

Caste-based and Racial Wealth Inequality in India
and the United States

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Abstract

Recent studies have focused on historical trends of inequality, the concentration of income at the top end of the distribution, and the comparison of inequality across countries. The dominant approach in cross-national studies is to compare the levels of inequality or the income shares of top earners (top 1 or top 10 per cent). Cross-national study of the economic disparities between social groups is a relatively under-explored research area. This study undertakes a comparative analysis of wealth inequality along the axes of caste in India and race in the US. The study presents evidence on the nature of between-group wealth inequality in India and the US, identifies the unique and common drivers of the social wealth gap, and highlights the similar economic aspects of the two forms of social stratification under consideration.

Keywords: Wealth inequality, stratification, caste, race, India, US

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1 Introduction

Economic inequality has increased sharply since the 1980s in several regions of the world. The World Inequality Report 2018 estimated that the richest 1 per cent captured 27 per cent of global income growth between 1980 and 2016 (Alvaredo et al., 2018). The sharp rise in inequality – identified as the defining challenge of our time – has attracted renewed scholarly interest. Recent studies have focused on historical trends of inequality, the concentration of income at the top end of the distribution, and the comparison of inequality across countries. The dominant approach in cross-national studies is to compare the levels of inequality or the income/wealth shares of top earners (top 1 or top 10 per cent). Cross-national analysis of the economic disparities between social groups is relatively under-explored. The studies that have looked at the cross-country experience find evidence of significant and durable disparities along different social axes, depending on the context and specific histories of the region under consideration (Darity and Deshpande, 2000; Darity Jr and Nembhard, 2000; Darity and Deshpande, 2003; Piketty, 2021). Several studies have separately analysed racial inequality in the United States (US) and caste-based disparities in India. Such studies show that Dalits (former untouchables) in India and Blacks in the US fare significantly worse on economic parameters than the overall population (Deshpande, 2011; Thorat, 2009; Flynn et al., 2017). However, comparative economic analyses of India and the US that provide a systematic account of disparity along the axes of race and caste are sparse.

The study of wealth reveals dynamics of caste and racial inequality that traditional markers such as income or consumption may conceal for several

reasons. The overall levels of wealth inequality are far starker than consumption or income disparity. Social gaps along the axes of caste and race are also much greater in terms of wealth. The study of wealth reveals not just contemporary social disparities but also captures past inequalities. It has been argued in the context of the US that wealth is an essential mechanism for perpetuating racial disparity by “facilitating a lock-step intergenerational transmission of socio-economic status” (Nam et al., 2015). The significance of wealth inequality goes beyond providing income; it brings power and independence – freeing people from authority and oppressive structures. Wealth also represents a ‘surplus resource’ that can be utilised during a crisis or to improve life chances (Oliver and Shapiro, 2013). Racial and caste inequalities of the present are intertwined with social segregation of the past, which often had legal backing – for instance, the Jim Crow laws in the US and the Punjab Land Alienation Act 1900, which effectively barred Dalits from owning land in the region. The main drivers of the racial wealth gap in the US are years of homeownership and inheritances from previous generations (Shapiro et al., 2013; Hamilton et al., 2016). In the Indian case, the main drivers of wealth inequality are the ownership of land and buildings (Anand and Thampi, 2016), with a vast gulf in land ownership between caste groups (Anand, 2016). Adding to this literature, this paper uses the framework of stratification economics to present a comparative account of wealth inequality along the axes of caste and race in the era of heightened inequalities. Focusing on the distribution of household wealth, this paper attempts to identify the common drivers of caste-based and racial wealth disparities in India and the US.

2 India-United States, Caste-Race: Significance of the comparative scholarship

In a letter to W.E.B. Du Bois in 1946, Ambedkar wrote, “There is so much similarity between the position of the Untouchables in India and of the position of the Negroes in America that the study of the latter is not only natural but necessary” Ambedkar (1946). Several decades after this correspondence, Wilkerson (2020) provides powerful accounts of the struggles of minorities and disadvantaged groups in the US and India. Wilkerson’s work shows the continuing similarities in the condition of Dalits in India and Blacks in the US and motivates further comparative research. Despite the historical and sociological differences in the categories of race and caste, the comparison of Dalits in India and Blacks in the US is fitting for three reasons. First, the two communities have had enduring experiences of social exclusion, segregation, and discrimination. Both systems of social stratification have had, to varying degrees, components of economic coercion and involve the extraction of free or cheap labour. Second, India and the US has followed affirmative action policies to benefit the Dalit and the Black populations. Third, despite legal, political and economic reforms, the two communities continue to have significantly worse economic outcomes than the overall average for India and the US.

It is argued that caste in India and race in the US are socially constructed forms of discrimination and have comparable effects (Natrajan and Greenough, 2009). Drawing a comparison between the Indian and the US systems of social stratification, Berreman (2009) terms Blacks as “America’s birth-ascribed untouchables” (p. 66) who share their dire circumstances

with Dalits in India. Dalits and Blacks have had to face stereotypes of “possessing a combination of negative characteristic traits” (p. 122), such as inferior intellectual calibre, lack of ‘merit’, and the required skills to climb up the economic ladder (Tartakov, 2009). A recent survey by Pew Research Center estimated that about 78 per cent of Black people in America feel that the US has not gone far enough in providing them equal rights as Whites¹. The survey also reported that half of the Black population finds it unlikely that racial equality will ever be achieved. A survey by the same institution for India showed that about three-in-ten Brahmins were not willing to have a Scheduled Caste neighbour².

India and the US have followed ‘positive discrimination’ policies for decades. The commitment to social and political equality was drafted in the Constitution of India in 1950. Many contemporary provisions in the US originated during the civil rights movement in the late 1950s and early 1960s (Weiskopf, 2004). Affirmative action policies in the US involve giving a degree of preference to Black candidates by setting targets to increase the representation of Blacks and other under-represented social groups in educational institutions and employment. In the Indian case, there are constitutionally mandated ‘quotas’ that provide reservations to Scheduled Castes and Scheduled Tribes in proportion to their population. Reservations in public educational institutions and employment are also extended to a segment of the Other Backward Classes (OBC) and Economically Weaker Sections (EWS).

¹Retrieved from <https://www.pewresearch.org/social-trends/2019/04/09/race-in-america-2019/>

²Retrieved from <https://www.pewresearch.org/religion/2021/06/29/attitudes-about-caste/>

Specific parliamentary and local elections seats are reserved for Scheduled Castes and Scheduled Tribes in India. A similar backlash against such policies by dominant social groups accompanies the similarities of affirmative action policies in the two countries. While affirmative action policies have increased social representation and influenced the lives of a section of the deprived groups, the relative social ranking remains unchanged in both countries.

There has been a significant fall in extreme forms of racial violence in the US (Ziglar, 1988) and a weakening of the traditional occupation-caste mapping in India (Srinivas, 2003). However, Dalits in India and Blacks in the US have significantly worse economic outcomes than the overall average in the two countries. The poverty rates remain higher among Blacks in the US (18.7 per cent in 2019) and among Dalits in India (27 per cent in 2011-12) in comparison to advantaged social groups (Thorat et al., 2017; Wilson, 2020). Blacks in the US and Dalits in India have faced higher rates of downward mobility than other social groups (Motiram and Singh, 2012; Chetty et al., 2020). Both groups also continue to have lower educational attainment rates than the advantaged groups in the respective countries. The remarkable similarities in social experiences, policy interventions and economic outcomes for Blacks and Dalits call for a thorough and systematic comparative analysis.

3 Data and Definitions

The datasets used for quantitative analysis in this paper are various rounds of the All-India Debt and Investment Surveys (AIDIS) for India and the Fed-

eral Reserve Board’s Survey of Consumer Finances (SCF) for the US. The AIDIS is a nationally representative household sample survey conducted by the National Statistical Office in India. AIDIS collected data on ownership and value of household assets such as land, buildings, transport, farm and non-farm machinery and equipment, and financial assets such as shares, mutual funds, and bank deposits. The survey also collected data on the amount and sources of debt for the households and information on other household characteristics. The AIDIS followed a two-stage stratified sampling procedure – the first stage units were census villages for rural areas and blocks for urban areas. The second stage sampling units were the households. The AIDIS data classified households into four social groups – Scheduled Castes (SC), Scheduled Tribes (ST), Other Backward Classes (OBC) and a residual category of Others, which essentially represent the “upper caste” or “forward caste” (FC).

The Federal Reserve, in cooperation with the Internal Revenue Service, sponsors the Survey of Consumer Finances (SCF) in the US. The SCF, unlike the AIDIS, is based on two samples. The first sample is based on a standard multi-stage area-probability design. It expects to provide good coverage of the population’s overall distribution of assets and liabilities. The second component of the SCF is based on a list of taxpayers and is designed to sample the families that are likely to be relatively wealthy. While the SCF was designed to oversample the wealthy, it excludes the 400 wealthiest people in the US as per the Forbes list. The SCF collects detailed information on ownership and value of physical and financial assets, debt, payment methods, attitudes about saving and investment, income, taxes, and other household characteristics. The SCF data contains race and ethnicity and categorises

households as White, Black or African American, Hispanic and Others - a residual category of other multiple races.

This paper uses various rounds of the AIDIS and SCF to analyse wealth inequality at the household level. Wealth (or net worth) is defined as the sum of all financial and physical assets, minus the liabilities. There are several differences between the two surveys. The AIDIS, unlike the SCF, does not oversample the wealthy. The estimates of wealth inequality generated using the AIDIS are likely to be an underestimation because of the missing tail of the distribution and practices of underreporting. Given that the FCs in India are more likely to be among the wealthiest that the AIDIS does not adequately sample, the social wealth gap is also likely to be an underestimation. The second limitation of the study arises from the difference in the extent and quality of information collected in the SCF and the AIDIS. The AIDIS does not capture information on important correlates of wealth, such as income, savings, and capital gains. The AIDIS also does not allow mapping wealth data with occupation or inheritance.

4 Wealth inequality in India and the US

4.1 Distribution of household wealth and income

This section gives a brief overview of wealth inequality in India and the United States. Four aspects of wealth distribution are discussed: a comparison of wealth with the income distribution, trends in wealth inequality, the composition of wealth and the contribution of various sources of wealth to total inequality. Table 1 shows the Gini coefficients and percentile ratios of the distribution of assets, net worth (wealth), and income in the two

countries. For both India and the US, the distribution of wealth is far more unequal than that of income. The difference between the inequality levels of assets and net worth is larger for the US. The Gini coefficient for household wealth was 0.85 for the US and 0.68 for India, per the latest available SCF (2019) and AIDIS (2018) surveys. A graphical representation of inequality in the distribution of assets, wealth, and income for the US can be seen through the Lorenz curves in Figure 1. The p90/p10 ratio for wealth in the US shows that the households at the 90th percentile of the wealth distribution are over 2000 times wealthier than those at the 10th percentile. The p90/p10 ratio for assets in the US is 226.5, which is far lower than the same ratio for wealth. The p90/p10 ratios for assets and wealth in India are 57 and 68, respectively. This shows that household debt plays a much greater role in wealth distribution in the US than in India. The households in the 90th percentile are ten times wealthier than the median households in the US, and 5.7 times wealthier in India. However, as discussed earlier, unlike AIDIS, the SCF does a better job of sampling the wealthy, which may explain the lower levels of inequality in India compared to the US.

[Table 1 about here.]

[Figure 1 about here.]

Table 2 shows the assets, wealth and income shares of various quantiles in India and the US for the latest survey year. The bottom 50 per cent owns only 1.5 per cent of the household wealth in the US and 7.4 per cent in India. Wealth is heavily concentrated at the top end of the distribution, and the wealth share of the top 1 per cent is 37 per cent in the US and 18.8 per cent in India. In comparing Gini coefficients and other inequality

measures in India and the US, it is not possible to estimate the contribution of the difference in sampling strategy. Nevertheless, wealth inequality levels in India would likely rise with better sampling of the super-wealthy. Anand and Kumar (2022) provide revised estimates of wealth inequality in India by combining AIDIS data with lists of the super-wealthy to capture wealth concentration at the top more accurately. The new estimates dramatically increase the share of India’s top 1 per cent in 2018 – from about 18 per cent as per the sample survey to about 42 per cent. The revised estimates for India are closer to the share of the top 1 per cent in the US.

[Table 2 about here.]

4.2 Trends in wealth inequality since the 1990s

Both the US and India have witnessed a rise in inequality since the 1990s. The share of the wealth of the top 10 per cent in the US increased from 67–68 per cent in the early 1990s to over 75 per cent by the end of the 2000s (Figure 2). The bottom 50 per cent barely own any wealth – their share reduced from close to 3 per cent in the early 1990s to 1 per cent by the end of the 2010s. The Gini coefficient of wealth increased from around 0.79 in the early 1990s to over 0.85 in the 2010s in the US. In the Indian case, the share of the top 10 per cent increased from about 52 per cent in the early 1990s to 64 per cent in 2012. The sample surveys suggest that this share reduced to about 54 per cent in 2018. The Gini coefficient of wealth in India increased from 0.66 in 1992 to 0.75 in 2012, before declining to 0.69, as per the survey data. However, the rise in the number of super-wealthy and their wealth as reported by rich lists make the sample survey estimates unreliable. Estimates that use the survey data and the rich lists indicate

that the wealth share of the top 10 per cent increased in the 2010s (Anand and Kumar, 2022). Figure 2 shows the impact of these revised estimates on wealth inequality.

[Figure 2 about here.]

4.3 Asset and wealth Composition

The composition of household assets and wealth differs significantly between the two countries Table 3. Two major components of wealth in the US are financial assets and real estate. These two categories of assets accounted for 88 per cent of the average wealth in the US in 2019. Financial wealth alone accounted for roughly half of the average wealth in the US. Among the various kinds of financial assets, the key contributors were stocks and mutual funds, transaction accounts, and retirement accounts. The main real estate component was primary residence. Business assets contributed to about a fifth of the average wealth in the US. The share of debt as a proportion of total wealth was close to 14 per cent. The main debt component in the US was the debt secured in acquiring primary residential property (mortgages and home equity loans).

On the other hand, Indian wealth, as captured in the sample surveys, primarily comprises real estate – land and buildings. One of the key components of real estate in India is productive (agricultural) land, as the agrarian sector employs around half of India’s population. The limited extent of financialisation in India is reflected in the low share of financial assets (including shares, bonds, deposits and other instruments) in total wealth –

about 7 per cent in 2018. However, it is noted in the literature that the sample surveys in India are likely to underestimate the extent of ownership of financial assets and thus underestimate financial wealth (Anand and Kumar, 2022). The share of debt as a proportion of total wealth in India was also smaller in India, close to four per cent.

Table 4 presents the contribution of different types of assets to total asset inequality. As suggested by Lerman and Yitzhaki (1985), this decomposition allows us to ascertain the absolute and relative contributions of different asset components to the asset Gini. The decomposition depends on the share of the source of an asset in total assets S_k , the Gini coefficient of the source G_k , and the Gini correlation R_k . G_k indicates the extent of correlation between the asset component with the total asset distribution. The last column in Table 4 shows each asset class's relative contribution (per cent contribution) to total asset inequality. On average, the share of stocks in total assets in the US is about 6 per cent. The Gini index of stocks (0.982) shows its distribution is highly unequal. A high Gini correlation (0.949) implies that the people who own a higher value of stocks also hold a higher value of total assets. A high Gini correlation indicates that the particular asset source is biased towards asset-rich families and will likely increase asset inequality. The results show that stocks and other financial assets contribute more to the total inequality than their asset share. Business assets, too, are an essential source of inequality in the US – its asset share is about 19 per cent, but its contribution to total inequality is over 23 per cent. In the Indian case, productive (agricultural) land is the primary driver of inequality and it accounts for about 44 per cent of total inequality.

[Table 3 about here.]

[Table 4 about here.]

[Table 5 about here.]

5 Wealth inequality along the axes of race and caste

5.1 Social wealth gap

This section presents a comparative analysis of between-group wealth disparities in the two countries. Figures 3 and 4 present the White/Black wealth ratio for the US and FC/SC ratio for India. While there are changes in the White/Black wealth ratios over the years, the three-decade trend indicates a worsening of the racial wealth gap. In 2019, average White wealth was about seven times more than average Black wealth. In the Indian case, comparable disaggregated data by social group is available only for 2002, 2012, and 2018. The ratio of the mean wealth of FCs (historically privileged groups) to that of Scheduled Castes was 3.6 in 2002; this worsened to 4.3 in 2012 and reduced to 3.3 in 2018. While the data suggests a reduction in the wealth gap between FCs and SCs in recent years, it must be noted that the quality of the 2018 AIDIS data is suspect, and these results should be treated with caution. Another notable aspect is the different directions of change for the gaps in mean and median wealth. The median White/Black wealth declined between 2016 and 2019 in the US, while the mean wealth gap increased. Likewise, the median FC/SC wealth gap reduced between 2002 and 2012, while the mean wealth gap increased. The divergence in the trends between the mean and median wealth gap indicates a rise in extreme wealth. Scholars in the US have argued that policy must focus on closing

the mean rather than the median wealth gap (Darity Jr, 2019) - this is also an important prescription for India.

[Figure 3 about here.]

[Figure 4 about here.]

Table 6 shows the ratios of wealth at different percentiles for racial/caste groups vis-à-vis the most dominant racial/caste group in the two countries, i.e., Whites in the US and FCs in India. The White/Black wealth ratio for households in the 10th percentile is 0.1, indicating an apparent discrepancy that at the bottom of the distribution White wealth is a fraction of Black wealth. However, while the average wealth of households in the 10th percentile belonging to the White community is positive, i.e., the value of assets is greater than the liabilities (wealth of around 950 dollars), the wealth of households belonging to the same percentile in the Black community is negative (around -12910 dollars). Therefore, the poor in the wealth distribution of Whites are significantly wealthier than similarly placed households in the Black distribution. The wealth ratio of median White and Black households is 7.8. At p99 (the 99th percentile), the White/Black wealth ratio in the US was 8.3, more than the mean and median wealth gaps. In the Indian case, the mean FC/SC wealth ratio was 3.2, the median FC/SC wealth ratio was 2.4, and the ratio at the 99th percentile was 3.5. These numbers indicate that the wealth of the wealthiest Black (SC) families is far lower than that of the richest White (FC) families. Table 7 shows the White/Black and FC/SC wealth ratio for each asset class. The White/Black average wealth gap is the highest for stocks, businesses and other non-financial assets in the case of the US. In the Indian case, the FC/SC wealth gap is the highest for

stocks. The distribution of wealth for racial/caste groups is also depicted through kernel density curves in Figures 5 and 6.

[Table 6 about here.]

[Figure 5 about here.]

[Figure 6 about here.]

[Table 7 about here.]

Table 8 shows the population shares of race/caste groups in different quantiles of the overall wealth distribution in the two countries. The table also gives the shares of each sub-group in the overall population. Comparing the population share of each group to its share in the quantile provides insights into the nature of representational inequality. In a world with perfect group equality, each group's share in the total population would equal its population share in each wealth quantile. Whites in the US have formed only 52.5 per cent of the bottom 50 per cent of households in terms of wealth, whereas their population share is 64.9 per cent. Whites are underrepresented among the bottom half of the wealth distribution. Likewise, the FCs and OBCs are underrepresented among the bottom half of the households. Blacks and Hispanics in the US and ST/SC groups in India are significantly over represented among the bottom 50 per cent of households. This trend changes as we move to the wealthier segments of the population, and the dominant groups have a presence in this quantile that is far greater than their population shares. The top 0.1 per cent of the population comprises 91.6 per cent White households in the US and 75 per cent FCs in India.

[Table 8 about here.]

5.2 Composition of wealth by race and caste

Table 9 shows the composition of wealth for caste and racial groups in India and the US. The wealth composition is very similar across social groups in India. On average, real estate (land and buildings) accounted for close to 90 per cent of total assets in India for all social groups. However, the FCs had a greater share of assets in productive land (37 per cent) compared to the SCs (31 per cent). The composition of wealth varies significantly across racial groups in the US. A large proportion of Black wealth is in the form of real estate – primarily in residential property. Blacks have a significantly lower share of wealth in the form of stocks or assets in businesses.

[Table 9 about here.]

5.3 Group Inequality and stratification

This section discusses the decomposition of the Gini coefficient by social group, as suggested by Yitzhaki (1994). Stratification is the formation of different strata or layers in society. A perfectly stratified society would be one where different layers have nothing in common. For instance, if we have two groups in the society – W and B – and two associated wealth distributions, the society would be perfectly stratified if the wealth distribution of W does not overlap with B’s wealth distribution. The greater the overlap, the lesser will be the degree of stratification. Overlapping can be conceived as the opposite of stratification (Frick et al., 2006). Yitzhaki (1994) suggested using the analysis of Gini (ANOGI) to decompose the Gini coefficient into the between and within group components in a way that stratification can be quantified. This method of Gini decomposition is briefly described here.

Let G be the Gini Coefficient of wealth. G can be decomposed into

inter-group inequality (I_b) and intra-group inequality (I_r), i.e., $G=I_b + I_r$. Inter-group inequality is $I_b = \frac{2cov(\mu_i, \bar{F}_{oi}y)}{\mu}$, where y represents wealth, μ is the average wealth of the population, μ_i is the average wealth of group i , F_{oi} is the group's average position (rank) in the overall distribution. The inter-group inequality component is $I_r = \sum_i s_i G_i O_i$, where s_i is the share of the i^{th} group in total wealth, G_i is the Gini coefficient of wealth for the i^{th} group and O_i is the overlapping index of the i^{th} group. The overlapping index is calculated as $O_i = \frac{cov(y_i, F_{oi}(y))}{cov(y_i, F_i(y))}$. The extent of overlap between groups can be obtained through $O_i = p_i + \sum_{j \neq i} p_j O_{ji}$. Following this, an overall index to capture a group-by-group overlap is constructed as $O_{ji} = \frac{cov(y_i, F_{ji}(y))}{cov(y_i, F_i(y))}$.

O_{ji} indicates the “extent to which population j is included in the range of population i ” (Frick et al., 2006). The index can take a minimum value of 0, indicating no overlap between the two groups. No overlap would imply that the group is a perfect stratum; that is, the range of wealth distribution in the two groups does not overlap. If the index is 1, this implies that the group has a distribution similar to the distribution of the other group. An index greater than unity would imply the presence of polarization in the group. The maximum value of this index can be 2^3 .

The results of ANOGI based on the latest SCF and AIDIS data are presented in Tables 10-13. Table 10 shows the decomposition of the Gini coefficient into between and within group components. Within-group inequality accounts for the bulk of overall inequality in both countries. This indicates massive disparities within racial and caste groups, confirmed by the Gini

³For a detailed discussion of the method and its implementation on previous rounds of the AIDIS, see Zacharias and Vakulabharanam (2011).

coefficient for each group in Table 11. Table 11 shows the population share for each group in the two countries, their share of the wealth, the Gini coefficient of the groups, and the mean ratio (the ratio of wealth share and population share), which shows the relative position of the groups and the overlapping component. The result of this analysis reaffirms the evidence presented in previous sections. FC average (mean) wealth in India was 1.65 times the overall average, while the SC to overall wealth ratio was only 0.5. In the case of the US, the ratio of White average wealth to overall average wealth was 1.31, and the ratio of Black to overall average was only about 0.2.

[Table 10 about here.]

[Table 11 about here.]

Whites in the US had a population share of 65 per cent but a wealth share of 85 per cent table table 13. On the other hand, 14 per cent of the population racialised as Black had a wealth share of only about 3 per cent. Further disaggregation shows the extreme concentration of wealth within the White community. The top 10 per cent of White families made up for around 6 per cent of the overall families in the US, but owned about 63 per cent of total household wealth table 13. The wealth share of Black families (3 per cent) was only marginally more than that of the bottom 50 per cent of White families (2 per cent). In the Indian case, the top 10 per cent of the FC families made up for about 3 per cent of total households, but had a wealth share of 24 per cent. table 14 shows the share of disaggregated racial/caste groups in different asset components. The top 10 per cent of Whites – around 6 per cent of the US families – owned about 82 per cent of

total wealth in stocks, and about 82 per cent of the total wealth in business assets. In the Indian case, the top 10 per cent of the FC families – 3 per cent of all families – owned about 72 per cent of total stock wealth.

[Table 12 about here.]

[Table 13 about here.]

The overlapping index in Table 11 shows the extent of stratification of a group vis-à-vis the entire population. The distribution of each group is also shown through box plots in Figures 7 and 8. Whites in the US and FCs in India had lower values of the overlapping index than other groups, indicating that these groups were less polarised than the overall population. Blacks, Hispanics, and Others in the US and the STs in India had overlapping indices of greater than unity – indicating that these groups may have two distinct strata and may be more polarized than the overall wealth distribution. The group-by-group overlapping indices show that the Whites in the US and the FCs in India have the least in common, in terms of the distribution of wealth, with the other groups (Table 12). The Whites in the US form a stratum distinct from the Blacks and Hispanic communities. Likewise, in India, the FCs have very little in common with SCs and STs but are closer to the OBCs in terms of wealth. That is, fewer Whites in the US and FCs in India are in the range of the wealth distribution of other racial and caste groups. The extent of stratification provides additional insights into group disparity. It is argued that stratified societies are more tolerant of inequality than less stratified ones Frick et al. (2006).

[Figure 7 about here.]

[Figure 8 about here.]

[Table 14 about here.]

6 Explaining the persistence of the social wealth gap using the Stratification Economics framework

The evidence presented in this paper so far can be summarised as follows. First, the levels of wealth inequality are far greater than that of income and consumption, and yet, it remains understudied in comparison, particularly in the Indian context. Second, the racial wealth gap, particularly between Whites and Blacks, has increased unambiguously in the US in the last thirty years. The Indian case presents a fractured trend – a worsening wealth gap between 2002 and 2012, and a reversal between 2012 and 2018. However, the fall in the wealth gap is likely a statistical artifact – the result of poor data rather than real economic processes. Third, in the case of the US, the burden of debt is disproportionately borne by the Black community, as shown by the debt-net worth ratio. Fourth, the wealth gap is not uniform across the distribution. Data shows that while there are wealthy Black/SC families, their wealth is only a tiny fraction of the wealthiest White/FC families. Fifth, the White/FC families are overrepresented at the top end of the distribution and underrepresented at the bottom. Essentially, the wealthy elites in both countries are largely a homogenous group in terms of their caste and racial profiles. Sixth, the asset composition of the racial/caste groups differs. A higher proportion of White wealth is in stocks and business assets, while Black families have a higher share of wealth in houses. Seventh, a large proportion of wealth is concentrated in the hands of the top 10 per cent

of families belonging to the White/FC communities – indicating significant within-caste/race disparities in wealth accumulation. Eighth, the data also shows significant social stratification in terms of household wealth in both India and the US. The unavailability of data on income, savings, inheritance, or other important correlates of wealth in the Indian case makes it challenging to analyse changes in the social wealth gap. In the absence of such data, I consider the literature to explain the persistence of the social wealth gap.

6.1 The Stratification Economics framework

The traditional explanations of the social wealth gap focus on the role of savings-induced accumulation and human capital. However, studies have shown that in recent decades, differences in savings rates are not driving the racial wealth gap (Darity Jr et al., 2018; Derenoncourt et al., 2022). It has also been argued that the racial wealth gap persists across education levels, and a college degree is not a great equalizer (Hamilton et al., 2016). Stratification economics (SE) provides an alternative theoretical framework to analyse the persistence of the racial and caste-based wealth gap (Darity Jr et al., 2015; Darity et al., 2017; Darity Jr, 2022). SE is an interdisciplinary framework which challenges the traditional explanations of wealth inequality that primarily focus on individual attributes. SE uses a historical frame of study, uses groups as a unit of analysis, and highlights the role of structural or institutional factors driving social disparities. Using a similar framework, Flynn et al. (2017) argue that formal and informal racial rules are the main drivers of social disparities. These rules comprise the formal regulatory and legal structures, social norms, and accepted practices that result in unequal

racial outcomes (Flynn et al., 2017). In a similar study, Bottorff et al. (2022) highlight three main drivers of racial inequality in the US – segregation, discrimination, and political inequality. They argue that the three frameworks create a vicious cycle, perpetuating racial inequality (Bottorff et al., 2022).

6.2 Drivers of the wealth gap

This comparison of the two systems of stratification highlights the role of some common drivers of the social wealth gap in both countries. The common drivers are the initial conditions of wealth ownership, the formal rules (legislations and other regulatory frameworks) that reproduce racial/caste-based inequality, and explicit discrimination and segregation. The driver unique to caste in India seems to be the continued use of caste-based violence to suppress upward mobility and wealth accumulation. I briefly discuss each of these drivers.

The initial conditions of slavery in the US and the practice of untouchability in India created a substantial wealth gap among racial/caste groups. Deroncourt et al. (2022) show that the White/Black wealth per-capita wealth ratio was 56:1 in 1860 – a direct result of slavery and a legal ban on Black ownership of wealth. While such data is not available for India, there is historical evidence of the dominance of some caste groups over land ownership in the pre-British era (Habib, 2022,). Ambedkar (1990) lists the existing code that the then-untouchables were supposed to follow and the acts considered a social offence. One such offence was to acquire wealth in the form of land or cattle (Ambedkar, 1990). Dalits in India also bore the brunt of bondage (forced labour) – a practice similar to slavery. Bonded labour was a system of obtaining forced/partly forced labour from work-

ers and their families in lieu of high-interest loans. The practice of bonded labour was outlawed in India in 1975. A survey in 1978 estimated the total number of bonded labourers to be around 2.62 million. Of the 2.62 million, 61.5 per cent were estimated to be Dalits, and 25 per cent were Adivasis (Srivastava, 2005).

There are several examples of formal rules, legislations and regulatory frameworks that reproduce racial and caste-based wealth disparities. In the US, these pertain to the Jim Crow laws, the practice of redlining, and a legal system that disproportionately incarcerates the Black population, to name a few. In the Indian case, these took the form of legislation under the colonial government that prohibited land transfer to the Dalits – who were not classified as an agriculturalist caste (Kumar, 2020). Some legislations and policies did not look overtly discriminatory but benefited the dominant groups disproportionately, enabling them to accumulate wealth and widen the wealth gap. In the case of the US, New Deal policies such as the G.I. Bill and the creation of the Federal Housing Administration excluded the Black population and enabled the accumulation of White wealth (Bottorff et al., 2022). In the Indian case, the New Agricultural Strategy (also known as the green revolution) – which provided public investment, government support and incentives to farmers since the late 1960s – helped the landholding population, primarily upper castes, while excluding the landless Dalit population from its benefits.

There is plenty of evidence on the third driver of wealth disparity: the continued practice of segregation and discrimination based on caste and race in India and the US. There is unambiguous evidence of significant racial

gaps in income and unemployment in the US (Bottorff et al., 2022). In the Indian case, studies based on nationally representative data bring out the extent of caste-based wage discrimination and discrimination in job hiring (Deshpande, 2011; Thorat, 2009). A recent study notes the contemporary pattern of caste-based residential segregation in Indian cities Bharathi et al. (2019). Caste-based segregation is also shown to be linked with unequal socio-economic standing and poor public services (Bharathi et al., 2022). Such spatial segregation would keep the property values of deprived communities low compared to those living in areas with better public services.

A related point can be made about asset ownership, which creates unequal opportunities for wealth generation. Whites gained much more from the upward movement of stock prices, giving them a disproportionate share in capital gains (Derenoncourt et al., 2022). In the Indian case, greater access to agricultural land gave FCs significantly more opportunities to generate income and reinvest in land and other assets.

Lastly, the Indian literature notes the continued backlash of caste-based violence when Dalits attempt to gain access to public spaces, gain independence from unequal economic ties with the FCs, and accumulate wealth (Thorat, 2009). The literature on race notes several instances of violence that played a role in maintaining social disparity (Darity 2021). Another common driver of wealth inequality is the change in the economic regime and a withdrawal of policy commitment to social justice. In the case of the US, the initial promise of 40 acres of land to the then-freed slave population did not come through (Darity Jr and Mullen, 2022). In the Indian case, the idea of redistributive land reforms after independence was quickly shelved,

and Dalits continued to face a disproportionate burden of landlessness.

7 Conclusion

This study provides evidence on the social wealth gap in India and the US, and discusses the common drivers of the wealth gap using a stratification economics framework. It has been argued that the liberalised regime in India has weakened the caste system and provided unprecedented opportunities for Dalits, leading to the rise of Dalit millionaires (Aiyar, 2015). Empirical evidence on the persistence and rising levels of group-based inequalities during the neoliberal era suggests otherwise. It has been argued that left to its own devices, narrowing of the racial wealth gap in the US may take hundreds of years (Derenoncourt et al., 2022). The persistence of caste-based wealth disparity in India over the last three decades points to the same. This highlights the need for policies that directly address the skewed unequal initial conditions in wealth ownership (Derenoncourt et al., 2022; Anand and Thampi, 2023). Addressing the racial and caste-based wealth gaps will require implementing policies that simultaneously bridge the current gaps and remove the roadblocks in the path of wealth creation that historically disadvantaged communities continue to face.

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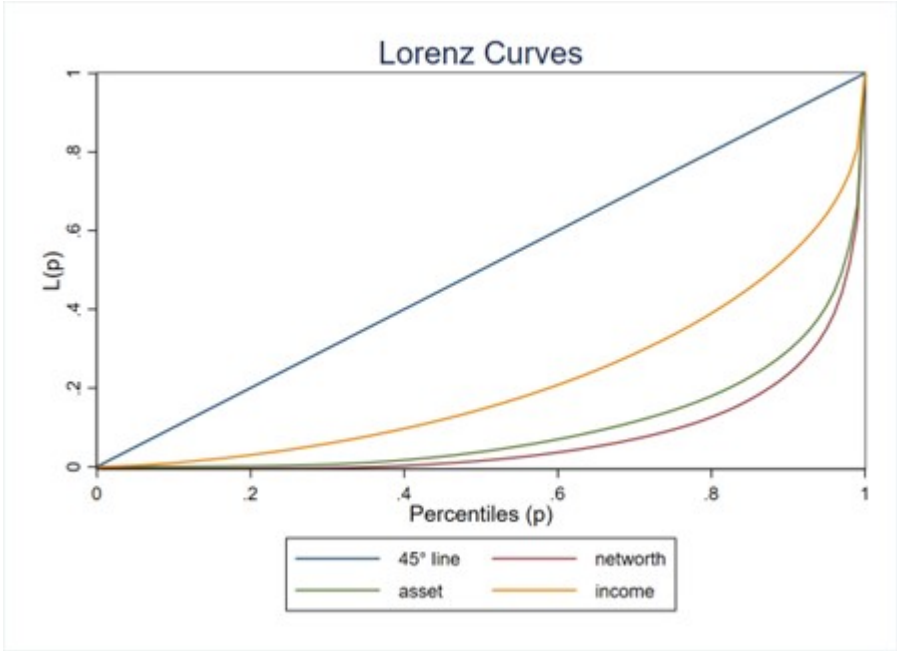
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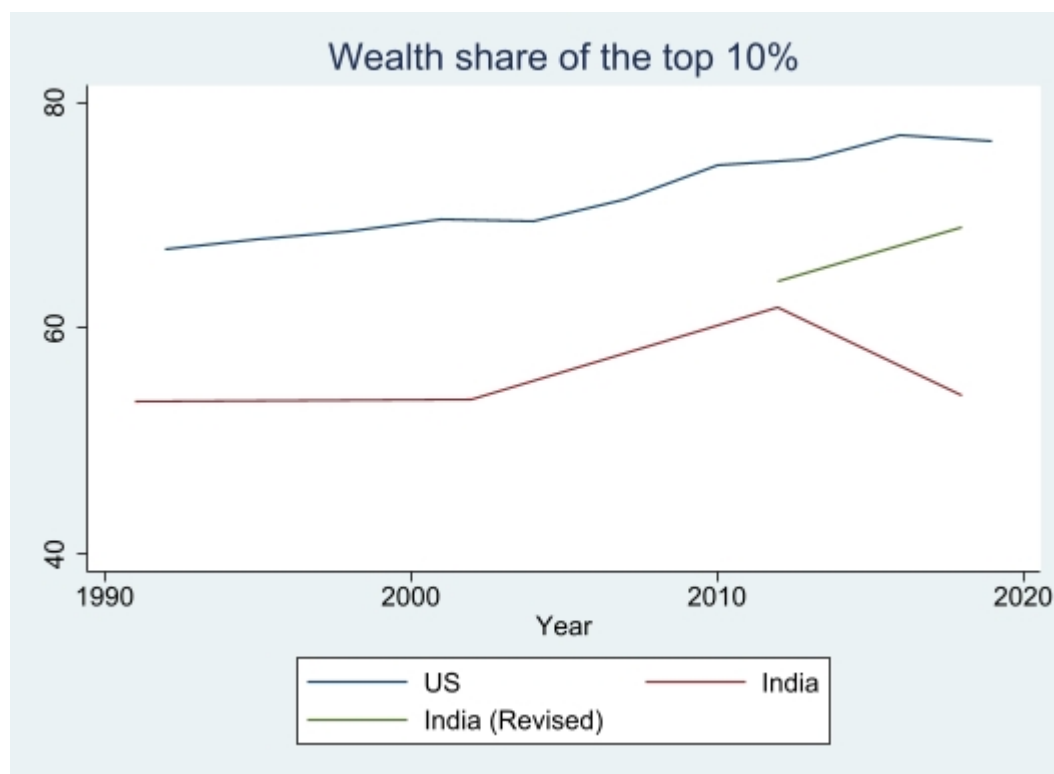
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Figure 1: Lorenz curve for household assets, net worth and income for the US (2019)



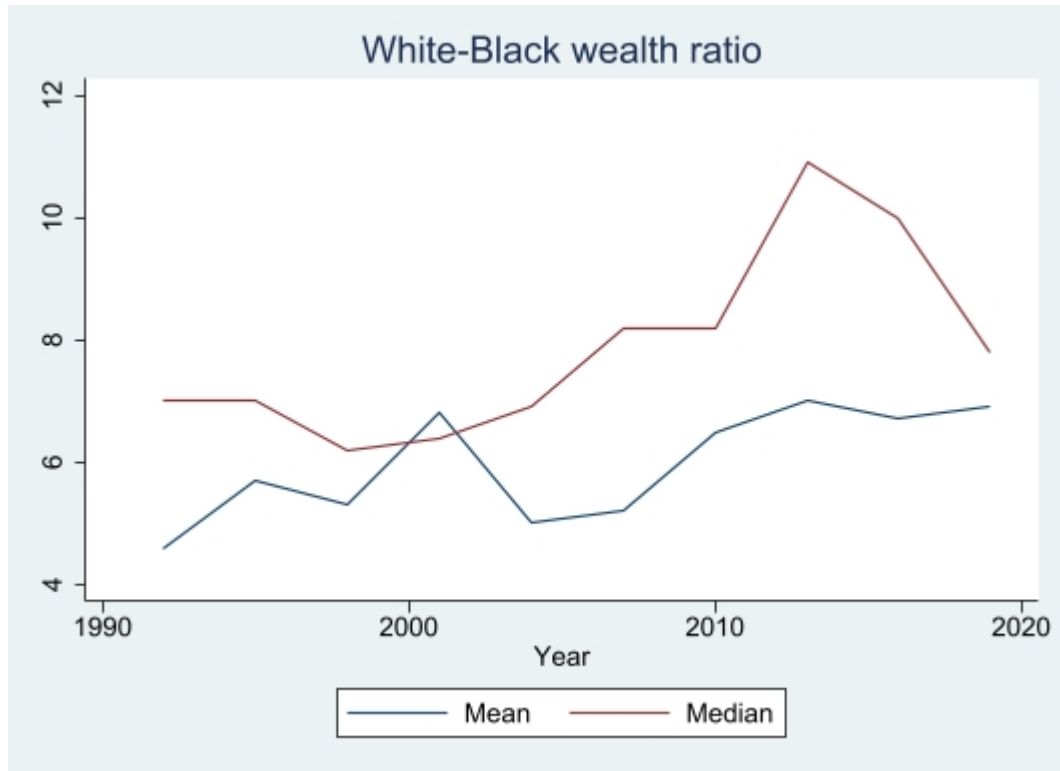
Source: Author's calculations using SCF 2019

Figure 2: Wealth share of the top 10 per cent in India and the US



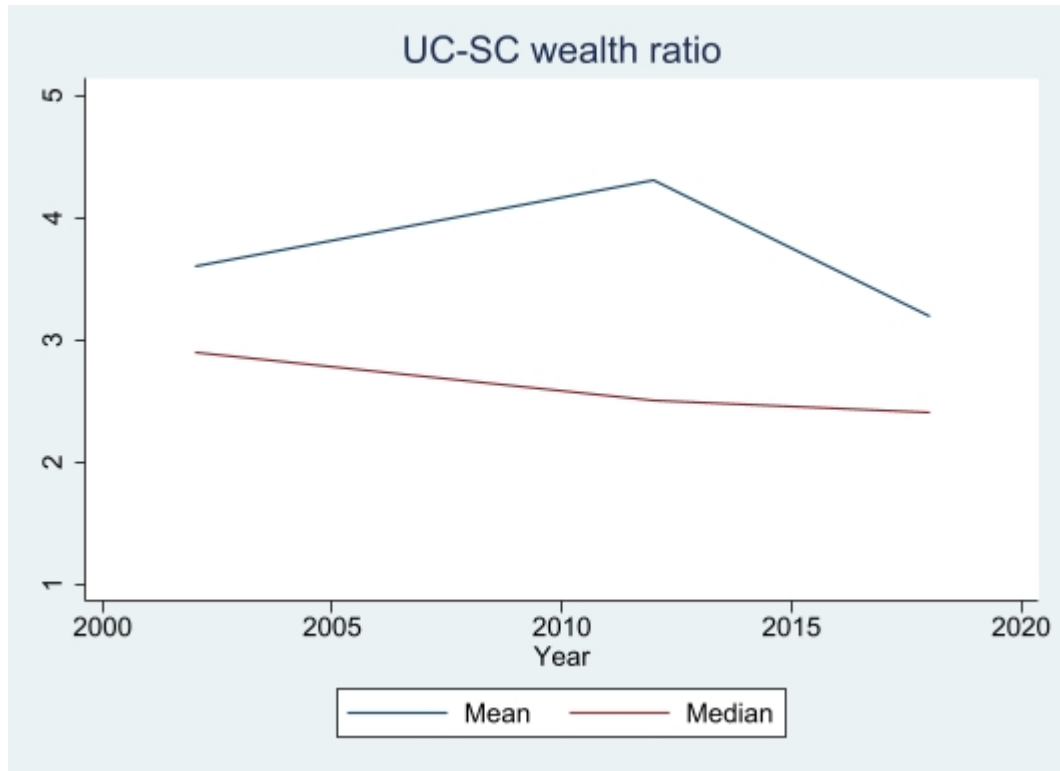
Source: Author's calculations using various rounds of SCF and AIDIS; (Anand and Kumar, 2022)

Figure 3: White-Black wealth ratio for the US



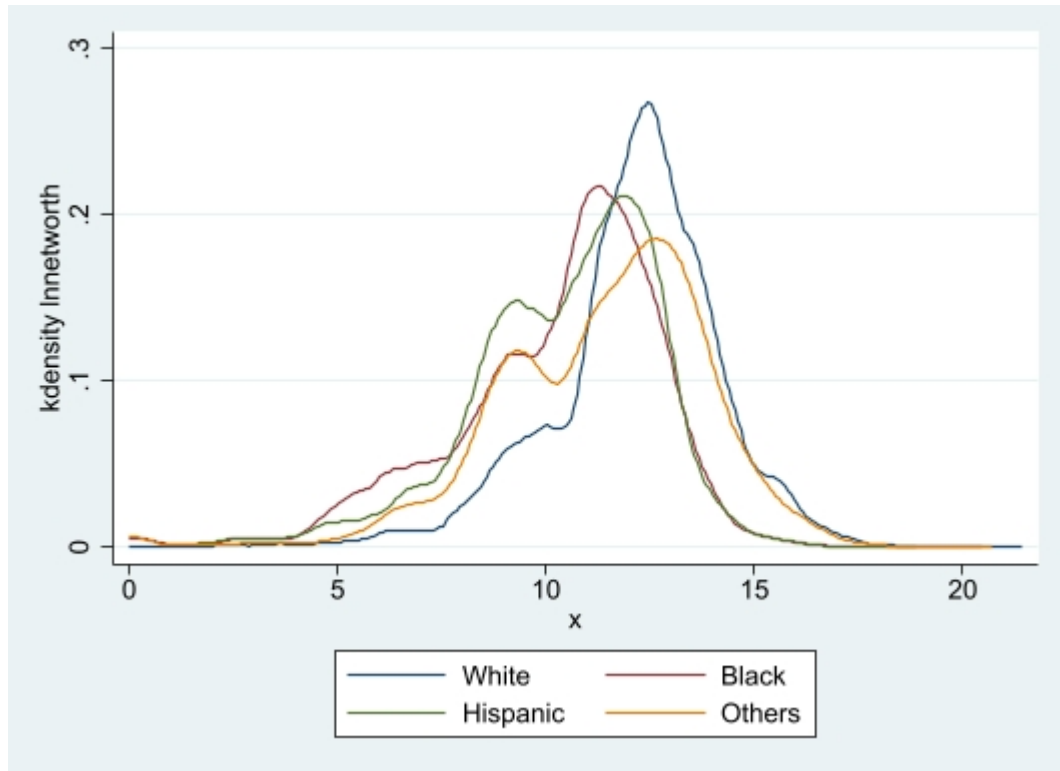
Source: Author's calculations using various rounds of SCF

Figure 4: Wealth share of the top 10 per cent in India and the US



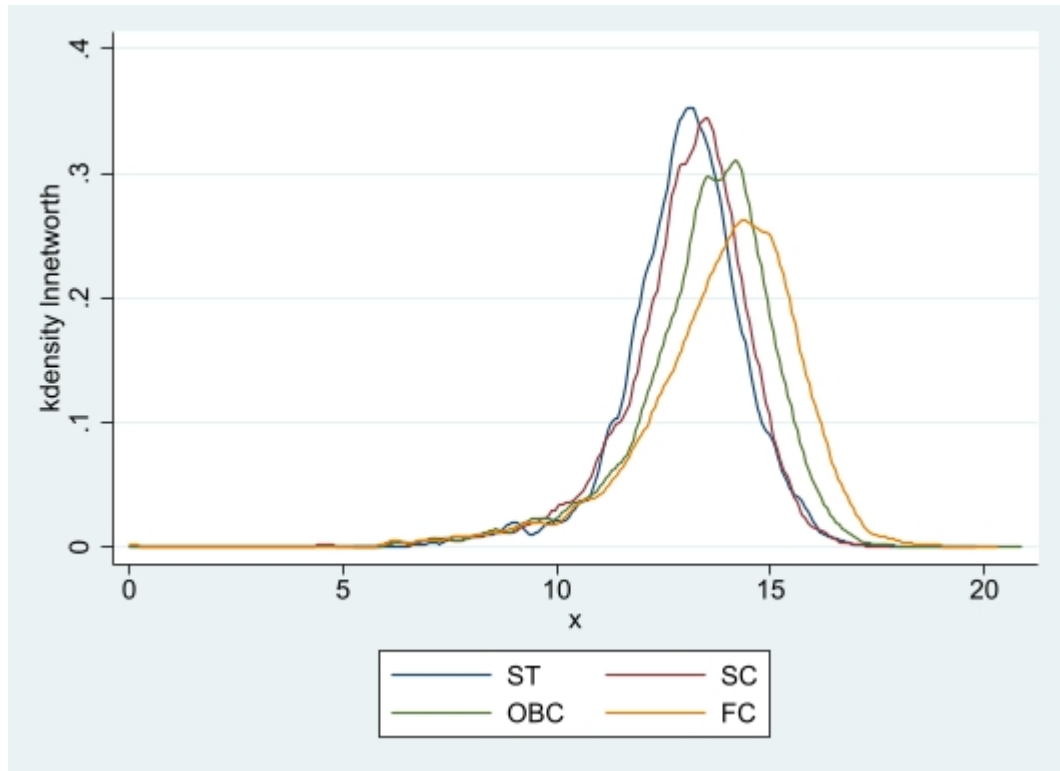
Source: Author's calculations using various rounds of AIDIS

Figure 5: Kernel density curve for household wealth, United States



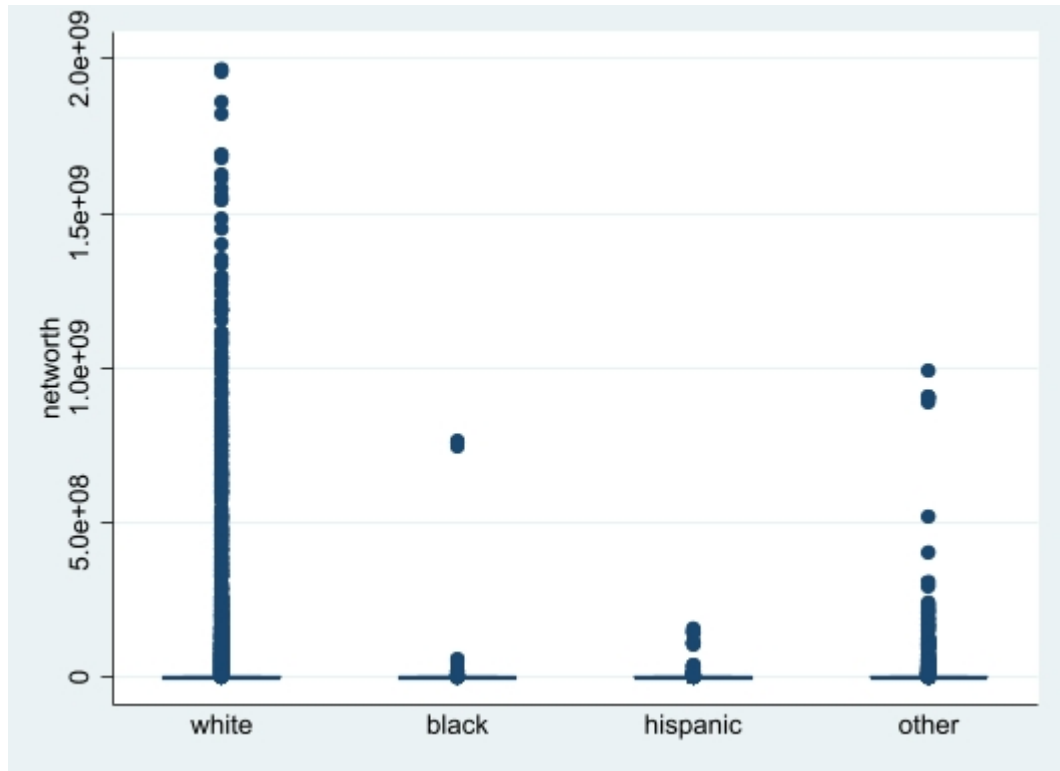
Source: Author's calculations using various rounds of SCF

Figure 6: Kernel density curve for household wealth, India



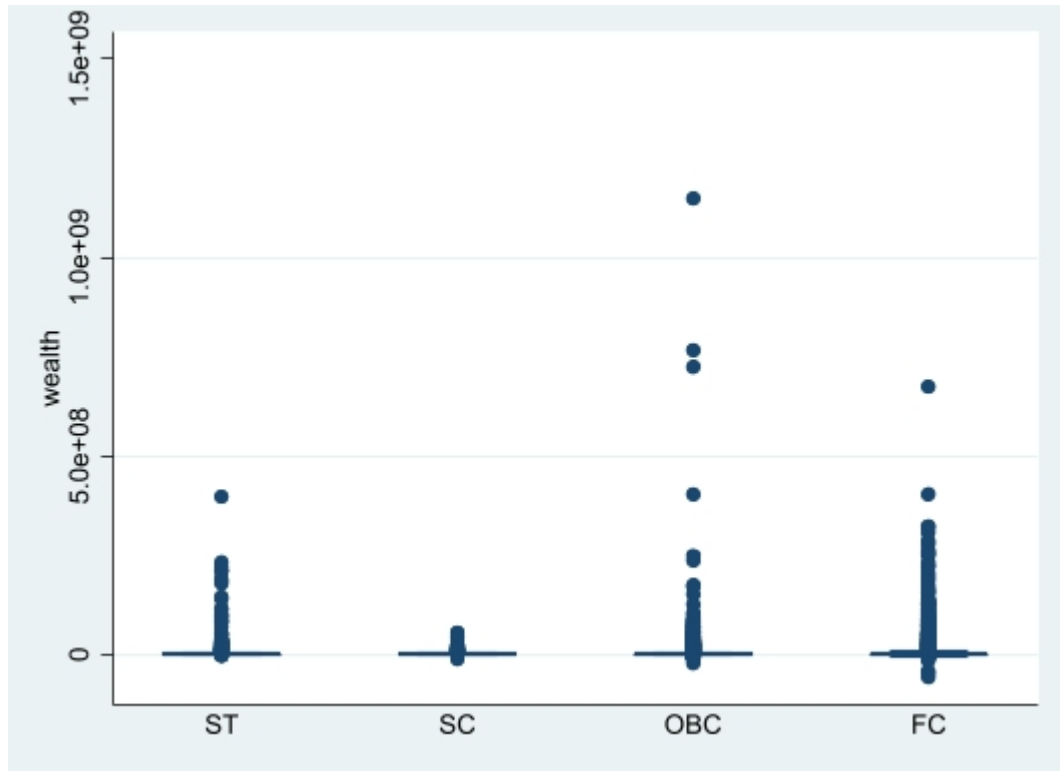
Source: Author's calculations using various rounds of AIDIS

Figure 7: Box plot of wealth in India



Source: Author's calculations using AIDIS 2018

Figure 8: Box plot of wealth in the US



Source: Author's calculations using various SCF 2019

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Table 1: Gini coefficients and quantile ratios for assets, net worth and income

	United States			India		
	Assets	Net worth	Income	Assets	Net worth	Income
Gini coefficient	0.8	0.85	0.57	0.67	0.68	0.45
p90/p10	226.5	-2439	11.8	57	68.2	7.3
p90/p50	6.2	10	3.2	5.6	5.7	2.9

Source: Author's calculations using SCF 2019, CMIE, and AIDIS 2018

Table 2: Share of assets, net worth and income

	United States			India		
	Asset	Net worth	Income	Asset	Net worth	Income
Bottom 50 per cent	3.8	1.5	14.6	8	7.4	20.8
Next 40 per cent	25.7	22	38.9	38.6	38.5	45.1
Top 10 per cent	70.5	76.5	46.6	53.3	54.1 (69.0)	34.1
Top 5 per cent	59.2	64.9	35.8	39.3	40	22.5
Top 1 per cent	33.4	37.2	19.1	18.2	18.8 (41.9)	8.3
Top 0.1 per cent	12.5	14.1	6.3	5.9	6.1	1.8

Source: Author's calculations using SCF 2019, CMIE, and AIDIS 2018

Table 3: Composition of wealth (per cent), 2018/2019

India										
	Stocks	Other Fin	Transport	Residence	Productive Land	Other Real Estate	Business	Other Non-Fin	Debt	
Wealth	0.1	6.7	2.6	28.2	40.2	21.9	1.3	3.2	-4.1	
Assets	0.1	6.5	2.5	27.1	38.6	21	1.3	3		
US										
	Stocks	Other Fin	Transport	Residence	Other Real Estate	Business	Other Non-Fin	Debt		
Wealth	7	41	3	29.9	10.5	22.3	0.7	-14.4		
Asset	6.1	35.8	2.7	26.1	9.2	19.5	0.6			

Source: Author's calculations using SCF 2019, CMIE, and AIDIS 2018

Table 4: Decomposition of the Gini index of assets (US)

Asset class	Asset share	Gini correlation	Gini index	Absolute contribution	Relative contribution (%)
Stock	0.0611	0.949	0.9824	0.0569	7.14%
	0.0017	0.0018	0.0005	0.0016	0.20%
Other financial assets	0.3581	0.9583	0.8695	0.2984	37.41%
	0.0037	0.0008	0.0017	0.0035	0.45%
Transport	0.0265	0.6367	0.5725	0.0097	1.21%
	0.0003	0.005	0.0028	0.0002	0.02%
Residential building	0.2614	0.9148	0.6768	0.1618	20.29%
	0.0028	0.0016	0.0029	0.0019	0.27%
Other real estate	0.0916	0.9162	0.9572	0.0803	10.07%
	0.002	0.0025	0.0011	0.0019	0.24%
Business	0.1949	0.9651	0.9852	0.1853	23.23%
	0.0048	0.0013	0.0005	0.0048	0.57%
Other non-financial assets	0.0065	0.8139	0.9871	0.0052	0.65%
	0.0004	0.0105	0.0007	0.0003	0.04%
Total	1	1	0.7976	0.7976	100.00%
	0	0	0.0022	0.0022	0.00%

Source: Author's calculations using SCF 2019

Table 5: Decomposition of the Gini index of assets (India)

Asset class	Asset share	Gini correlation	Gini index	Absolute contribution	Relative contribution (%)
Stock	0.0007	0.9088	0.9996	0.0006	0.09%
	0.0001	0.0182	0.0006	0.0001	0.02%
Other financial assets	0.0647	0.7077	0.8698	0.0398	5.92%
	0.002	0.0106	0.0038	0.0019	0.29%
Transport	0.0249	0.7057	0.8503	0.0149	2.22%
	0.0005	0.0063	0.0023	0.0004	0.06%
Residential building	0.2705	0.8748	0.7061	0.1671	24.83%
	0.004	0.003	0.0043	0.0037	0.57%
Productive land	0.3859	0.8864	0.8584	0.2936	43.63%
	0.0064	0.0035	0.0032	0.0068	0.88%
Other real estates	0.2101	0.8464	0.7824	0.1391	20.67%
	0.0035	0.0036	0.0034	0.0032	0.49%
Business	0.0128	0.5785	0.8407	0.0062	0.93%
	0.0004	0.0142	0.0046	0.0004	0.05%
Other non-financial assets	0.0303	0.567	0.6701	0.0115	1.71%
	0.0004	0.0058	0.0026	0.0002	0.04%
Total	1	1	0.673	0.673	100.00%
	0	0	0.0036	0.0036	0.00%

Source: Author's calculations using AIDIS 2018

Table 6: Ratio of wealth for population sub-groups at different percentiles

Percentile	United States			India		
	White/Black	White/Hispanic	White/Others	FC/ST	FC/SC	FC/OBC
p10	-0.1	-6.4	-0.2	0.9	1.2	1.1
p50	7.8	5.2	2.5	2.7	2.4	1.5
p90	5	4.8	1.4	3.5	3.3	1.8
p95	6.3	6.4	1.4	3.2	3.4	1.9
p99	8.3	6.6	1.2	3.3	3.5	2
Mean	6.9	5.9	1.5	3.1	3.2	1.8

Source: Author's calculations using SCF 2019 and AIDIS 2018

Table 7: White/Black and FC/SC gap for asset classes

	White/Black	FC/SC
Stock	19.1	20
Other financial assets	6.4	3.5
Transport	2	3.8
Residential	2.9	2.9
Other real estates	5.6	3
Business	13.6	2.5
Other non-fin assets	22.3	1.9
Productive land		3.8
Total Assets	5.4	3.2

Source: Author's calculations using SCF 2019 and AIDIS 2018

Table 8: Distribution of population-subgroups in different quantiles of wealth

	United States				India			
	White	Black	Hispanic	Others	ST	SC	OBC	FC
Bottom 50 per cent	52.5	21.4	13.4	12.7	13	24.3	41.7	21
Next 40 per cent	75.3	8.2	6.8	9.8	7.2	16.3	47.6	28.9
Top 10 per cent	85.2	2.1	1.9	10.8	3.4	6.1	38.6	52
Top 5 per cent	85.2	2	1.3	11.5	3	4.6	34.5	57.8
Top 1 per cent	88.5	0.5	0.1	10.9	3	3.2	27.4	66.4
Top 0.1 per cent	91.6	0.2	0.3	8	3.2	0	21.8	75
Population Share	64.9	14.2	9.6	11.3	9.7	19.3	43.7	27.3

Source: Author's calculations using SCF 2019 and AIDIS 2018

Table 9: Composition of wealth by caste and race (per cent), 2018/2019

	Stock	Other fin	Transport	Residential	Other real estate	Business	Other non-fin	
White	6.6	36.9	2.4	23.8	9	20.6	0.7	
Black	1.8	31	6.4	43.8	8.7	8.1	0.2	
Hispanic	1.7	18.3	7.6	51	10.7	10.5	0.3	
Other	5	33.2	2.4	32.7	10	16.5	0.3	
	Stock	Other fin	Transport	Residential	Other real estates	Business	Other non-fin	Productive land
ST	0	7.3	2.5	24.6	15.7	2.2	2.6	45
SC	0	6.3	2.2	30.6	24.3	1.3	4	31.3
OBC	0	5.9	2.5	26.2	19	1.4	3.7	41.3
FC	0.1	6.9	2.6	27.3	22.7	1	2.3	37

Source: Author's calculations using SCF 2019 and AIDIS 2018

Table 10: Gini Decomposition (2018/19)

	US	India
Between Group (%)	90.3	92.4
Within Group (%)	9.7	7.6

Source: Author's calculations using SCF 2019 and AIDIS 2018

Table 11: Gini Decomposition

		Population Share	Net worth Share	Gini	Overlap	Mean Ratio
US	White	0.65	0.85	0.83	0.90	1.31
	Black	0.14	0.03	0.89	1.07	0.19
	Hispanic	0.10	0.02	0.80	1.01	0.22
	Others	0.11	0.10	0.87	1.08	0.88
India	ST	0.10	0.05	0.65	1.01	0.54
	SC	0.19	0.10	0.61	0.97	0.51
	OBC	0.44	0.40	0.64	0.97	0.91
	FC	0.27	0.45	0.69	0.94	1.65

Source: Author's calculations using SCF 2019 and AIDIS 2018

Table 12: Overlapping matrices

	United States				India				
	White	Black	Hispanic	Others		ST	SC	OBC	FC
White	1	0.62	0.69	0.82	ST	1	1.01	1.04	0.97
Black	1.09	1	1.1	1.003	SC	0.99	1	0.99	0.89
Hispanic	1.05	0.9	1	0.93	OBC	0.9	0.93	1	0.97
Others	1.16	0.84	0.94	1	FC	0.82	0.84	0.96	1

Source: Author's calculations using SCF 2019 and AIDIS 2018

Table 13: Share of sub-groups in population and wealth

US	Population Share (P)	Wealth Share (S)	S/P	India	Population Share (P)	Wealth Share (S)	S/P
White Top 10	0.06	0.63	9.76	FC Top 10	0.03	0.24	8.9
White Mid 40	0.26	0.2	0.76	FC Mid 40	0.11	0.18	1.6
White Bott 50	0.32	0.02	0.07	FC Bott 50	0.14	0.03	0.2
White	0.65	0.85	1.31	FC	0.27	0.45	1.7
Black	0.14	0.03	0.19	ST	0.1	0.05	0.5
Hispanic	0.1	0.02	0.22	SC	0.19	0.1	0.5
Others	0.11	0.1	0.88	OBC	0.44	0.4	0.9

Source: Author's calculations using SCF 2019 and AIDIS 2018

Table 14: Share of sub-groups in population and asset classes

	White Top 10	White Mid 40	White Bot 50	White	Black	Hispanic	Others
Population share	0.06	0.26	0.32	0.65	0.14	0.1	0.11
Stock	0.82	0.07	0	0.9	0.01	0.01	0.08
Other financial assets	0.61	0.22	0.02	0.86	0.03	0.01	0.1
Transport	0.19	0.33	0.22	0.75	0.08	0.08	0.09
Residential	0.3	0.34	0.12	0.76	0.06	0.05	0.13
Other real estates	0.65	0.16	0.02	0.82	0.03	0.03	0.11
Business	0.82	0.06	0	0.88	0.01	0.01	0.09
Other non-fin assets	0.66	0.23	0.05	0.94	0.01	0.01	0.04
Total Assets	0.58	0.21	0.05	0.83	0.03	0.03	0.1
Debt	0.19	0.3	0.23	0.71	0.08	0.07	0.14
	FC Top 10	FC Mid 40	FC Bot 50	FC	ST	SC	OBC
Population share	0.03	0.11	0.14	0.27	0.1	0.19	0.44
Stock	0.72	0.1	0.01	0.84	0.02	0.03	0.11
Other financial assets	0.23	0.19	0.06	0.48	0.06	0.1	0.36
Transport	0.2	0.2	0.06	0.46	0.05	0.09	0.4
Residential	0.21	0.2	0.04	0.45	0.05	0.11	0.39
Productive land	0.26	0.16	0.02	0.43	0.06	0.08	0.43
Other real estates	0.26	0.19	0.04	0.48	0.04	0.11	0.36
Business	0.15	0.15	0.06	0.36	0.09	0.1	0.45
Other non-fin assets	0.09	0.17	0.08	0.34	0.04	0.13	0.48
Total Assets	0.24	0.18	0.03	0.45	0.05	0.1	0.4
Debt	0.1	0.17	0.13	0.4	0.04	0.11	0.45

Source: Author's calculations using SCF 2019 and AIDIS 2018. Note: Population and wealth share of the four racial and caste groups add to 1. The population and wealth share of within-White and within-FC groups (top 10, mid-40 and bottom 50) add to the total share of White and FC groups.