words. Most parents felt that their child's reading and writing abilities have gone down during the lockout.

Even among underprivileged households of the SCHOOL survey sample, the figures were much worse for Dalit and Adivasi families than for others, whether we look at online education, or regular study, or reading abilities. For instance, only 4% of rural SC/ST children were studying online regularly, compared with 15% among other rural children. Barely half of them were able to read more than a few *letters* in the reading test.

There are indications that even higher education has suffered for similar reasons. Many lack a learning environment at home: a quiet space to study is a luxury for many. For instance, 25% Indians lived in single-room dwellings in 2017-19. How can someone study in such shared family spaces? For girls, there is the additional expectation that they will contribute to domestic chores if they are at home, something they are protected from when living in university hostels.

Peer learning and other aspects of education have also suffered. For instance, when students who did not study in English-medium schools came to colleges where English is the medium of instruction, they struggled. Yet, surrounded by English speakers, however falteringly, many managed to pick up the language. Such students have been robbed of this opportunity due to online education.

While we have kept a semblance of uninterrupted education, the fact is that the privileged are getting ahead not necessarily because they are smarter, but because of the privileges they enjoy. What is worse is that because privileged children may not have been too badly affected academically, there is little discussion on the tremendous loss suffered by the majority. In a fairer society, schools would have been the "last to close and the first to reopen" as the UNESCO-UNICEF statement put it. Failing that, looking for alternative means to keep up learning during the peak of the pandemic, or providing remedial classes upon reopening or declaring the pandemic year a zero year are some of the options that could have been considered. Children who have been auto-promoted by two classes without attending a day of school, are likely to get demotivated – and eventually drop out - when they rejoin as they find themselves unable to cope. There is little discussion of these challenges.

Rationing health care, Monetizing health data

Like education, health is a right that has been neglected for decades. There is plenty of evidence on how catastrophic health expenditures are a major cause of poverty. India's abysmally low public spending on health (barely 1% of GDP) explains much of why we are where we are today. For context, it tends to be between 5-10% in OECD countries. Partly as a result, the share of 'out of pocket '(OOP) health expenditure (of total health spending) in India was over 60% in 2018. Even in a highly privatised health system such as the United States, OOP was merely 10%. Moreover, the private health sector in India is poorly regulated in practice. All this together puts the poor at a disadvantage in accessing decent health care.

During the pandemic, the shortage of basic essentials of health care - drugs, hospital beds, oxygen, vaccines – was in focus. The favoured government response was to develop an app to "allocate" these scarce health services rather than improve their supply. An analogy was drawn with people's experience with platforms such as Zomato/Swiggy and

Uber/Ola. Setting aside the difference in the nature of the services (basic service such as health care vs. luxuries such as taxis and restaurants), the fact that those apps work reasonably well because restaurants/food and taxis/drivers are available aplenty for these platforms to allocate effectively was conveniently brushed aside. In fact, the apps and other digital technologies served as a rationing tool that favoured the privileged.

Patients were being charged whatever hospitals like, and a black market developed for some scarce services (such as oxygen). The sensible response to such corrupt practices should have been to clamp down on the handful who indulge in them. Instead, those in power turned to digital options such as making Aadhaar mandatory. Again, it served as a rationing tool that puts the most deprived at a disadvantage.

In other spheres (e.g., vaccination) too, digital technologies created extra hurdles. The use of CoWIN to book a vaccination slot made it that much harder for those without phones, computers and the Internet. There were reports of techies hogging slots, because they knew how to game the app. The vaccine booking website itself was initially only available in English.

App-based and other digital solutions serve as rationing tools that allocate away from the disadvantaged because along with paperwork and government bureaucracy, patients need to navigate “appwork” and an “appocracy”. Platform- and app-based solutions can exclude the poor entirely, or squeeze their access to scarce health services further. Further, they can drive people into the exploitative hold of digital intermediaries.

Moreover, to the extent that they create additional bureaucracy for all sick persons in search of these services without disciplining the culprits, the deployment of these technologies is also a distraction.

Beyond the immediate pandemic related crisis, it is alarming that the pandemic is being used to create an infrastructure for future exploitation of people’s data. The digital health ID project is being pushed during the pandemic when its merits cannot be adequately debated. Electronic and interoperable (i.e., you do not have to lug your x-rays, past medication and investigations to each doctor you consult) health records are the purported benefits. For patients, interoperability can be achieved by decentralising digital storage (say, on smart cards) as France and Taiwan have done. Yet, the Indian government is intent on creating a centralised database. Along with that there are several government initiatives to link these centralized databases, creating something like a digital panopticon.

Given that we lack a data privacy law in India, it is very likely that our health records will end up with private entities without our consent, legally or illegally, even weaponised against us (e.g., private insurance companies may use it to deny poor people an insurance policy or charge a higher premium). There are worries that the government is using the vaccination drive to populate the digital health ID database (for instance, when people use Aadhaar to register on CoWIN). No one asked these questions because everyone was desperate to get vaccinated. The government took advantage of this desperation.

The point is simple: unless health expenditure on basic health services (ward staff, nurses, doctors, laboratory technicians, medicines, beds, oxygen, ventilators) is increased, apps such as Aarogya Setu, Aadhaar and digital health IDs can improve little. At best, they deflect attention from the core issues; at their worst, they worsen distributional fairness in accessing healthcare. Unless laws against medical malpractices are enforced strictly, digital solutions will obfuscate and distract us from the real problem. We need political, not technocratic, solutions.

More than 10 years ago, we failed to heed warnings (that have subsequently come true) about exclusion from welfare due to Aadhaar. Today, there is ample evidence that the harms from Aadhaar and its cousins fall disproportionately on the vulnerable.

Contrary to the hope that the pandemic will teach us to be more discerning about which digital technologies we embrace, it appears that the corporate interests pushing these technologies have seized the opportunity and captured the policy narrative. The manner in which private healthcare and digital technology companies have turned the pandemic into a profiteering opportunity points to a moral debasement that is deeply disturbing.

Where is the money

I turn now to policy options that exist to climb out of this dark hole of inequality. Welfare programmes – ranging from basic services such as health and education, to welfare transfers in the form of social security measures - have historically been important in reducing inequalities. They require governments to mobilize revenues.

The discussion on government spending on the poor is often stifled by limiting the discussion to the need to contain fiscal deficit by lower spending. For instance, in the public discussion around the budget, "fiscal deficit" is a frequently occurring term. This is fair enough, given that the budget is about balancing our expenses with revenues. What is troubling, however, is that "fiscal deficit" has become a code word for, almost synonymous with, reducing expenditure. The budget and fiscal deficit are often reduced to a cost-cutting exercise. It is conveniently forgotten that the deficit is the difference between revenues and expenditures. There is much less, if any, discussion of the revenue side.

Revenues for redistribution

Tax revenues are important to discuss in the Indian context. According to a 2009 paper by Piketty and Qian, between 1986 and 2008, the income tax paying population in China grew from 0.1% of the population to about 20% of the population. The corresponding number was 6% in Brazil and nearly 10% in South Africa. Even when tax breaks were provided in China in 2011, it brought down the income tax paying population to about 8%. The move was accompanied by raising top income tax rates. Meanwhile, throughout this 22-year period in India the corresponding proportion remained around 2-3%. Even though the 2000s have been a period of high rate of growth of the GDP, the top income tax rates have stagnated around 33% since the late nineties and the income tax paying population has also increased only marginally (8.1 crores in 2018-19, i.e. roughly 5% of the India population). The key reason for the income-tax paying population being stuck in India was that, afraid of antagonizing a vociferous so-called "middle class", the government raised the tax exemption limit year after year. More recently, the Indian government cut the entry level income tax rate from 10% to 5%.

When tax revenues do not grow, fiscal space is reduced and balancing the budget implies a reduction in expenditures. For successive governments, the most obvious candidate for any expenditure squeeze is social sector spending, an important channel for creating equal opportunities and reducing inequality.

Contrary to popular perception, the size of government (measured by central government expenditures as a percentage of GDP) in India is small. It is lowest among the BRICS; in fact, even in the United States of America the figure is higher than in India. Social spending is also very low.

If, as discussed earlier, there are only 10% rich "middle-class" people in India, the scope for raising revenues through income taxes may be limited. But that does not mean that other options do not exist.

It is worth recalling that the same corporate houses that begged for relief from the government during the Covid19 related lockdown, to "save" their businesses, were simultaneously paying out unimaginably high salaries to their CEOs. While in India, corporate taxes were cut in response to demands from industry, elsewhere there have been proposals for more progressive taxation (such as the Sanders formula mentioned earlier). Meena (forthcoming) estimates that if the Sanders proposal of progressive taxation based on pay ratios were applied to the NIFTY50 companies, that alone would raise almost Rs 10,000 crores more.

The central government abolished the estate duty and wealth tax in 2015-16. The scope for raising revenues through a wealth tax is significant. Many Indians make it to the world's richest lists. According to one estimate, the average net worth of the 953 richest Indians is more than Rs. 5000 crores. To put it in perspective, their combined net worth is over a quarter of the GDP. Levying a one-time 4% wealth tax on them can yield approximately 1% of GDP.

Property taxes don't get enough attention in India. Earlier estimates suggest that India raised only 0.2% of GDP through property taxes, when the developing country average was 0.6% and 2% in OECD countries. An updated estimate in 2017-18 shows a reduction in these collections to 0.1% of GDP. Contrast this with NSS data for 2018-19, which estimates that 63% of the urban population lived in owned freehold property and nearly half (47%) had more than one floor. This suggests that a broad-based, yet low rate of property tax could be used to mobilize substantial revenues.

Simple technology (e.g., computerized records) for assessing and collecting property taxes can help expand the base, reduce default rates and thus raise revenues even without increasing property tax rates. What prevents state governments from directing their Urban Local Bodies to take this up?

Austerity measures could also be a greater part of the cost-cutting efforts of the government. Yet, in 2020 in response to the pandemic, the government mainly announced tokenistic measures to reduce non-essential spending (e.g. avoiding bags and mementos at celebrations, no printing on imported paper). Taking a cue from the Centre, poorer states like Chhattisgarh have also started spending lavishly on meaningless ads. The Centre could set an example by reducing such wasteful expenditures. Vanity projects (statues, central vista, bullet trains, etc.) also need to be questioned.

Instead of making a plea to government employees (one of the most privileged forms of employment in India, with salary and job protection) to forego their annual "leave travel allowance" - they were unable to travel due to Covid-19 in the first year of the pandemic - the government asked them to encash their leave travel allowance by spending on items that attract a Goods and Service Tax (GST) of 12% or more.

In profit-oriented enterprises, containing wage costs is paramount. Instead of cutting jobs, wage costs can be contained by compressing pay ratios. Compressing pay ratios means narrowing the salary gap between the median and highest paid workers. The advantage of the latter is that it can protect some jobs and contain the recessionary cycle by putting money into the hands of those who are more likely to spend (the rich are more likely to save). It also works as a redistributive measure.

This is a good time to discuss a compression in the private sector and by central and state governments too. In fact, it was invoked, if only symbolically, by some. The Rajasthan government announced that the chief minister and ministers would forgo a week's salary, and senior bureaucrats two days 'pay every month. In the private sector, some managements resorted to salary cuts at the senior level (up to 25%, in some cases). The pay ratio analysis for 2019-20 suggests that there is a lot of scope for rationalizing the salaries of the highest paid CEOs (1:752 at Hero Motorcorp, 1:600 at Bajaj Auto, 1: 502 at Infosys and so on).

Philanthropy is no solution

Everyone agrees that the super-rich must 'give back 'and contribute to mitigating the fallout of the economic crisis. To the extent that corporations, philanthropists and the salaried class give, their preferred route has been to charity/ philanthropy and, during the pandemic, to the PM-CARES fund. Another government mandated channel of giving is through corporate social responsibility (CSR). A common response to the lack of substantial redistribution by the state is to point to, and celebrate private philanthropic giving.

The first thing to note is that while these donations appear generous, reporting absolute amounts hides the fact that it is quite niggardly. The total CSR spending in 2019-20 was Rs. 24,063 crores, when the GDP at current prices was Rs. 203.40 lakh crores, implying that CSR spending was 0.12% of GDP.

Moreover, as many have rightly argued, philanthropy and charity allow the super-rich to look good by giving a fraction of what they would have to, if they were fairly taxed. In 2019-20, the total remuneration of the highest paid person at Hero motors was Rs. 84.6 crores; it pledged Rs. 100 crores for COVID relief. According to data compiled by Edelgive Hurun India Philanthropy List 2020 the top 10 philanthropists in India donated around Rs. 10,000 crores in 2020. This was 0.8% of their total wealth. Barring Azim Premji whose donations appear to exceed 10%, for all the others giving is barely 1% of their total wealth and less than 0.1% of GDP. Further, in the US, an increase in the share of foundations in the total giving budget, suggests greater financialization and using the giving route to avoid taxes.

Most importantly, however, even if the giving is substantial, it remains questionable. The decision about what to spend on is made by rich individuals, rather than being determined by a democratic process. Even if we overlook the procedural aspect of this, there is the issue of whether rich individuals and their organizations have the understanding required to think about the projects that they fund. There is a further worry that the giving is a hidden route to influencing public policy, at times in ways that raise questions of conflict of interest.

In a review of policy measures that reduced inequality in post-World War Europe, Atkinson (2015) discusses the role of the welfare state, progressive taxation, share of wages and the ownership of capital, and the role of labour market institutions. We need to refocus on these options (that are very much in the realm of the possible) instead of being bamboozled by philanthropic giving.

Concluding remarks

When the scale of the humanitarian crisis resulting from the lockdown in 2020 became apparent and got the attention it deserved, I wondered – perhaps naïvely - whether “middle class” India’s outpouring of concern would turn the tide in favour of people-oriented policies. It had happened before, after all. After the Second World War, in several western European countries, a realisation dawned that bombs did not discriminate between the rich and the poor. Over the two decades following the war, these capitalist nations—in varying measures—embraced social democracy. They build impressive welfare systems that provided protection to all “from the cradle to the grave,” promoting their life chances through better healthcare and education.

The indications are that we have squandered our opportunity. The pandemic has been turned into a reason to close schools down in the name of protecting children, and then forget them. Even as everything else—air-conditioned cinema halls, malls, political rallies, religious gatherings—was back in action, schools remained shut. This was a huge setback to decades' worth of effort for social mobility. Similarly, in healthcare, instead of strengthening public health systems, we have let the private sector snatch the narrative, pushing fanciful ideas such as digital health IDs that will facilitate lucrative business opportunities in mining health data but do nothing to improve access to quality health care for all. Demands to mobilise resources (say, through a one-time wealth tax) and increase public health expenditure have fallen on deaf ears.

Redistribution is an essential function of government—redistribution from the rich to the poor. Today, many governments—not just in India—resist or even prevent redistribution of resources to the poor. Questions of redistribution fall as much in the domain of economic policy as in the realm of democratic debate. We cannot blame failures on the economic front—say, a slowdown in the rate of GDP growth—for the growing and glaring inequality crisis. That crisis points to a bigger failure—both social and democratic, and an abdication of collective responsibility.

"Either we all live in a decent world, or nobody does": George Orwell summarized his vision for a society where solidarity and fairness are founding principles succinctly in this statement. What sort of society we live in, how much inequality we tolerate, these are moral questions. These are the questions the Indian power elite/ the so-called 'middle class'/ the 'haves' in India must confront.

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