

# 'Less inequality can push growth, poverty alleviation in India'

The income share of India's top 10 per cent population should be 30-40 per cent, not the 55-60 per cent seen at present, says French economist **THOMAS PIKETTY**, known for his groundbreaking research on economic inequality, wealth distribution, and the dynamics of capitalism. A professor at the Paris School of Economics, where he also co-founded the World Inequality Lab (WIL) and the World Inequality Database (WID), Piketty has sparked global debates with his research, becoming a central figure in contemporary discussions on economic equity and public policy. In an interview with Ruchika Chitravanshi and Asit Ranjan Mishra in New Delhi during his India visit, Piketty advocated a wealth tax on Indian billionaires to finance social infrastructure. Edited excerpts:

**Earlier this year, the WIL said India's income inequality was now worse than during the British rule. So, does that mean the poor in India are now worse off than they were during the colonial era?**

No, it does not mean that. Average income and average wealth in India have increased a lot since the colonial period. All I am saying is, we could do a lot better with less inequality. I think the level of inequality India has today is excessive. This kind of inequality is not necessary for pushing growth. India can have more growth and faster poverty reduction with less inequality.

A comparison with the colonial period, which is very striking indeed, shows extreme levels of inequality. But what is even more important to me is the comparison with other countries that have gone through economic development and growth — China for instance, and those in Europe, North America, Latin America, and Africa. Our conclusion at the WIL is that India right now is almost at the very top of the world in inequality. Apart from South Africa, there are very few countries where the share of the bottom 50 per cent of the population in total income is so small, and the share of the top 10 per cent is so large. At present, 55-60 per cent of total income in India is going to the top 10 per cent, while the bottom 50 per cent are getting something like 15 per cent. This kind of gap is rare. It is not like that in China.

The government's argument — that we need this kind of income scale and inequality to incentivise wealthy entrepreneurs to develop, accumulate wealth and deliver growth — is just not convincing. I am not saying we want complete equality. It is okay to say we need some incentives and some reasonable income scale and wealth scale to develop. But those are just too much here.

**What would be an acceptable level of inequality for India?**

The experience shows that the share of top 10 per cent of the population in Europe is 25-30 per cent. Even in the US, which is a lot more unequal, it is 40-45 per cent. In China, it is 40 per cent. So, the right number for India would be 30-40 per cent, not the 55-60 per cent at present. The gap is enormous. I am not saying we should have an enormous transfer of income right away. I am just saying there is scope to redistribute and reduce inequality.

**What is the reason behind this inequality? Is it policy-driven?**

It is largely policy-driven. Some would say you have a historical legacy, caste system. But, to be honest, I don't much believe it. When you compare countries, you should not have a deterministic view that some countries have always been unequal, and they will always be unequal. It does not work like that. Things can change quite quickly



**“ I THINK THE REST OF THE WORLD HAS ACTUALLY A LOT TO LEARN FROM THE INDIAN EXPERIENCE WITH RESERVATION ”**

with political will and mobilisation, and institutional change.

India has invented a very innovative way to tackle inequality. For instance, the reservation system for scheduled castes and scheduled tribes, and reservation for women

in elections, are very interesting. The rest of the world has a lot to learn from the Indian experience with reservations — it is not perfect, but there is a lot to learn. However, this focus on reservation has sometimes served as an excuse for not putting financial resources into public services. I think we could have done both; India should do both. In practice, India has acted on

the legal system reservation, which is important but not enough. Access to university, public-sector jobs and elected positions is not going to solve the problem of a vast majority of the population. In the end, what you need is to have good schools, good hospitals, and good infrastructure. India is improving. It is growing and making investment. But it could do a lot more by taking more money from the top of the distribution and investing more in these services.



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