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Inequality, Class, and Political Economy in India and China

By: Ishan Anand

In China and India, economic disparity in the 1950s-70s was low and declining, but began rising thereafter. A new book explores the different drivers of inequality in the two countries and how winners and losers were determined.

Studies on economic inequalities have increased significantly over the past two decades, which is not very surprising given that inequality levels have risen dramatically. Most studies on inequality tend to analyse the trends and drivers of income, consumption, or wealth inequality in a particular nation-state. There are also a few cross-country studies, which usually focus on comparing aggregate inequality indicators, such as the Gini coefficient or the income shares of, say, the top 1% or 10%.

Very few studies manage to delve deeper into the dynamics of inequality across nation-states over time, and it is not hard to see why. Such an investigation, for it to be meaningful, would have to study comparable world regions, have in place a theoretical framework suitable for a comparative study, wade into the historical evaluation of inequalities in the two regions, get their hands dirty with different datasets to get comparable numbers, and make sense of the results in the appropriate historical context and institutional setup.

> It presents a detailed analysis of income and consumption inequality, as well as wealth inequality, in the two countries over time.

Such an exercise, if done appropriately, it could be insightful and rewarding. Vamsi Vakulabharanam's *Class and Inequality in China and India, 1950-2010* sets out to tackle this challenging task.

The comparison between China and India is apt. The two countries share a long history of colonial or semi-colonial rule and plunder before gaining independence in the late 1940s, as well as similarities in terms of their large spatial dimensions, huge populations, and diverse regional, cultural, and social milieus. The two countries clubbed together, given their population shares, are also important in determining global economic outcomes related to poverty and income distribution.

The book makes several contributions to the literature on inequality. It presents a detailed analysis of income and consumption inequality, as well as wealth inequality, in the two countries over time. While inequality is discussed across time periods, regions, and the rural-urban axis, what truly differentiates this study is its focus on class as the unit of analysis. Vakulabharanam gives us a class-based analysis of economic inequality in India and China, arguing that these outcomes are determined by the interaction of political economy processes at the national, sub-regional, and global levels.

One of the most influential papers on economic thinking on inequality was published by Simon Kuznets in 1955. He found that income inequality in Germany, the UK, and the USA followed an inverted U pattern-rising initially with industrialisation and urbanisation, stabilising, and then declining in later phases.

Kuznets was cautious in explaining his results; however, they were later used in economic literature as a sort of law: that inequality initially rises when the economy is in transition, but tends to decline as the economy matures. The implication was that we need not worry about rising inequality-it is just a matter of time before it starts to decline.

To make matters worse, the obsession with fitting data to fit the inverted U pattern found its way into the literature on environment. Scholars have argued that environmental degradation, like inequality, would diminish as economies advance along the capitalist growth path.

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A major rebuttal to the Kuznets hypothesis came from Thomas Piketty (2014), who showed that inequality, rather than declining, has risen across most world regions since the 1980s. In Piketty's framework, however, the rise in inequality follows from the structural

tendency for the returns on capital to exceed the overall growth rate, and this leads to a rising trend in inequality unless the returns on capital are disrupted by exogenous shocks such as crises or war, or are kept in check by the tools of taxation.

One of the strengths of Vakulabharanam's book lies in presenting an alternative framework to studying inequality over time and comparing it across world regions. His framework is non-deterministic-there is no predetermined law that dictates the trends of inequality. Instead, he focuses on the interaction of processes that drive inequality at the interpersonal, sectoral, and regional levels, the class configuration in the economy, and the role of the global capitalist system.

His framework allows for the possibility of equalising and unequalising growth in capitalist and socialist regimes, as well as inequality or equality-inducing episodes in these economies. These episodes need to be understood within the given historical context by examining the local and global political economy.

Another important contribution of the book is to highlight the significance of class in determining inequality outcomes. The book convincingly demonstrates that class continues to influence economic outcomes and makes a compelling case for economists to reconsider their framework, which often renders class invisible in economic analysis.

Vakulabharanam shows that inequality trends have followed a similar path in China and India-low and declining levels of economic disparity from the 1950s to the 1970s, but a rising trend thereafter. The drivers of inequality in the two countries were different, though.

The socialist regime in China dismantled urban and rural elites through land reforms, collectivisation, and state ownership of enterprises and urban land. In India, by contrast, state intervention under the dirigiste regime-where the state played a strong directive role within a capitalist market economy-primarily benefited large and medium farmers and workers in the formal sector, while the private sector continued to survive.

Post-1980s, as the global capitalist regime took a neoliberal turn, the commitment to keeping inequality in check took a backseat in both countries. China, Vakulabharanam argues, has transitioned from a socialist to a mixed-ownership capitalist economy, where a large segment of the workforce increasingly faces contractualisation and precarity.

While there were attempts towards some redistribution in both countries after 2004, the overall trend has been that of high and rising inequalities, all the more visible when we account for the missing rich in the sample survey data. Vakulabharanam argues that the benefits of economic growth in both countries since the 1990s have accrued mainly to urban elites and professionals.

> This book deserves appreciation for its detailed and dispassionate analysis of the political-economic regimes in India and China, offering a valuable antidote to lazy reasoning grounded in predetermined ideological positions.

The empirical segment of the book is based on official sample survey data. As Vakulabharanam notes, the sample survey tends to underestimate the rich. While he attempts to compensate by using World Inequality Lab data, which incorporates the top tail by utilising rich lists, the analysis of the top 1% is limited by the lack of data. A study of the top billionaires in India and China and their interactions with the state may further contribute to the understanding of inequality regimes.

Given its focus on explaining inequality outcomes and distribution across classes, the book devotes relatively little attention to class formation in the two countries. A fuller engagement with class formation and composition could have illuminated social configurations-particularly the role of caste, gender, and other ascriptive inequalities, and how these intersect with class processes.

While the book discusses the neoliberal turn in Western countries, readers might wish for greater attention to how the rise and collapse of socialist regimes, notably the Soviet Union, shaped the trajectories of China and India. They might also have welcomed a fuller exploration of the social and economic consequences of income and wealth inequalities in both countries.

It is obviously not possible to answer all the questions in one monograph. Vakulabharanam does a good job of explaining the drivers of inequality in the two countries, and hopefully, future work will build on this tradition.

There is a tendency among some economists to attribute India's weak growth performance prior to the 1980s to its socialist regime. A parallel tendency, particularly among sections of the left, is to invoke the idea of 'socialism with Chinese characteristics' as an implicit counterpoint. Vakulabharanam's book deserves appreciation for its detailed and dispassionate analysis of the political-economic regimes

in India and China, offering a valuable antidote to lazy reasoning grounded in predetermined ideological positions.

Class and Inequality is a timely contribution to the study of inequality in developing countries. By restoring class to the centre of analysis, and by developing a comparative framework grounded in historical political economy, it provides tools that will be of enduring value for scholarship on inequality and comparative political economy.

Ishan Anand is an assistant professor of economics at the Indian Institute of Technology, Delhi.

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