

1. Title of the Paper:

Does Class Count? Class Structure and Worsening Inequality in China and India

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4. Abstract:

In this paper, we investigate the question of whether class structure matters in understanding the increasing inequality in China and India. We argue that almost the entire increase (more than 10% measured in terms of the Gini Coefficient) in the overall Indian inequality between 1993-94 and 2004-05 is explained by the rising inequality *between* classes rather than within them, whereas in the case of China, the entire increase in inequality (more than 10%) between 1995 and 2002 appears to be explained by the rising inequality *within* classes. The increased distance between classes that are more stratified at the top (such as formal sector owners, managers and professionals in urban areas and rentier classes like moneylenders and absentee landlords in rural areas), and those classes that are stratified at the bottom such as unskilled urban workers, agricultural workers and marginal farmers, helps us understand the distributional dynamics of the Indian growth story. In the Chinese case too, while the between-class inequality explains an even higher part (than in the Indian case) of the overall inequality, we argue that the rise in overall inequality that is seemingly explained by the rise in intra-class inequality is actually explained by the phenomenon of “administrative urbanization.” We analyze the class structures in India and China and decompose (using the methodology of Yitzhaki 1994) the overall inequality into inter-class and intra-class terms while investigating the trends towards stratification. Finally we offer our policy suggestions.

The datasets used for the inequality computations are: Indian National Sample Survey Quinquennial Consumer Expenditure Surveys (1993-94 and 2004-05); China Household Income Project of the Chinese Academy of Social Sciences (1995 and 2002) - sub-sample of the National Bureau of Statistics Surveys, China.