

WEALTH INEQUALITY: CHINA AND INDIA

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1. INTRODUCTION

This paper examines wealth distribution in China and India. As China and India have witnessed significant growth rates between 1980 and 2000s, how this growth has been distributed amongst its citizens has generated renewed interest. It is now well documented that both China and India have witnessed significant increases in income/consumption inequality (e.g. Khan and Riskin 2005; Riskin, Zhao and Li 2001; Himanshu 2007). There is, however, little work done on wealth inequality in these two countries (for exceptions see Jayadev, Motiram and Vakulabharanam 2007; Meng 2007), and, to our knowledge, there has been no work done to compare the two countries on wealth dimension. This paper is an attempt to correct this gap.

This comparison is important for several reasons. First, China and India have a broadly similar economic history in macro-historical terms. After being the manufacturing centers of the world circa 1750 CE, both economies went into a state of great decline during colonial/semi-colonial period until about 1950. Both economies witnessed a revival after 1950 and have accelerated after 1980. And, both economies have witnessed significant market-oriented structural changes since 1980s. A careful comparison would allow not only a contrast for its own sake to raise questions like why India has lagged behind China in terms of economic growth, but also help each other understand how effective various distributional strategies have been in these two economies. Second, India and China together constitute about 40% of world's population. Growth and distribution dynamics in these two countries have an immediate global impact. A comparison of the two countries is specifically relevant in the context of wealth because of the

following reason. China has been a late entrant into the private wealth accumulation process. It is important to ask the question about whether a relatively egalitarian wealth distribution, such as what existed in China until 1976, makes a significant difference to the way wealth accumulation processes unfold once market processes are implemented. India, on the other hand, had a relatively inegalitarian wealth distribution by the 1980s, and it is important to examine how a process of liberalization and market orientation has affected this pattern.¹ Finally, wealth has a direct impact on factors such as productivity (collateral effects), educational attainment, and overall economic efficiency. It is crucial to analyze this instrumental role of wealth in analyzing the process of growth and development in China and India. This paper aims to create a stage that will facilitate such detailed comparisons to be carried out in the future.

Our empirical analysis for China is based on the China Household Income Project (CHIP) data collected in 1995 and 2002; while that for India is based on the All India Debt and Investment Surveys of the National Sample Survey Organization (NSSO) carried out in 1991-92 and 2002-03. The paper has the following three aims: First, it describes the level and changes observed in wealth inequality in China and India in the time periods under consideration. Second, it presents a decomposition of wealth inequality along several axes, including rural-urban divide and regional differences for both China and India, and along identity categories (like caste and religion), education and occupational groups in the case of India. Third, the paper puts forward explanations for the empirical observations in terms of the structure and evolution of the Chinese and India economy, society and polity.

¹. While our aim in this paper is towards a macro-based understanding of the broad differences in wealth distribution across the two countries, several interesting micro-questions can also be raised in analyzing the role of markets in determining wealth distribution. For instance, an engagement with the now-famous literature on the inverse relationship between land size and land productivity in agriculture can be made in the context of China and India, to examine whether or not markets, by themselves, can lead to redistribution of land from less efficient use to more efficient use. We hope to carry out such comparisons in future.

The paper is organized in the following manner: Section 2 presents a review of literature on wealth inequality in China and India. Section 3 presents a descriptive analysis of level of wealth inequality in the two countries, and examines the changes in wealth inequality across time. Section 4 presents comparisons and a broad discussion on wealth inequality comparisons in China and India.

2. DISTRIBUTION OF WEALTH IN CHINA AND INDIA: A REVIEW OF LITERATURE

Two contending models are offered in economics to explain household wealth determination. The first family of models draws upon the life-cycle hypothesis of individual saving patterns to explain accumulation of wealth. The second family of models focuses on the role of ‘bequest’. The emphasis in the former case is on intra-generational decisions on lifetime consumption and savings, while that in the latter is on inter-generational transfer of wealth, accidental or planned. The debate on efficacies of these two models in explaining wealth distribution has especially burgeoned around US data.² This paper, however, does not directly

². In acknowledging the importance of the discussion on US data in the literature on wealth distribution, we present a brief review of the literature. It has been widely documented that concentration of wealth in US is very high in the country (Wolff, 1992, 2002) and “a miniscule group of wealthy households noticeably affects total U.S. net worth” Laitner (2002, pp. 272). It is also widely acknowledged that the distribution of wealth is much more concentrated than distribution of income or labor earning (De Nardi, 2004). While Modigliani (1988) had maintained that the primary source of capital accumulation in the country is life-cycle savings, Kotlikoff and Summers (1981) estimated that intergenerational transfers played a significant role in this regard. The empirical applications of the bequest models, however, have revealed conflicting results. While authors like Menchik (1979) and Oliver and Shapiro (1990) explain that bequests create the initial inequality in life-chances, and result in more inequitable societies, others, including Wolff (2002) and Gokhale and Kotlikoff (2002), find that bequests play an equalizing role in wealth distribution in USA. Wolff (2002), for example, writes that, since wealth transfers, as a proportion of the current wealth holdings, is greater for a relatively poor household than a rich one, addition of inheritances and other forms of wealth transfers to current wealth holdings, on net, tend to reduce the inequality of wealth across generations. Gokhale and Kotlikoff (2002), on the other hand, explain the role of unpredictability of the time of inheritance in this regard. They stress that bequests serve to equalize the distribution of wealth because, when children inherit, wealth is determined by the random date of parent's death.

engage with this debate. We posit that, instead of individual decision-making, household wealth accumulation in China and India in the post-1950 period is better explained in terms of deeper structural forces, and changes and the long-run impact of past episodes in the two countries. We offer the following review of literature in support of our view. In the context of China, Pudney (1993), for example, argued that although there is evidence of a clear life-cycle profile of income earning and wealth accumulation, only a small part of observed inequality can be explained by life-cycle factors. Rather, inequality in distribution of wealth in China appears to be an inherent and endogenous feature of the economic and social system of the country. Drawing upon the survey data sets collected in January and February 1987 by the Institute of Economics of the Chinese Academy of Social Sciences (CASS), he employed non-parametric methods to estimate the Chinese age/income and age/wealth distributions. He found that the basic life-cycle pattern of age-specific wealth accumulation in the country is obscured by cohort differences. This is especially true for rural households. Long-run impacts of past episodes are significant sources of deviations from the typical humped life-cycle pattern. He identified some of these episodes as agricultural reforms of 1978-79, which raised rural incomes, the severe famine in 1960-2 following the Great Leap Forward, and the Cultural Revolution of 1966-76. These episodes lead to downgrading of the personal sector in government priorities, physical decay of many personal sector assets, and to the forcible move to the countryside of many well-educated and high-status urban individuals.

Later authors echo the conclusions presented in Pudney (1993). Wang (1995) used the 1987 CASS cross-sectional surveys to examine “how and to what extent is wealth accumulation affected by permanent income and other household characteristics” in rural and urban China (pp.

Laitner (2002), however, finds that dynastic behavior, in terms of intergenerational wealth transfer, is more prevalent amongst the very wealthy households in USA.

523). The study reports that wealth and saving show the hump shape over different age groups as predicted by life-cycle hypothesis, with the dissaving behavior appearing at around age 58 (pp. 544-5). However, this hump shape becomes less significant, or simply disappears, when the effects of permanent income between wealth and age are controlled for. Wang explains this result by arguing that permanent income itself accounted for the nonlinear relationship between age and wealth. He further explains that permanent income of a household in the country is closely related to the household head's education, age, occupation, and other human capital characteristics, together with the scope of market-oriented reforms as reflected by types of employers, activities, and differentiated effects of locations. In addition, access to information and access to markets play important roles in determining wealth generation in rural areas.

Meng (2007) examines the data from the Urban Household Income Distribution Surveys for 1995, 1999, and 2002 (UHIDS95, UHIDS99, and UHIDS02), to observe that there has been a fourfold rise in urban per capita real household net total wealth between 1995 and 2002. Significantly, while both real income and real wealth of urban households increased rapidly, the rate of growth of wealth was much faster than the growth in real income. She presents an alternative explanation for absence of life-cycle motives in wealth accumulation in pre-reform China. She argues that the non-existent notion of private property, absence of housing and other capital markets, a guaranteed lifetime job and a full pension for urban residents, lifetime free medical services, and free education for children have made personal wealth accumulation in the era neither possible nor necessary. These factors have been weakened over the past few decades, especially for urban China, since economic reforms have accelerated. Meng points out: “[T]he labor market and social security reform has narrowed the protection provided by the state welfare

system, making it necessary for individuals to accumulate wealth to protect themselves from adverse economic shocks and to provide income for their old age. The result has been rapid wealth accumulation over a short period” (pp. 761). Yet, she finds that life-cycle motive has a less significant role in explaining household accumulation, since a large proportion of the increased wealth may come from non-saving channels, including access to housing and membership of the party. She cautions that “those accumulating wealth are economic or political elites while those unable to accumulate wealth are the most vulnerable workers who are losing social protection” (pp. 761). Thus, Meng adds a new dimension to the discussion on unevenness of wealth distribution in China by highlighting the close connection between political power, privilege and access to the housing market.³ Her analysis further indicates that wealth distribution became more equal in 2002 than in 1995. Although households at each income percentile have experienced increases in savings and non-saving component of wealth, the increase is larger for the high-income group than for the low-income group.

The significance of housing (in urban areas) and that of investment in land (in rural areas) in determining household accumulation in China is also acknowledged by earlier authors. In concurrence with Meng’s results, Gustafsson et al (2006) report that a household's net worth in China is strongly related to its income and location. Net worth is more unequally distributed among urban households than among rural households. Gustafsson et al (2006) further reports

³ Meng (2007) is emphatic that household wealth is almost linearly associated with household heads’ age in recent years. In this, his result resonates Wang (1995). Meng (2007, pp. 785) writes: “this unusual shape of the age-wealth profile is, perhaps, related to housing reform, as the aged normally had larger housing and were able to benefit more from the housing reform”. Meng continues: “[P]arty members and their children have done particularly well in accumulating wealth. Relative to the median of net total wealth, those households, where both head and spouse are party members, accumulated 31%–43% more net total wealth in the 3 survey years. Having a household head whose father is a party member contributes an additional 10% increment in net total wealth for 1999 and 2002, respectively. Finally, one reason why party members have more wealth than their non- party-member counterparts is the larger and better housing they possessed prior to housing reform and the higher purchasing price subsidy they received during the housing reform. Of course, rewarding party members with better and larger housing and higher housing price subsidies can also be ability related.”

that when household wealth in urban China is analyzed in terms of composition, inequality and determinants, , housing makes up a large part of net worth in urban China.

To summarize, existing literature on household wealth distribution in China indicate that, rather than life cycle or bequest motives, structural causes and past episodes in important historical junctures are far better determinants of household wealth accumulation in the post-1950 period.

The literature on wealth distribution in India reveals that similar structural and historical causal factors are in play. Subramanian and Jayaraj (2006) present one of the few detailed studies on the issue. These authors analyze the vertical and horizontal aspects of wealth inequality in the country, and present a decomposition analysis of wealth distribution. Towards this, they examine five decennial surveys on household debt and investment, carried out by the Reserve Bank of India (Reserve Bank of India National Sample Survey Organization Surveys on Debt and Investment of 1961-62, 1971-72, 1981-82, 1991-92, and 2002-03). In analyzing vertical distributions of wealth, the authors find that, like China, access to agricultural land in rural areas, and access to real estate in urban areas play central roles in explaining wealth concentration across income/wealth groups. There is an extraordinarily high degree of concentration of ownership of financial assets, agricultural machinery and non-farm business equipment, but these assets together account for less than 6 per cent of the value of all assets at the combined (rural and urban) all-India level. Along with access to assets, social stratifications in terms of caste identities play a critical role in determining wealth distribution. The authors examine intra-group (horizontal) inequality in the light of (a) caste-related information and (b) household-level

micro-data. Mean asset-holdings per household are systematically and substantially lower for the disadvantaged social groups, the Scheduled Castes or Scheduled Tribes (SCST group), across India. In the urban areas, within-group wealth distribution is more equal for the disadvantaged castes (SCST group) than ‘forward’ castes (identified as ‘others’ in the study). In rural areas, however, the picture is not that clear. While the Gini for the ‘others’ (i.e., the ‘forward’ castes) is greater than Gini for the SCST, there are instances of rank-reversal by the Theil index (pp. 26).

In examining wealth distribution according to occupational grouping, Subramanian and Jayaraj find, on average, the non-cultivators are poorer than the cultivators, and the non-self-employed (NSE) group is poorer than the self-employed (SE) group. Within-group wealth distribution is more equal for cultivator households than non-cultivator households; and more equal for the NSE group of households than the SE group. In urban areas, mean asset-holdings of the NSE group is lower than that of the SE group, except in Bihar. The margin of difference in mean-asset holdings between NSE and SE groups are, however, less pronounced than the margin of difference observed between SCST and ‘others’ groups, or than that observed between cultivator and non-cultivator groups. In conclusion, the authors emphasize that for India the “largest contribution to aggregate inequality is the within-group inequality of the better-off group” (pp. 33).⁴

4. ⁴To elucidate this point, Subramanian and Jayaraj (2006, pp. 33) note that within-caste inequality [specifically, the ‘Others’ caste group] contribute to 76% of inequality across households in rural India and nearly 90% of that in urban India; within-occupation group inequality [specifically, the cultivators group] contribute to 68% of inequality in rural India. It is only in the case of occupational categorization in the urban areas that the worse-off (non-self-employed) group has a dominant within-group contribution (of 58%) to overall inequality. Zacharias and Vakulabharanam (2009), however, find that between-caste inequality accounted for about 13 percent of overall wealth inequality in 2002–03, and explain this result in terms of the considerable heterogeneity within the broadly defined caste groups. The authors also find that a “creamy layer,” or relatively well-off group, is emerging and strengthening among the disadvantaged castes, especially the Scheduled Tribes.

Zacharias and Vakulabharanam (2009), and other authors including Deshpande (2000) and Munshi and Rosenzweig (2005), have highlighted the relevance of caste and social stratification in explaining wealth disparity in India. Zacharias and Vakulabharanam (2009) draw upon two rounds of the All India Debt and Investment Survey (AIDIS) conducted in 1991–92 and 2002–03, to show that the socially disadvantaged SCST group have substantially lower wealth than the ‘forward’ caste groups, while the Other Backward Classes (OBCs) and non-Hindus occupy middle positions in the caste and wealth ladder. Examining the inequality dynamics within the caste groups, the authors find that within-group inequality increased for urban ST, rural ST, and urban SC between 1991 and 2002, across both rural and urban India. Inequality declined for the rural SC between these two time periods. The role of land-ownership in perpetuating caste-based structural disparity and the regional variation in this pattern was emphasized in Deshpande (2000). She also points out that land disparity makes up a large part of the overall caste disparity. In addressing the issue of rising inequality within caste groups, Munshi and Rosenzweig (2005) explain that sub-caste networks that provide mutual insurance play an important role in limiting mobility of their members.

Thus, a review of the existing literature reveals that individual household-level optimization decisions regarding saving and/or inter-generational transfers are less important in explaining uneven accumulation in China and India. Rather, factors including [a] structural determinants (including entitlement and exchange rights over property), [b] occupation, [c] attributes of individual household including education and health status, [d] household access to power, and privilege, and their identity in terms of caste in the case of India and [e] influences of past episodes, such as Great Leap Forward or Cultural Revolution in the case of China, play

instrumental roles in determining access to income, property and/or status. Accordingly, these factors are significant in explaining distributional patterns and changes in household wealth in the two countries.

Cognizant of the issues discussed in the antecedents in literature, we now proceed to present an informed and systematic analysis of wealth inequality across regions and over time in China and India.

3. WEALTH INEQUALITY IN CHINA AND INDIA

We present below a descriptive analysis of the level and changes in wealth inequality in China, and then examine the case of India.

3.1 WEALTH INEQUALITY IN CHINA

Table 1 presents the disaggregated picture of asset holdings across rural and urban areas [as a percentage of overall country-wide asset holdings], and explores the temporal changes between 1995 and 2002. We find that relative importance of land (in rural areas) has declined between the period 1995 and 2002, while that of ownership of houses (and other forms of buildings) has increased. Relative importance of housing and financial assets has increased significantly. Importance of consumer durables has declined, and that of productive assets, including agricultural machineries, has declined even further.⁵ Our results largely correspond

⁵. ⁵ In future, we hope to explore this issue in greater detail, and examine the ownership rates of asset. Such an exercise will allow us to examine the access to different categories of wealth by different section of population.

with that obtained by earlier authors including Wang (1995), Gustafsson et al (2006), and Meng (2007).

[Insert Table 1 here]

To examine the extent of inequality in wealth distribution in the country, we start by examining the Gini coefficients. Table 2 presents the coefficients for total per capita assets, and the respective Gini coefficients for rural and urban distributions. We find that distribution of wealth across the nation has become more inequitable over the period 1995-2002. The overall Gini has increased from 0.45 to 0.55. Two other pictures also emerge from Table 2. First, on comparing the Gini coefficient for only the urban households between 1995 and 2002, we find that intra-group inequality has declined in urban areas; a surprising result given the widely documented rise in other social inequalities in urban China in this period. Second, focusing on only the rural households and comparing the Gini coefficient for between 1995 and 2002, we find that intra-group inequality has remained more or less same in rural China, and wealth distribution is more equitable in the rural areas than in the urban areas. A decline in intra-urban inequality and a relatively stable intra-rural wealth distribution are, however, accompanied by an increase in overall inequality in distribution in China. This is indicative of a rising disparity in inter-group distribution of wealth, especially the rural-urban divide, fueled by massive high-speed urbanization.

[Insert Table 2 here]

For a better understanding of the composition of wealth distribution in terms of its constituent categories we invoke the analysis present in Renwei (2008). We derive Table 3 based

on his analysis on Gini coefficients for distributions of different categories of assets in 2002.⁴ We find that, in that year, distribution of land, housing and that of consumer durables is relatively more equal, whereas that of financial assets, and fixed productive is more unequal. Distribution of non-house liability is extremely unequal.

[Insert Table 3 here]

Table 4 presents the wealth deciles. We examine the distribution in terms of total assets (share and cumulative) and in terms of net-worth. First, we focus on the pattern of distribution of total assets. We find increasing polarization has taken place in distribution of wealth in China between 1995 and 2002. Ownership of total assets in the country by the poorest 10% of the Chinese population has declined from approximately 6% to approximately 3%. In contrast, assets owned by the richest 10% of the Chinese population is almost 60% of the total assets in the country, and this share has remained stable between 1995 and 2002. Overall, the wealthiest 40% of the Chinese population have increased their share, while there has been a decline in the share of the bottom 60%. Cumulative share of the first eight deciles of population has declined between this two periods, while that of the highest two deciles [the richest 20% of the Chinese population] has increased. Similar trends are also observable in the data on net worth.

[Insert Table 4 here]

Tables 5 and 6 present the different categories of assets and debts for Chinese households in terms of deciles. One striking observation from these two tables is that the ratio of debt to total asset is relatively high for the poorest 10% of the population. This ratio was higher in 2002 than

^{6.} In the next step of our analysis, we shall examine the changes in patterns of distribution of different types of assets.

in 1995. For the richest 10% of the population, this ratio has declined between the period 1995 and 2002. Clearly, buildings and financial assets explain a significant part of the increase in wealth inequality. These are the categories in which the top deciles have made substantial gains.

[Insert Tables 5 and 6 here]

Tables 7, 8, 9 and 10 describe the population deciles in terms of different types of assets separately for rural and urban areas. The notable observations in these tables are the following. First, even in rural areas, where land continues to be a major source of wealth, buildings are the primary source of household wealth in 2002. Second, predictably, in urban areas, buildings and financial assets are the major sources of wealth. These results capture the importance of ownership of housing in both rural and urban areas, and that of financial assets in urban areas in modern China. As we discussed earlier in our review of literature, authors like Gustafsson et al (2006), and Meng (2007), have also underscored these observations.

[Insert Tables 7, 8, 9 and 10 here]

Regional distribution of wealth and its decomposition in China is examined in terms of Tables 11, 12, 13 and 14. Following the existing conventions, we identify these regions in China as: east, central and west. Tables 11 and 12 present the decomposition of household wealth in terms of various types of assets for 1995 and 2002. Table 13 presents the Gini coefficients for wealth distribution. In 1995, distribution of wealth was most unequal in eastern China, less so in western China, and least so in central China. In 2002, this inter-regional pattern in distribution was preserved, with highest inequality in wealth distribution in eastern China, least inequality in central China. The extent and severity of inequality, as indicated by the value of the Gini

coefficient, however, has been rising in each of the three regions between 1995 and 2002. While the intra-regional inequality is rising, inter-regional inequality has shown a marginal decline between 1995 and 2002. This is in sharp contrast with the rural urban dynamics. As Table 14 shows, there is a rising trend in rural-urban wealth divide in the country. While in 1995, this divide explained only about 4% of the wealth inequality, in 2002, rural-urban divide explains more than 34% of the total wealth inequality in Chinese household wealth distribution. Rise in the value of urban dwellings and the increased importance of financial assets goes a long way in explaining this.

[Insert Tables 11, 12, 13 and 14 around here]

3.2 WEALTH INEQUALITY IN INDIA

In our discussion on wealth inequality in India, we start by examining some basic summary statistics of the level and distribution of wealth at the per capita level in 1991 and 2002. Next, we explore the nature inequality. Finally, we make certain observations on sectoral and regional decomposition of wealth.⁵

3.2.1 MEANS AND MEDIANS

For our analysis on wealth distribution in India, we start by presenting the means and medians of the level and distribution of wealth at the per capita level in 1991 and 2002 in Table 15. The table shows that per capita assets have gone up by about 35% from Rs. 22,833 in 1991 to Rs. 31,018 in 2002. Per capita net worth has gone up by similar levels. While there are

^{7.} Many of the analysis presented in this section is based on the data presented in Jayadev, Motiram and Vakulabharanam (2007).

substantial differences in levels of asset holding between rural and urban households, the growth rates in asset holdings are very similar in rural and urban areas. In urban areas, however, growth in per capita net worth was faster. This result reflects the greater reported indebtedness in rural areas. Thus, the urban-rural ratio of average per capita assets has remained relatively constant at 1.5 between 1991 and 2002. The rural-urban ratio of average per capita net worth, however, increased substantially from 1.37 in 1991 to 1.5 in 2002. The median values of per capita assets and net worth went up from Rs. 10,459 and Rs. 10,169 in 1991 to Rs. 13,587 and Rs. 13,055 in 2002, respectively. The implied annual real growth rates are slightly smaller than for that of the mean values. While there is an increase in most components of asset holdings, in real terms, in the urban areas, there is a decline in the average values of livestock assets and durable assets. This anomaly may reflect several underlying causes, including the lack of readily available and consistent price deflators for all categories, changing market prices for livestock, and the continued use of labor-intensive methods of household-work, rather than the use of household durables.

[Insert Table 15 Here]

The sharpest growth rates have occurred for financial assets. Overall, annual growth rates of shares and deposits (or other such assets) have been, respectively, 22% and 7% between 1991 and 2002. The growth of financial markets and a culture of investing, especially in urban areas, are likely to be behind these changes. While rural growth rates in these categories are also impressive, the initial levels seem very low. It should also be noted that figures for financial assets are more readily comparable between 1991 and 2002, since, they do not face the problem of appropriate price deflators.

[Insert Table 16 Here]

For most Indians who possess some wealth, asset holdings are concentrated in land and buildings. Table 16 shows the proportion of overall per capita assets disaggregated by the main categories of holdings for rural and urban areas (land, buildings and durables) in both 1991 and 2002. There are important differences across rural and urban sectors, with durables accounting for a much larger proportion of the asset holdings of urban households as compared to rural households in both periods. Likewise, land is the primary asset of rural households, accounting for nearly half of total per capita assets for both periods. Other assets (including the sum of non farm equipment, agricultural machinery, transport vehicles, deposits, loans, shares etc.) constitute only about 10% of total per capita assets.

[Insert Table 17 Here]

Table 17 presents the ownership rates of these assets (proportion of the population owning an asset) for India. The figures show the following: The ownership rates for the biggest categories—land and buildings—have remained roughly the same over time. There is has been a decline in the ownership rates of livestock and that of agricultural machinery. By contrast, ownership rate of non-farm assets has increased. These changes possibly reflect a movement of the rural rich from investment in agricultural assets to non-agriculture assets, as agriculture becomes relatively less profitable over this period. The most striking change in ownership rate, indicated by this table, is that, there has been a sharp rise in the ownership of deposits, with over 90% of the respondents having some deposits in 2002 compared with less than 25% in 1991. A puzzling feature of the data is the fact that the ownership rates of shares has actually declined,

from 9.15% to 7.33% of the population, a finding that runs contrary to both the received wisdom and other studies which have found that share and debenture ownership in India has expanded considerably (see for example SEBI-NCAER 2000, 2003). While these studies cannot be used to benchmark the AIDIS survey, this divergence suggests that one should be cautious when drawing conclusions on share ownership and distribution when utilizing the AIDIS.

3.2.2 NATURE OF WEALTH INEQUALITY

The household data for India also show an increase in the degree of inequality across several axes. The Gini coefficients for total per capita assets and per capita net worth are presented in Table 18. The Gini coefficient for per capita net worth has seen an increase of about two percentage points, which is notable. The corresponding figure for per capita assets is at about one percentage point. It should be noted that these increases are almost certainly underestimates of the true levels of wealth inequality, since, the extremely wealthy are not properly sampled.

[Insert Table 18 Here]

Table 19 provides Gini coefficients for each type of asset, and we can see that inequality in distribution of these assets has been largely stable between 1991 and 2002. Hence, there is no single asset (or a subset of assets) that is driving the overall pattern of changes in inequality. One point, however, bears mentioning. As is evident from the table, the ownership of shares and loans (what one might term broadly as financial assets and liabilities) is highly concentrated with Gini coefficients in the order of 0.99. This finding suggests that the tremendous focus given to

the health of the stock market, and, to the movement of corporate asset values, in the media as well as to its political importance, reflects the interests of a very narrow constituency. Although there is evidence that there is a larger and more widespread holding of corporate assets, such assets are components of very few portfolios. Even if one were to impute indirect holdings of shares and debentures in assessing types of asset held by Indian households, the concentration would likely to continue to be very high.

[Insert Table 19 Here]

In our analysis of household distribution of wealth in India, two remarkable features become apparent. First, there are huge disparities in wealth concentration, and, second, the wealth shares have remained relative stability over the decade. Since we are not able to track individual households across the time span, and thus, cannot measure wealth mobility, we examine the shares and cumulative shares by deciles. We carry out this exercise for both the total per capita assets, and the per capita net worth, to examine the issue of wealth concentration. Table 20 shows that the top or the richest 10% of households possess a little over half of the total wealth (whether measured in terms of assets or net worth) in the country, while the bottom or poorest 10% possess a mere 0.4% of the total wealth. The bottom 50% of the population own less than 10% of the total wealth. The wealthiest tended to have consolidated their share between the two surveys (with the top 10% owning 51.94% of wealth in 2002 versus 50.79% in 1991), while the asset-poor or the bottom 10% of Indian population have only lost their share (0.21% in 2002 versus 0.22% in 1991).

[Insert Table 20 Here]

We continue with our analysis on wealth concentration in Table 21. The table presents average wealth holdings by decile in terms of mean per capita monthly expenditure. The growth rate in asset accumulation is highest in the top decile, while, the growth rate of assets is the lowest in the bottom decile. This table, therefore, presents a stronger picture of divergence in asset holdings, as our figures show that the rich have pulled away from the poor in asset accumulation.

[Insert Table 21 Here]

This narrative is further strengthened when one examines the very top end of the wealth distribution. Table 22 indicates that holdings at the very top end of the distribution increased sharply. The following comparison illustrates this point: On examining the asset holding ratio between a household at the 95th percentile to the median household, we find that this ratio rose from 758% to 814%, while the corresponding ratio for net worth rose from 766% to 824%. On examining the asset holding ratio between a household at the 99 percentile to the median household, we find that the ratio rose from 1851% to 1958%, while the corresponding ratio for net worth rose from 1886% to 2012%. Our result, that wealth is rapidly increasing at the very top end of the income/wealth distribution, is broadly in agreement with another examination of the very rich in India as presented in Banerjee and Piketty (2005).

[Insert Table 22 Here]

Another axis, along which there have been sharp differences in wealth distribution, is wealth holdings by states in India. Tables 23 A and 23 B provide a break up of average per capita asset holdings and per capita net worth, respectively for the different states, in 1991 and 2002.

The tables also present the figures on implied growth rates between the two periods under consideration. Focusing on the major states, the following observations can be made from these two tables. First, the range in per capita holdings among states is very wide. We find that the per capita asset holdings in Punjab, the most wealthy state, was Rs 77,051 per person in 2002, which is about four times higher than the per capita holdings in Bihar, the least wealthy state, with a per capita wealth of Rs. 19,718. Second, the growth rates among states have been substantially different. Bihar, for example, experienced a growth rate of about 0.9% per annum in per capita asset holdings, while Kerala has seen the fastest growth rate at about 4.9% per annum.

In this regard, we use an often-used classification of the 14 major states, 'poor' (Bihar, Orissa, Uttar Pradesh, Madhya Pradesh and Rajasthan), 'middle-income' (Andhra Pradesh, Kerala, Karnataka and West Bengal), and 'rich' (Tamil Nadu, Haryana, Gujarat, Punjab and Maharashtra). The numbers tell a stark story, with the middle-income and rich states experiencing much faster asset growth rates annually than the poor states. This is reflective of the growing disparities among states and commented upon in several recent studies (see, for example, Kocchar et al. 2006). The above empirical findings probably reflect the greater incentives and ability of the middle and high income states to save and invest, and consequently, to accumulate more rapidly. It is also interesting to note that growth in asset holdings has been fastest in the urban areas of the middle-income states, regions which include dynamic urban centers such as Hyderabad and Bangalore.

[Insert Table 23A and 23B Here]

We now examine the horizontal distribution of household wealth in terms of household characteristics, including identities based on caste and religion, education, nature of occupation

and employment status. Tables 24A and 24B, respectively, provide information on mean asset holding and mean net worth for households according to for these categories, for rural and urban India, in 1991 and 2002. Due to procedural differences in classification of categories and collection of data in the 1991 and 2002 round of survey, a direct comparison according to the 2002 definitions of social groups is not possible for all groups using 1991 data. Nevertheless, following observations can be made from Tables 24A and B. First, predictably, there are substantial differences in asset accumulation among caste and religious groups. The level of asset holdings for SC/STs [Scheduled Caste and Scheduled Tribe groups] continues to be significantly different from “Others”. For the 2002-2003 survey that collects data on OBCs and “Others” apart from SC/STs, there are expected differences in wealth holdings across these groups with “Others” being the wealthiest, SC/STs being the poorest, and OBCs falling in the middle. Thus, the wealth hierarchy matches the caste hierarchy.

[Insert Table 24A and 24B Here]

The survey data in 2002 also shows that there are large differences in wealth holdings among religious groups. Muslims, with average per capita asset holdings of about Rs. 20,250, are the poorest community, while Jains, with average per capita asset holdings of Rs. 103,900, are the wealthiest community, compared to the somewhat wealthy Hindus, with per capita asset holdings of about Rs. 30,500.

Educational and occupational differences also are strongly correlated with average wealth holdings. Unsurprisingly, wealth levels rise with the educational level of the head of the household. Households, where the household head has graduate level education, have about

twice the average wealth compared to households where the household has a secondary school level education (Rs. 91,200 vs. Rs. 49,500), and nearly five times compared to households where household head is illiterate.

On examining distribution of wealth according to occupational categories, we find that in rural areas, households classified as self-employed in agriculture enjoy the largest amount of wealth, with an average wealth of Rs. 42,000. In contrast, households employed as agricultural laborers have an average wealth of only Rs. 8,700. In urban areas, households classified as self-employed and “others” have the highest average wealth, while households employed as casual laborers have the lowest average wealth.

3.2.3 DECOMPOSITIONS

Table 25 presents the decomposition data in terms of generalized entropy indices (GE(0) and GE(1)) and the Gini Coefficient. In wealth terms, the decompositions do not yield significant results for the between-group component, while the within-group component dominates in these decompositions. The sectoral (rural-urban), and regional decompositions presented in Table 25 show that the between component explains very little of the overall wealth inequality. In the decomposition along state lines, the decompositions show that nearly 10% of the overall inequality in 2002 is explained by the inter-state component.

[Insert Table 25 Here]

4. DISCUSSION

Based on our empirical analyses, we offer the following conclusions. Overall wealth is more unequally distributed in India compared to China in 2002. This is in contrast with distribution in income/consumption in the two countries. Income/consumption inequality in China is much higher than that in India. On comparing the changes in wealth, we find, Indian wealth inequality, measured in terms of the Gini coefficient, has shown a marginal increase between 1991 and 2002, whereas, in the case of China, wealth Gini has increased rapidly between 1995 and 2002. This suggests that there is a broad trend of convergence between China and India in terms of overall wealth inequality.

In both countries, buildings and financial assets are important sources of overall wealth. What is, however, different in India is that, land was, and continues to be, a major source of inequality, whereas, in China, land inequality in rural areas is not as important in 2002 as it was in 1995. In both countries, urban inequality is higher than rural inequality at both points in time. Urban inequality, however, has tended to decline in China over 1995-2002, whereas it has remained the same in India. While in China, the rural-urban divide has increased astronomically (from 4% to 34%) in terms of its significance in explaining overall wealth inequality, this trend is much less pronounced in India. Also, in China, inter-regional inequality has tended to stagnate, while in India, inter-state inequality has increased marginally over 1991-2002. As we discussed this phenomenon in terms of Tables 23A and 23B, the rising divergence observed across the Indian states may be reflective of the fact that the middle income states are growing faster than rich states in wealth terms, and both the middle income and the rich states have outstripped the

poor states in terms of asset growth. In addition, in India, inter-caste inequality explains a higher proportion of overall inequality over 1991-2002, suggesting an increased importance of social aspects in the economic dimensions of inequality during the period of market liberalization and economic reforms in the country, despite the advance of many lower-caste groups in electoral politics and expansion of reservations in public institutions since the early 1990s.

How do we explain these trends? As stated earlier, we do not believe that increased wealth inequality in the two countries can be explained away with theories that draw upon lifecycle hypothesis and bequest motives of individual agents. Far more significant are [a] structural factors, specifically those that concern the deep causal determinants of the types of economic regime that has been operating in these two economies, [b] structural changes which involves various alterations in these economic regimes, and [c] uneven economic development in the two economies, that brings to focus differential rates of change in terms of castes, regions, classes and the rural-urban dynamics.

We now take a closer look at the role played by each of these three explanatory variables. We have posited that distinct long-term structural factors explain the different levels of inequality in India and China. For China, we identify radical land reform as one of these structural factors. China had implemented radical land reforms in the 1950s during the Maoist period, and in the post-Deng period it continues to strive for egalitarian land distribution in rural areas. The fact that urban China was fairly egalitarian (both in income and wealth) until 1970s largely explains why the intra-urban inequality is fairly low even today. In our view, relative absence of radical egalitarian land reforms and the untouched urban wealth inequalities (in terms

of state intervention) since independence account for the high intra-rural and intra-urban inequalities.

We offer the following explanations for the rising trends in wealth inequality in the two countries. Comparable structural changes in the two economies have exacerbated processes of uneven development. Such changes include increased distance and inadequate spatial connectivity between rural and urban areas, as well as that between states in India or regions in China. However, a curious anomaly observed in this process, specifically in the context of China, needs explanation. Intra-urban inequality has tended to sharply decrease in China over 1995-2002. The main reason for this is that housing ownership has become much more broad-based between 1995 and 2002 in China. Despite this factor, Chinese wealth inequality has been racing ahead. This is because urban China has left its rural counterpart behind. Present day China, by all accounts, is a space that seems to contain two very different societies. The urban region (especially in eastern China) is racing ahead and joining the ranks of metropolitan countries. The rural region is left behind and is mired in the problems of underdevelopment, similar to many other developing countries. Increasing urbanization, as well as increasing labor migration, have not been sufficient in eliminating the disparities between rural and urban areas. On the other hand, ownership of rural land is increasingly being transferred to urban dwellers [as is reflected in Table 1].

In the Indian case, class and caste inequalities have been on the rise, while the disparities within urban and within rural areas have remained pretty high. Inegalitarian land distribution in rural areas has not shown any signs of abatement after sixty years of independence, while proper housing remains a distant dream for a vast majority of urban dwellers. In addition, since the

liberal economic reforms of the 1990s, the upper 20% of the Indian population has been accumulating more financial assets. This explains the rising trend we previously describe, even though the actual Gini coefficient from the wealth data shows only a marginal increase. In more recent times (since 2006), there has been a concerted effort in India to launch a special economic zone strategy that as presently conceived would serve to heighten the urban-rural divide as the urban capitalists (industrial, services, agricultural, and real estate) prey upon the farming populations by displacing them off their lands and making them asset poor. The next wealth survey may capture some of these trends more clearly.

In our opinion, both China and India need to break away from these vicious spirals of increased inequality if they have to be true to their claims of creating egalitarian societies. The main policy prescription that we provide is that, both countries should urgently focus on shoring up agricultural populations in terms of their incomes as well as assets. Especially in the case of China, such policies will serve to reduce the rural-urban gap, which is the main source of the increasing trend in wealth inequality. In the case of India, providing additional support structures through right state policies (in terms of terms of trade and subsidies), and also through radical policies of land redistribution, greater equality in distribution can be restored. By improving both income as well as asset distribution in rural areas, both countries will witness a reduced rural-urban gap but also a cessation of the process of distress migration that goes a long way in increasing intra-urban disparities. Specifically in the case of India, the asset poor hail from backward castes. They also include landless agricultural workers in rural areas and workers employed in the informal sector in the urban areas. These groups will require specific and coherent attention from the policy makers. In the absence of these policies, China, which is well

on its way to overtaking Indian wealth inequality in a decade or so, may head towards American and Latin American standards of wealth inequality. India has also been displaying a clear trend of increased wealth inequality especially after the 2002-03 survey has been completed. The respective futures of India and China need not follow their current trends. If they do, it does not bode well for the greater human objectives of equality, harmony and sustainability in these societies.

Tables

Table 1: Major Categories of Total Assets, CHINA

Asset categories	1995			2002		
	Overall	Rural	Urban	Overall	Rural	Urban
Land	25.16%	41.27%		9.35%	29.71%	
House	33.84%	26.83%	44.80%	55.89%	40.27%	63.06%
Financial Assets	18.97%	12.96%	28.35%	22.96%	14.03%	27.05%
Durables	15.46%	11.57%	21.54%	7.15%	7.61%	6.94%
Productive Assets	4.94%	7.38%	1.13%	3.79%	8.38%	1.68%
Other Assets	1.63%	-	4.18%	0.87%	-	1.27%
Total Assets	100%	100%	100%	100%	100%	100%

Table 2: Distributional Measures, CHINA

DISTRIBUTION	1995			2002		
	Overall	Rural	Urban	Overall	Rural	Urban
Gini coefficient (Total Assets)	0.454	0.395	0.514	0.547	0.393	0.486
Gini coefficient (Net Worth)	0.454	0.395	0.514	0.547	0.393	0.393

Table 3: Gini by Category, CHINA, 2002

Category of Assets	Gini [2002] Ψ
Total wealth (net value)	0.55
Land	0.6686
Financial assets	0.7404
Net value of housing	0.6736
Fixed productive assets	0.8373
Durable consumer goods	0.6431
Estimated present value of other assets	0.9669
Non-House liability	0.9674

Ψ Source: Renwei (2008)

Table 4: Share of Assets and Net Worth by Deciles, CHINA*

Wealth Decile	1995				2002			
	Total Assets		Net Worth		Total Assets		Net Worth	
	Share (%)	Cumulative Share (%)	Share (%)	Cumulative Share (%)	Share (%)	Cumulative Share (%)	Share (%)	Cumulative Share (%)
0-10	5.79	5.79	5.29	5.29	3.21	3.21	2.63	2.63
10-20	3.42	9.21	3.78	9.07	2.16	5.37	2.52	5.14
20-30	2.78	12.00	2.77	11.84	1.92	7.29	2.01	7.16
30-40	2.61	14.60	2.64	14.48	2.07	9.37	2.08	9.24
40-50	2.71	17.32	2.77	17.25	2.46	11.82	2.45	11.68
50-60	3.26	20.58	3.17	20.42	3.19	15.01	3.20	14.88
60-70	4.14	24.72	4.23	24.64	4.86	19.86	4.83	19.71
70-80	6.18	30.90	6.17	30.81	7.54	27.41	7.61	27.32
80-90	10.91	41.81	10.94	41.76	13.78	41.19	13.74	41.07
90-100	58.19	100.00	58.24	100.00	58.81	100.00	58.93	100.00

*: Note: 1995 and 2002 values deflated by 2005 PPP US\$

Table 5: National Wealth in 1995, CHINA*

Wealth Decile	Land	House	Financial Assets	Durables	Producing Assets	Other Assets	Total Assets	Debts	Net Value of Assets
0-10	239.9	112.9	106.6	183	42.3	15.4	700.1	-65.3	634.7
10-20	465	195.7	165.7	189	81.8	16.1	1113.3	-24.4	1088.9
20-30	623.6	274.4	211.9	216.6	104.6	18.6	1449.7	-28.5	1421.3
30-40	718.4	380.8	274.9	242.9	126	21.9	1764.9	-26.9	1738
40-50	850.7	479.3	327.8	266.2	144	25	2093	-22.1	2071
50-60	973.4	585.7	421.7	328.1	150.2	28.2	2487.3	-36.4	2451.1
60-70	1040.6	776	560.4	399.8	174.8	35.7	2987.3	-28.9	2958.4
70-80	1152.9	1055.7	767.6	518.3	191.6	48.3	3734.4	-35.5	3698.8
80-90	1136.4	1877.9	1012.6	694.5	246.8	85.1	5053.3	-40.7	5012.7
90-100	1218.	5589.3	2498.5	2137.2	390	252.1	12085.	-81.2	12004.

	6						7		6
Total	8419.5	11327.7	6347.7	5175.6	1652.1	546.4	33469	-389.9	33079.5
Type of asset as % of total asset	25.16	33.85	18.97	15.46	4.94	1.63	100.00	-1.16	

* Decile Group in 2005 PPP US\$

Table 6: National Wealth in 2002, CHINA

Wealth Decile	Land	House	Financial Assets	Durables	Producing Assets	Other Assets	Total Assets	Debts	Net Value of Assets
0-10	369.5	319.2	169.4	184.6	89.3	8.5	1140.5	-211.6	929
10-20	680.9	611.9	256	208.7	144.2	6	1907.7	-87.1	1820.6
20-30	876.2	878.4	379.5	263.1	187.3	5.9	2590.4	-58.1	2532.3
30-40	1046.5	1258.5	474.1	297.4	239.4	10.2	3326.1	-57.8	3268.2
40-50	1177.1	1664.7	684.7	361.5	297.5	12.7	4198.2	-63.9	4134.3
50-60	1207.7	2366.5	973.2	434.3	324.4	24	5330.1	-63.7	5266.3
60-70	1110.5	3504.9	1485.6	577.8	335.9	39.9	7054.6	-79.7	6974.9
70-80	714.4	5637.4	2201.2	766.9	333.8	80	9733.7	-65.3	9668.3
80-90	539.1	8891.4	3566	1027.9	419.1	185.5	14629	-96.9	14532.3
90-100	240.5	22630.9	9428.4	1978.8	860.9	373.7	35513.2	-125	35388.1
Total	796.7	4764.3	1956.8	609.2	322.8	74.5	8524.3	-90.9	8433.4
Type of asset as % of total asset	9.35	55.89	22.96	7.15	3.79	0.87	100.00	-1.07	

Table 7: Rural Wealth in 1995, CHINA*

Wealth Decile	Land	House	Financial Assets	Durables	Producing Assets	Total Assets	Debts	Net Value of Assets
0-10	414.9	174.4	71.4	49.9	71.3	781.9	-74.8	782.9
10-20	623.7	254.1	106.9	63.2	108.8	1156.7	-32.5	1158.7
20-30	772.4	319.7	146.2	86.5	130.6	1455.	-30.1	1458.4

						4		
30-40	878.5	407.9	181.1	113	149.2	1729.7	-27.7	1733.7
40-50	994.9	507.2	209.6	130.5	167.2	2009.4	-26.5	2014.4
50-60	1151.2	565.1	263.2	167	182.4	2328.9	-30.5	2334.9
60-70	1279.2	685.8	343.6	209.8	208.5	2726.9	-40.1	2733.9
70-80	1434.7	886.9	432.7	279.4	232.7	3266.4	-35.8	3274.4
80-90	1728.5	1195	612.9	356.5	294	4186.9	-45.5	4195.9
90-100	2600.9	2726.8	1362.9	1875.2	578.6	9144.4	-123.9	9154.4
Total	1187.8	772.2	373	333.1	212.3	2878.4	-46.7	2831.6
Type of asset as % of total asset	41.27	26.83	12.96	11.57	7.38	100.00	-1.62	98.37

* Decile Group in 2005 PPP US\$

Table 8: Rural Wealth in 2002, CHINA

Wealth Decile	Land	House	Financial Assets	Durables	Producing Assets	Total Assets	Debts	Net Value of Assets
0-10	485.8	338.4	85.4	114.3	109.4	1133.3	-179.6	953.6
10-20	680.5	533.9	149.6	159.9	153.2	1677.1	-72.2	1604.9
20-30	859.8	733.3	214.9	190.8	176.8	2175.6	-65.1	2110.6
30-40	995	913.6	289	230.7	208.4	2636.7	-50.5	2586.1
40-50	1136.5	1120.1	356.8	258.6	259.6	3131.6	-59.3	3072.2
50-60	1263.2	1402.2	435.5	294.8	301.8	3697.5	-59.7	3637.7
60-70	1464.1	1666.8	558.1	323.9	353.2	4366.1	-57.2	4308.9
70-80	1654.2	2074.1	720.6	392.3	427.6	5268.8	-56.7	5212.1
80-90	1976.7	2834.7	1016.3	473.8	553.5	6855	-68.6	6786.4
90-100	2575.2	6125	2354.5	912	1150.7	13117.4	-96.3	13021.1
Total	1309	1774	618	335.1	369.4	4405.5	-76.5	4328.9
Type of asset as % of total asset	29.71 %	40.27%	14.03%	7.61%	8.38%	100.00 %	-1.74	

Table 9: Urban Wealth in 1995, CHINA*

Wealth Decile	House	Financial Assets	Durables	Producing Assets	Other Assets	Total Assets	Debts	Net Value of Assets
0-10	17.7	133.1	345.6	0.6	35.2	532.2	-49.6	482.5
10-20	39	328	559.5	1.5	60.8	988.8	-9.9	978.9
20-30	104	482.3	737.3	4.3	97.2	1425.1	-13.1	1411.9
30-40	244.2	738.9	814.3	6.9	119.6	1923.9	-16.2	1907.6
40-50	500.4	948.7	909	11.2	140.6	2509.9	-15.1	2494.7
50-60	836.8	1239	962.5	23.6	161.3	3223.2	-8.5	3214.7
60-70	1500.5	1393.8	1039.9	17	189.2	4140.4	-19.4	4120.9

70-80	2476.7	1529.3	1114.4	54.7	224.5	5399.6	-12.9	5386.7
80-90	3922.8	2005.9	1221.6	76.2	270	7496.5	-28.8	7467.9
90-100	10473.6	3924.7	1961.7	309.7	578.7	17248.4	-28.8	17219.6
Total	2009.1	1271.3	966.1	50.5	187.6	4484.6	-20.2	4464.3
Type of asset as % of total asset	44.8%	28.3%	21.5%	1.1%	4.2%	100.0%	-0.5	

* Decile Group in 2005 PPP US\$

Table 10: Urban Wealth in 2002, CHINA

Wealth Decile	House	Financial Assets	Durables	Producing Assets	Other Assets	Total Assets	Debts	Net Value of Assets
0-10	306	570.1	408.3	6.6	39.8	1330.8	-304.9	1025.8
10-20	1609.4	1296.7	552.5	37.6	71.9	3568.1	-84.7	3483.4
20-30	3194.8	1748.1	591.5	44.8	107.1	5686.3	-108.9	5577.4
30-40	4734.8	1918.4	696.5	77	69.1	7495.8	-60.3	7435.5
40-50	5954.8	2365	798.6	100.1	107.8	9326.3	-39.9	9286.6
50-60	7250	3018.1	900.6	143.4	176	11488.1	-110.1	11377.8
60-70	9010.2	3672.9	996.2	226.3	256.5	14162.1	-53.2	14108.9
70-80	11677.8	4755.1	1207.6	289.2	204.5	18134.2	-112.4	18021.8
80-90	16417.5	6787.6	1459.1	332.6	311.7	25308.5	-95.2	25213.4
90-100	34070	14286	2749.5	1249.6	560.3	52915.4	-162	52753.5
Total	9414.6	4038.8	1035.6	250.5	190.2	14929.7	-113.2	14816.4
Type of asset as % of total asset	63.06%	27.05%	6.94%	1.68%	1.27%	100.00%	-0.76	

Table 11: Wealth, by region and asset types, 1995, CHINA

Region	Land	House	Financial Assets	Durables	Producing Assets	Other Assets	Debts	Total Assets
East	966.1	1626.0	1001.7	676.0	181.9	81.0	-48.8	4483.9
Central	870.0	875.4	466.8	447.1	151.7	38.5	-36.1	2813.4
West	626.8	811.0	361.8	396.5	161.1	40.8	-29.4	2368.6
Total	841.8	1132.5	634.7	517.5	165.2	54.6	-39.0	3307.3

Table 12: Wealth, by region and asset types, 2002, CHINA

Region	Land	House	Financial Assets	Durable s	Producing Assets	Other Assets	Debts	Total Assets
East	773.9	7421.6	3150.0	904.9	378.3	113.5	-103.7	12638.5
Central	830.0	3698.4	1500.4	483.4	273.1	47.8	-82.6	6750.6
West	782.9	3115.0	1190.4	434.1	320.2	62.8	-86.6	5818.8
Total	796.7	4764.3	1956.8	609.2	322.8	74.5	-90.9	8433.4

Table 13: Distributional measures of wealth, by region, CHINA, 1995 and 2002

DISTRIBUTION	1995	2002
Gini coefficient (overall)	0.454	0.547
Gini coefficient (East)	0.459	0.545
Gini coefficient (Central)	0.400	0.486
Gini coefficient (West)	0.436	0.524

Table 14: Wealth decomposition, CHINA

DISTRIBUTION	1995		2002	
	Coefficient	%	Coefficient	%
Rural-Urban				
Within (Intra-group effect)	0.436	95.99	0.358	65.43
Between (Inter-group effect)	0.018	4.01	0.189	34.57
Region				

Within (Intra-group effect)	0.405	89.11	0.490	89.51
Between (Inter-group effect)	0.049	10.89	0.057	10.49

Table 15: National Averages of Wealth Holdings 1991 and 2002, INDIA*

*: Note: 2002 values deflated to 1991 values by the CPI for industrial workers for urban areas and for agricultural workers in rural areas

Table 16: Major Categories of Total Assets, INDIA

	1991			2002			Annual Growth Rate		
	Overall	Rural	Urban	Overall	Rural	Urban			
Land	43.4%	49.4%	24.7%	43.1%	48.6%	26.9%			
Buildings	29.7%	29.5%	30.7%	32.8%	32.7%	33.2%			
Durables	15.2%	10.4%	29.0%	8.5%	9.8%	24.2%	Rural	Urban	
Others	11.7%	10.7%	14.7%	10.6%	8.9%	15.8%			
Average Per Capita Net Worth	2150	1988	2721	1003	4007	100%			
	N	301658	200179	101479	709291	456571	252720	2.7%	3.6%
Average Per Capita Assets	2283	2035	3050	3101	2751	4129	2.8%	2.8%	2.8%
	3	2	5	8	5	3			
Average Per Capita Land	1252	1307	1083	1696	1735	1581	2.8%	2.6%	3.5%
	9	5	8	6	9	3			
Average Per Capita Livestock	551	688	129	453	578	87	-	-	-
							1.8%	1.6%	3.5%
Average Per Capita Building	6223	4355	1200	8767	6462	1552	3.2%	3.7%	2.4%
			1			6			
Average Per Capita Agricultural Machinery	363	455	79	428	544	91	1.5%	1.6%	1.3%
Average Per Capita Non Farm	159	65	449	216	96	567	2.8%	3.6%	2.1%
Average Per Capita Durable	1769	1197	3535	1944	1420	3481	0.9%	1.6%	0.1%
Average Per Capita Transport	411	246	923	686	381	1581	4.8%	4.1%	5.0%
Average Per Capita Deposits	702	243	2123	1439	622	3836	6.7%	8.9%	5.5%
Average Per Capita Shares	85	16	297	755	279	2149	22.0%	29.6%	19.7%
Average Per Capita Loans and Others	41	12	132	51	29	116	2.1%	8.9%	1.1%
MEDIAN									
Median Per Capita Net Worth	1016	9988	1099	1305	1272	1456	2.5%	2.5%	2.9%
	9	1	5	0	9	9			
Median Per Capita Assets	1045	1025	1134	1358	1318	1523	2.7%	2.6%	3.0%
	9	1	8	7	4	3			
N (1991):overall/rural/urban 301658/200179/101479 N (2002):overall/rural/urban 709291/456571/252720									

Table 17: Ownership Rates by Asset, INDIA

Assets	Ownership Rate (1991)	Ownership Rate (2001)
Total	99.88	99.97
Land	86.92	89.61
Buildings	88.21	89.45
Livestock	60.86	49.95
Agricultural Machinery	68.64	64.66
Non Farm Assets	15.58	20.12
Transport	50.34	58.62
Durables	99.75	99.86
Shares	9.15	7.33
Deposits	23.29	90.48
Loans	2.10	2.38

Table 18: Distributional Measures, INDIA

DISTRIBUTION	1991			2002		
	Overall	Rural	Urban	Overall	Rural	Urban
Gini coefficient (Total Assets)	0.64	0.61	0.70	0.65	0.61	0.69
Gini coefficient (Net Worth)	0.64	0.61	0.70	0.66	0.62	0.69

Table 19: Gini by Category, INDIA

Category of Assets	Gini 1991	Gini 2002
Per Capita Assets	0.64	0.65
Per Capita Land	0.73	0.73

Per Capita Livestock	0.72	0.77
Per Capita Building	0.71	0.68
Per Capita Agricultural Machinery	0.93	0.93
Per Capita Non Farm	0.98	0.97
Per Capita Durable	0.67	0.64
Per Capita Transport	0.92	0.93
Per Capita Deposits	0.93	0.92
Per Capita Shares	0.99	0.99
Per Capita Loans and Others	0.99	0.99

Table 20: Share of Assets and Net Worth by Decile, INDIA

Wealth Decile	1991				2002			
	Total Assets		Net Worth		Total Assets		Net Worth	
	Share (%)	Cumulative Share (%)	Share (%)	Cumulative Share (%)	Share (%)	Cumulative Share (%)	Share (%)	Cumulative Share (%)
0-10	^{1.} 0.37	0.37	0.22	0.22	0.40	0.40	0.21	0.21
10-20	1.07	1.44	1.00	1.23	1.08	1.48	1.01	1.22
20-30	1.86	3.30	1.80	3.02	1.79	3.26	1.72	2.94
30-40	2.78	6.08	2.72	5.75	2.62	5.88	2.57	5.51
40-50	3.91	9.99	3.87	9.61	3.67	9.56	3.64	9.15
50-60	5.37	15.36	5.34	14.96	5.06	14.62	5.02	14.17
60-70	7.37	22.73	7.35	22.3	7.02	21.63	7.00	21.17
70-80	10.47	33.20	10.47	32.77	10.22	31.85	10.22	31.39
80-90	16.41	49.61	16.44	49.21	16.64	48.49	16.67	48.06
90-100	50.39	100.00	50.79	100.00	51.51	100.00	51.94	100.00

Table 21: Average Per Capita Wealth by Expenditure Decile

	1991	2002

Monthly Per Capita Expenditure Deciles	Average Per Capita Assets	Average Per Capita Net Worth	Average Per Capita Assets*	Average Per Capita Net Worth*	Implied Annual Growth Rate	
0-10	8257	8075	8982	8691	0.8%	0.7%
10-20	10197	9965	12151	11814	1.6%	1.6%
20-30	11187	10956	15052	14639	2.7%	2.7%
30-40	13362	13106	17428	16913	2.4%	2.3%
40-50	16116	15817	19859	19272	1.9%	1.8%
50-60	17955	17578	24119	23518	2.7%	2.7%
60-70	22898	22459	29539	28698	2.3%	2.3%
70-80	27536	26982	35011	33938	2.2%	2.1%
80-90	36287	35493	51109	49722	3.2%	3.1%
90-100	76683	75175	111007	107801	3.4%	3.3%

*= deflated values

Table 22: Increasing Concentration of Wealth at the Upper End of the Wealth Distribution

Percentile	1991 (as % of median)		2002 (as % of median)	
	Total Assets	Net Worth	Total Assets	Net Worth
90%	479%	482%	515%	522%
95%	758%	766%	814%	824%
99%	1851%	1886%	1958%	2012%

Table 23A: State Wise Break Up of Assets

State/Region	1991			2002			Implied Ann. Growth Rate		
	Overall	Rural	Urban	Overall	Rural	Urban	Overall	Rural	Urban

Andamans	16617	15357	19500	34905	32393	40215	7.0%	7.0%	6.8%
Andhra	15216	13324	21194	22800	17093	38521	3.7%	2.3%	5.6%
Arunachal Pradesh	12224	13058	6122	12980	13163	11682	0.5%	0.1%	6.0%
Assam	11941	10875	24580	15962	14632	28554	2.7%	2.7%	1.4%
Bihar	17827	17623	19177	19718	18843	27312	0.9%	0.6%	3.3%
Chandigarh	31449	17525	33562	68712	35404	71464	7.4%	6.6%	7.1%
Chattisgarh				20254	19002	28067			
Dadra/Nagar Haveli	14427	13548	26557	30335	29058	45530	7.0%	7.2%	5.0%
Daman/Diu	34700	34187	36201	24660	17187	39123	-3.1%	-6.1%	0.7%
Delhi	70893	76069	70305	56254	26465	63030	-2.1%	-9.2%	-1.0%
Goa	51249	50643	52062	58371	48345	70458	1.2%	-0.4%	2.8%
Gujarat	23443	19203	32132	37011	33513	43638	4.2%	5.2%	2.8%
Haryana	52146	57810	32468	68744	71120	61879	2.5%	1.9%	6.0%
Himachal Pradesh	26790	25620	42162	55366	54649	62320	6.8%	7.1%	3.6%
J&K	28887	26765	43034	62398	53820	94878	7.3%	6.6%	7.5%
Jharkand				17177	15567	23970			
Karnataka	21061	19299	25539	30326	26187	39961	3.4%	2.8%	4.2%
Kerala	37897	35784	44697	64288	59204	79288	4.9%	4.7%	5.3%
Lakshadweep	64949	51044	76845	61121	51259	66544	-0.6%	0.0%	-1.3%
Madhya Pradesh	18420	17127	23245	27549	23715	39905	3.7%	3.0%	5.0%
Maharashtra	24165	18394	34193	33966	27731	42762	3.1%	3.8%	2.1%
Manipur	16961	16353	18653	23369	18836	35669	3.0%	1.3%	6.1%
Meghalaya	13984	10474	30754	31818	24497	72280	7.8%	8.0%	8.1%
Mizoram	10822	7861	20698	33564	15372	66016	10.8%	6.3%	11.1%
Nagaland	16725	14362	20861	76688	85427	55651	14.8%	17.6%	9.3%
Orissa	9816	8906	17120	12831	10957	25217	2.5%	1.9%	3.6%
Pondicherry	25701	16463	30972	39444	26243	46808	4.0%	4.3%	3.8%
Punjab	56342	57629	53483	77051	87189	55239	2.9%	3.8%	0.3%
Rajasthan	29318	28246	33197	35482	33044	44262	1.7%	1.4%	2.6%
Sikkim	25894	26879	17257	26083	23422	48028	0.1%	-1.2%	9.8%
Tamil Nadu	19685	14552	29062	29050	24490	38446	3.6%	4.8%	2.6%
Tripura	12576	10939	33135	13530	10810	33050	0.7%	-0.1%	0.0%
Uttar Pradesh	25103	24118	29070	29284	29249	29415	1.4%	1.8%	0.1%
Uttaranchal				40933	40104	44474			
West Bengal	14554	11748	22868	20453	16267	34663	3.1%	3.0%	3.9%
N	301658	200179	101479	709291	456571	252720			
Poor	21346	20290	26145	25929	24346	32788	1.8%	1.7%	2.1%
Middle	19218	17034	25673	28895	24015	42841	3.8%	3.2%	4.8%
Rich	29965	28367	33318	44264	43782	45284	3.6%	4.0%	2.8%

States	1991			2002			Implied Annual Growth Rate		
	Overall	Rural	Urban	Overall	Rural	Urban	Overall	Rural	Urban
Andamans	15693	15041	17184	34551	32060	39816	7.4%	7.1%	7.9%
Andhra	14511	12727	20152	21253	15757	36394	3.5%	2.0%	5.5%
Arunachal Pradesh	12196	13030	6096	12938	13118	11662	0.5%	0.1%	6.1%
Assam	11866	10830	24161	15883	14568	28338	2.7%	2.7%	1.5%
Bihar	17698	17509	18943	19450	18569	27091	0.9%	0.5%	3.3%
Chandigarh	30897	17134	32986	67792	35299	70476	7.4%	6.8%	7.1%
Chattisgarh				19800	18613	27206			
Dadra/Nagar Haveli	14285	13484	25340	30084	28859	44658	7.0%	7.2%	5.3%
Daman/Diu	34323	33888	35593	24301	16960	38507	-3.1%	-6.1%	0.7%
Delhi	69078	75593	68339	56079	26214	62872	-1.9%	-9.2%	-0.8%
Goa	50227	49108	51728	57316	47855	68722	1.2%	-0.2%	2.6%
Gujarat	22974	18890	31345	35711	32310	42154	4.1%	5.0%	2.7%
Haryana	51477	57057	32090	67517	69895	60645	2.5%	1.9%	6.0%
Himachal Pradesh	26530	25389	41530	54542	54064	59178	6.8%	7.1%	3.3%
J&K	28683	26584	42674	62239	53723	94486	7.3%	6.6%	7.5%
Jharkand				17000	15452	23532			
Karnataka	20489	18843	24672	29315	25219	38851	3.3%	2.7%	4.2%
Kerala	37133	35108	43652	61847	56929	76356	4.7%	4.5%	5.2%
Lakshadweep	64376	50605	76155	60499	50812	65826	-0.6%	0.0%	-1.3%
Madhya Pradesh	18098	16834	22816	26547	22816	38570	3.5%	2.8%	4.9%
Maharashtra	23587	17972	33344	32607	26594	41092	3.0%	3.6%	1.9%
Manipur	16932	16335	18593	23234	18721	35479	2.9%	1.2%	6.1%
Meghalaya	13973	10471	30702	31789	24487	72137	7.8%	8.0%	8.1%
Mizoram	10667	7794	20248	33040	15136	64977	10.8%	6.2%	11.2%
Nagaland	16564	14350	20441	76641	85387	55587	14.9%	17.6%	9.5%
Orissa	9564	8701	16489	12307	10556	23878	2.3%	1.8%	3.4%
Pondicherry	25147	16106	30306	36258	24705	42703	3.4%	4.0%	3.2%
Punjab	55510	56905	52410	75645	85599	54230	2.9%	3.8%	0.3%
Rajasthan	28695	27612	32617	34437	31936	43445	1.7%	1.3%	2.6%
Sikkim	25826	26839	16932	25756	23195	46875	0.0%	-1.3%	9.7%
Tamil Nadu	18844	13975	27739	27748	23241	37033	3.6%	4.7%	2.7%
Tripura	12287	10654	32805	13235	10559	32446	0.7%	-0.1%	-0.1%
Uttar Pradesh	24826	23860	28716	28860	28801	29077	1.4%	1.7%	0.1%
Uttaranchal				40757	39990	44035			
West Bengal	14258	11494	22450	19993	15926	33801	3.1%	3.0%	3.8%

Poor	21054	20022	25745	25384	23826	32132	1.7%	1.6%	2.0%
Middle	18670	16569	24879	27699	22968	41220	3.7%	3.0%	4.7%
Rich	29256	27818	32273	42958	42499	43927	3.6%	3.9%	2.8%

Table 23B: State Wise Break Up of Net Worth

Table 24A: Asset Holdings by Household Characteristics

Household categories	1991			2002		
	Overall	Rural	Urban	Overall	Rural	Urban
Scheduled Caste	10336	9976	12114	14293	13520	17480
Scheduled Tribe	10754	10399	14687	15677	14725	25414
Other Backward Castes				28161	26975	32291
Others	27436	24928	33793	48761	44030	56772
Buddhist				18377	16168	23179
Christian				49525	43722	62622
Hindu				30597	26576	43608
Jain				103990	97407	105852
Muslim				20250	20021	20672
Other				24304	23992	26668
Parsee				65236	20498	83320
Sikh				100272	103622	90976
Illiterate				19107		
Middle School				26380		
Secondary School				49565		
Graduate				91282		
Self Employed in Non Agriculture					20610	
Agricultural Labor					8728	
Other Labor					13695	
Self Employed in Agriculture					42638	
Others					34669	
Self Employed						47534
Regular Wage Earner						39608
Casual Labor						10961
Others						69688

Table 24B: Net Worth by Household Characteristics

Household categories	1991				2002		
	Overall	Rural	Urban		Overall	Rural	Urban
Scheduled Caste	10013	9693	11588		13750	13024	16746
Scheduled Tribe	10575	10233	14352		15277	14380	24450
Other Backward Castes					27255	26137	31149
Others	26907	24512	32977		47583	42963	55408
Buddhist					17725	15618	22305
Christian					48064	42403	60838
Hindu					29685	25790	42287
Jain					102385	94827	104523
Muslim					19771	19538	20197
Other					24169	23853	26567
Parsee					65226	20498	83305
Sikh					98595	101786	89738
Illiterate					19107		
Middle School					26380		
Secondary School					49565		
Graduate					91282		
Self Employed in Non Agriculture		13696				20610	

Agricultural Labor		6198				8728	
Other Labor		9496				13695	
Self Employed in Agriculture		30880				42638	
Others		21262				34669	
Self Employed			33761				47534
Regular Wage Earner			27872				39608
Casual Labor			8847				10961
Others			60666				69688

Table 25: Wealth Decompositions

	1991			2002		
	GE(0)	GE(1)	Gini	GE(0)	GE(1)	Gini
Overall	0.87	0.86	0.637	0.89	0.89	0.648
Sector						
Within	0.85 (98.1%)	0.84 (98%)	0.635 (99.6%)	0.86 (96.5%)	0.85 (96.2%)	0.635 (98.06%)
Between	0.02 (1.9%)	0.02 (2.0%)	0.002 (0.4%)	0.03 (3.5%)	0.03 (3.8%)	0.013 (1.94%)
State						
Within	0.79 (91.3%)	0.78 (90.3%)	0.577 (90.6%)	0.81 (90.7%)	0.80 (90.1%)	0.584 (90.23%)
Between	0.08 (8.7%)	0.08 (9.7%)	0.060 (9.4%)	0.08 (9.3%)	0.09 (9.9%)	0.063 (9.77%)
Region						
Within	0.86 (98.6%)	0.85 (98.6%)	0.634 (99.55%)	0.87 (97.6%)	0.86 (97.5%)	0.642 (99.13%)
Between	0.01 (1.4%)	0.01 (1.4%)	0.003 (0.45%)	0.02 (2.4%)	0.02 (2.5%)	0.006 (0.87%)
Caste						
Within	0.79 (91.0%)	0.80 (92.6%)	0.586 (91.98%)	0.78 (87.9%)	0.79 (88.7%)	0.576 (88.88%)
Between	0.08 (9.0%)	0.06 (7.4%)	0.051 (8.02%)	0.11 (12.1%)	0.10 (11.3%)	0.072(11.12%)

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