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Expert Comment

Why does an impoverished India produce a globally mobile wealthy class?

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Why does an impoverished India produce a globally mobile wealthy class?

Anthony P. D'Costa

This commentary focuses on late industrialisation as a point of entry to explain why India, notwithstanding its multiple institutional challenges with a large impoverished agrarian population, is also able to generate a visible and globally mobile wealthy class. India's particular configuration of recent economic development policies, the changing role of the state, and recent international integration has produced a sizeable minority of rich Indian businesses and individuals. It has also failed to dismantle a vast and persistent low-wage informal sector, thereby accentuating the rise of the rich.¹

¹ I thank Andres Solimano for his helpful suggestions. Any errors and omissions are the responsibility of the author alone.

Introduction

One of the contemporary paradoxes of economic growth and development has been accompanying inequality. However, in both practice and in theory such inequality need not be inevitable since redistributive fiscal and tax policies along with widespread education and social spending for those being excluded from growth could limit the degree of inequality. It is therefore no surprise that Scandinavian societies are not only among the wealthiest countries with some of the highest income taxes but also some of the most equal after adjusting for taxes and subsidies. Clearly the institutional arrangements for both economic production and redistribution honed over time and the relative robustness of the welfare state ensured such favourable outcomes. However, reproducing redistributive institutions generated in one national context for another context is politically difficult, especially when the predominant capitalist sentiment is a 'winner takes all' approach rather than a cooperative sentiment of sharing some of the winnings.

In this commentary, I briefly present an understanding of why an impoverished India produces a globally-mobile wealthy class. This dualism is a reflection of a disarticulated India, which I have labelled elsewhere "compressed capitalism", where the very wealthy and very poor, the highly educated and the illiterate, and financial and productive sophistication coexist in a tense equilibrium (D'Costa 2014a, 2014b, 2016, 2019 (forthcoming)). India can be considered impoverished at a number of levels. First, India's per capita income has been estimated to be \$7,000 in PPP terms and a nominal income of \$1,940 in 2017. This represents an average of less than \$600 PPP and \$160 per month per capita respectively. Second, though poverty levels have fallen, the estimates vary and are contestable. Government figures suggest about 22% of India's population live below the poverty line, which is more than 200 million people living on less than \$1.90 PPP per day. Third, the Indian official poverty line has been based on very low levels of consumer expenditure, which is INR 27 and INR 33 per day for rural and urban areas respectively. These amount

to just \$0.30 and \$0.50 per person expenditure per day. Any marginal upward adjustments in the expenditure definition of below the poverty line would actually raise India's poverty level to at least 30% (see Rangarajan Committee) and more if more realistic definitions for India are adopted.

There are two parts to this exercise. The first presents an analytical framework by which I contextualise the rise of the wealthy in the late 20th century and beyond and the second part provides some empirical details on the Indian wealthy. It may be pointed out that there have been roughly two phases in the rise of the wealthy in India: the first, in a limited way, under import substitution industrialisation, which was largely state-led; followed by a second more dynamic phase, in which the rise of the wealthy has been more accelerated due to private capital accumulation in the broader contexts of domestic deregulation and globalisation. Much of the discussion below rests on the second phase. However, it is necessary to acknowledge that there is a link between the two phases since many pre-reform businesses and individuals have remained significant in the post-reform period, even as other new, globally oriented businesses have been spawned in the second phase.

The commentary is divided as follows. In section two, I provide a quick background of the contemporary rise of the wealthy and inequality. In the third section, I provide an analytical framework (again briefly) of late industrialisation and its relationship to economic development. In section four, I extend this understanding, albeit tentatively, to structural change and inequality. I apply this analytical framework over a long period (circa 50 years) in section five to illustrate the distinctive mechanisms of the sudden rise of the wealthy in the second phase. This rise is not necessarily reflected in higher incidence of international mobility since the population size is very large, now over 1.2 billion. Even emigration, which is quite large for India, is relatively quite small compared to other smaller countries. Nevertheless, the Indian wealthy have traditionally either parked their wealth in real estate,

gold, and other non-money assets at home or abroad in tax-free havens and Swiss banks. In addition, many others with their wealth generated in India have found new opportunities abroad, especially in favourable receiving countries such as the UK, Singapore, and the US. Then there are the tech-savvy entrepreneurs who have made most of their wealth after they have relocated abroad as technical professionals or students, especially to the US. The final section provides a sampling of wealthy individuals by background, sectors, and global reach.

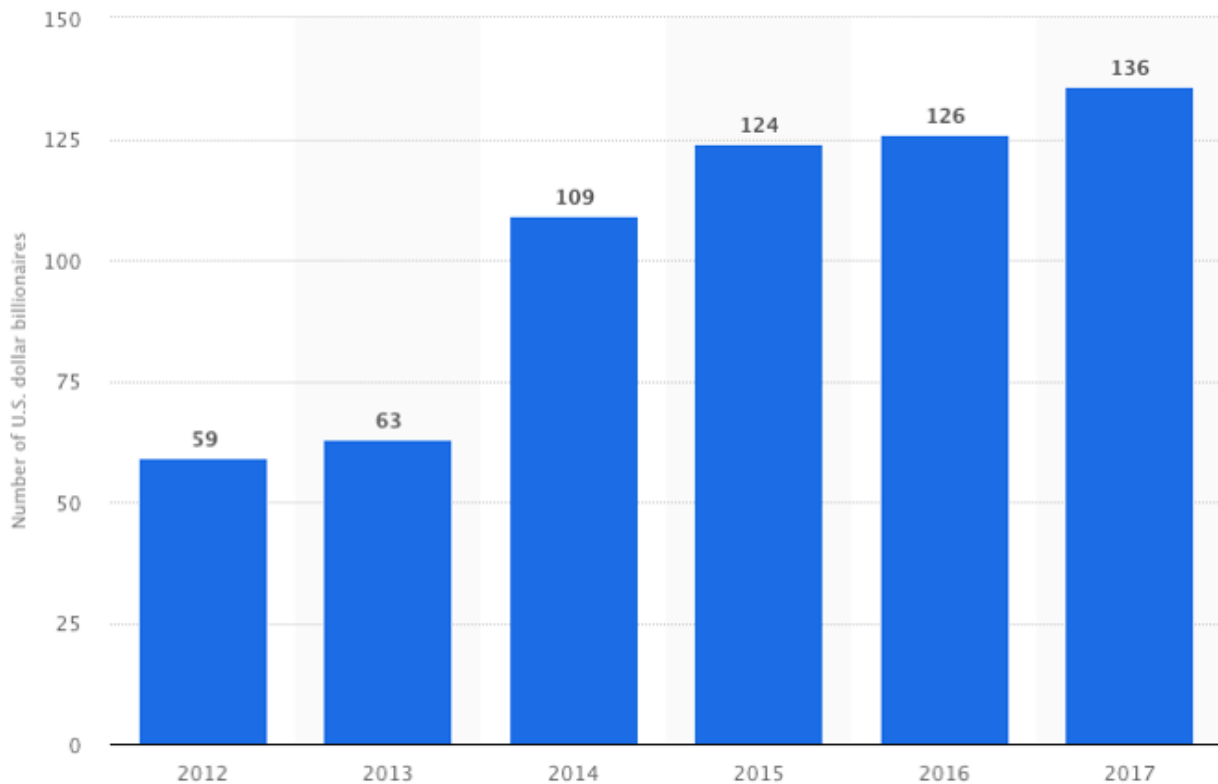
The extent of the rise of the wealthy

Perhaps the most illustrative case of contemporary Indian opulence has been the construction of 'Antilia', the residence of Mukesh Ambani, the chairman of Reliance Industries in the heart of Mumbai. Estimated to cost one billion US dollars, it has a floor space equivalent to two-thirds of the Palace of Versailles, and boasts a staff of several hundred for its upkeep. The business history of the rise of the Ambanis is an interesting tale, given that the senior Dhirubhai Ambani is a rags-to-riches story, but this is not the place for that discussion. Rather, the point is how, in the midst of poverty and squalor and the lack of proper housing – with Mumbai renowned for its massive urban slums such as Dharavi – a 27-story, 400,000 square feet single-family residence can be accounted for. More than the sheer scale of the structure, the boldness of its existence at this time demands an investigation of the underlying process of wealth creation and ownership in contemporary India since there are many other individuals and businesses that are similarly wealthy (see Figure 1). It also signals rising inequality in India.

As can be seen in Figure 1, the number of billionaires in India has been on the upswing. From 59 billionaires in 2012, the number has shot up to 136, registering a 57% increase over a six-year period. However, the jump in the number of billionaires was between 2013 and 2014, with a net increase of 46 billionaires or a 42% jump in one year

alone. There are forecasts that the number of US dollar billionaires in India will roughly treble to 357 by 2027 (Global Wealth Migration Review reported by LiveMint, 23 May 2018).

Figure 1: Number of US dollar billionaires in India (2012-2017)

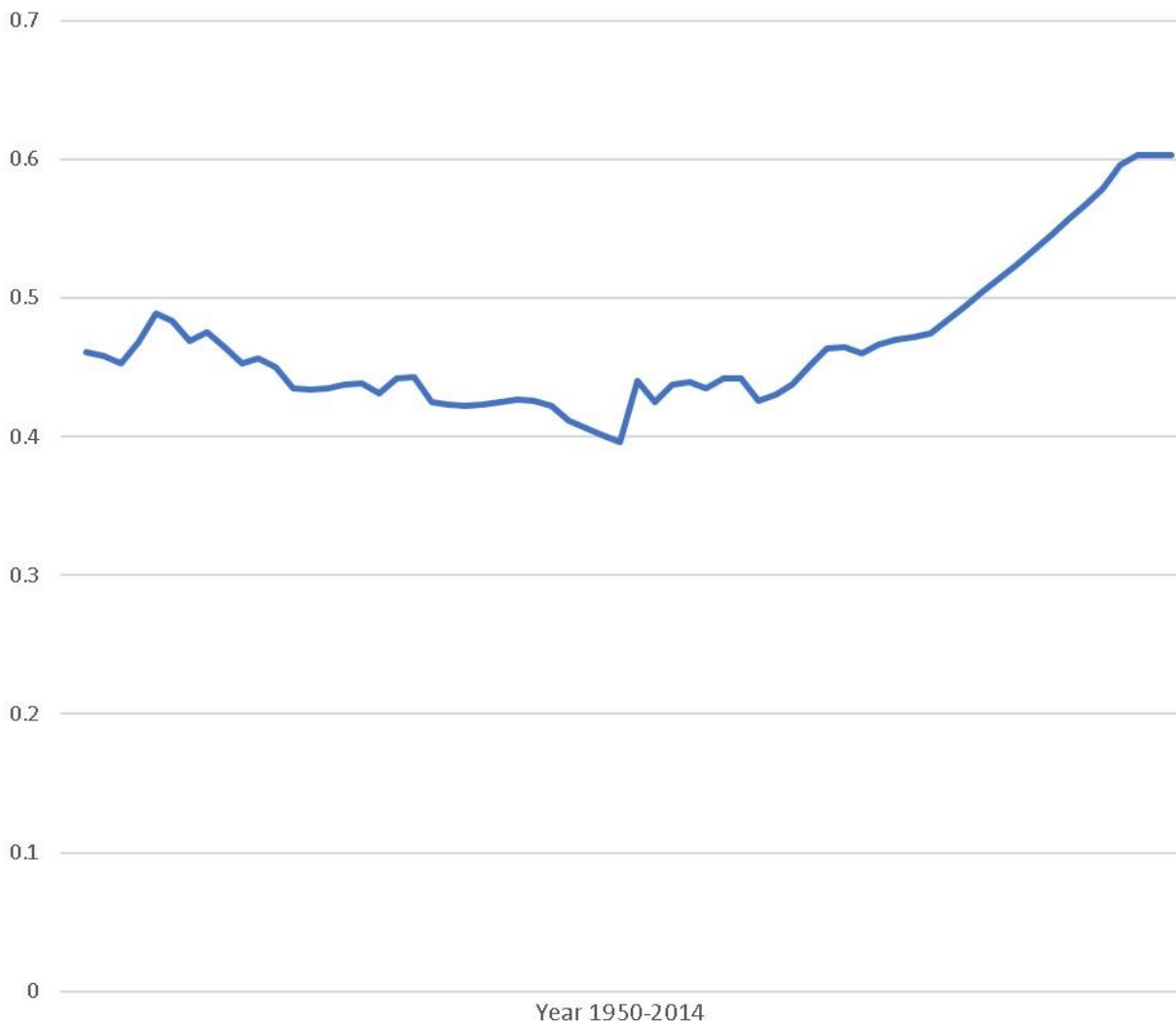


Source: statista.com (2018)

In a recent paper, Popov (2018), examining a number of relationships between billionaire intensity and various economic and social indicators, finds counterintuitively that there is a negative relationship between billionaire intensity and inequality. India has a low billionaire intensity, given the size of its population and low per capita income, hence it fits this finding at a general level. Since billionaires prefer to reside in places where inequality is low, this implies also that the rich move to places where the economic and social conditions are better. This is no doubt plausible but not all billionaires move. They have the 'freedom' to

move but they could continue accumulating capital in their home country and park their money in a third country (Solimano, 2018). For me, the question is how billionaires, especially in low-income countries, get created in the first place, or in other words, what are the mechanisms of wealth creation in these countries?² As we will see, in India the rise of billionaires has been accompanied by a worsening GINI coefficient as well, hence, even if tentative, there seems to be a relationship between the rise in the very wealthy and inequality (Figure 2).

² I do not dwell on whether pre-existing inequality reinforces inequality with wealth creation over time.

Figure 2: India's Gini coefficient (pre-tax national income, total population, adults)

Source: Based on data provided by Piketty and Chancel (2017) in Alvaredo, F., Chancel, L., Piketty, T., Saez, E., and Zucman, G. (2018). World Inequality Report (2018). World Inequality Lab

In 2017, India's GDP per capita income was about \$1,940, while its PPP per capita income was \$7,000. The top 100 wealthy Indians had total assets of \$417 billion in 2017 (Crabtree, 2018), with about 1% of Indians owning half of India's wealth, which reflects the world average as reported by the Credit Suisse Wealth Report. Many of the wealthiest Indians lived abroad, having made their wealth in foreign countries, as opposed to moving abroad with their wealth. There are a few wealthy Indians who have moved to more egalitarian countries mainly to avoid business regulations at home and seek profitable ventures abroad.

Indians in the US are a visible minority due to their much higher household income compared to the rest of the American population (\$89,000 versus \$50,000), with 44% of Indians in the US possessing advanced degrees compared to 11% for the general population (Migration Policy Institute, 2014).

Based on the recent World Inequality Report (2018), Chancel and Piketty (2017) show that income growth has been accompanied by worsening income distribution (Table 1). India's record on some measures is worse than China's since the bottom 50% in China has secured 312% income growth during 1980-2014 compared to India's 89% only. Disaggregated income growth by income class shows that the top 10% experienced a 6% income growth compare to the 4% growth experienced by the entire population since 2000, reversing the tendency towards equality of the 1955-75 era (Chancel and Piketty, 2017). On the other hand, both India and China have unenviable record of significant income polarisation, with the top 10% experiencing nearly 400% income growth in India compared to China's over 1,000% over the 35-year period.

Table 1: Total Income Growth by Percentile in China, France, India and the US, 1980-2014

Total income growth by percentile in China, France, India and the US, 1980–2014

Income group	India	China	France	US
Full Population	187%	659%	35%	61%
Bottom 50%	89%	312%	25%	1%
Middle 40%	93%	615%	32%	42%
Top 10%	394%	1074%	47%	121%
Top 1%	750%	1534%	88%	204%
Top 0.1%	1138%	1825%	161%	320%
Top 0.01%	1834%	2210%	223%	453%
Top 0.001%	2726%	2546%	261%	636%

Source: Chancel & Piketty (2017). See [wir2018.wid.world](#) for data series and notes.

Between 1980 and 2014, the average income of the Top 10% grew by 394% in India. Values are net of inflation.

An analytical framework to explain the recent rise of the Indian wealthy

Using the concept of ‘late industrialization’ (LI), I argue that ‘lateness’ offers both advantages to economic development but also imposes disadvantages.³ Lateness presumes an already pre-existing structure of capital accumulation (or lack thereof), based on social and political institutions, often historically determined. Perhaps the most striking difference between the early and late industrialisers is the difference in the levels of economic development interfacing with a hyper globalised contemporary world economy, which is different from the core-periphery relationship under 19th and early 20th century imperialism. Lateness also presumes shifts in economic policy from one of autarky to global integration, which is inevitable due to the imperatives of an expansionary system of capital accumulation. It is in

³ Late industrialisers are defined as those societies/countries launching their industrialisation after becoming sovereign, independent nations, freed from the structural and political grips of colonialism. It refers to those countries not part of the western core nations. Japan is a late industrialiser but not the United States, even though US industrialisation came after England and Germany. Relative to Japan, other countries such as India, China, Brazil, and South Korea are even more late on the temporal axis of economic development. For lack of space as well as the further need to refine the concept, for which is work in progress, I do not elaborate late industrialisation further.

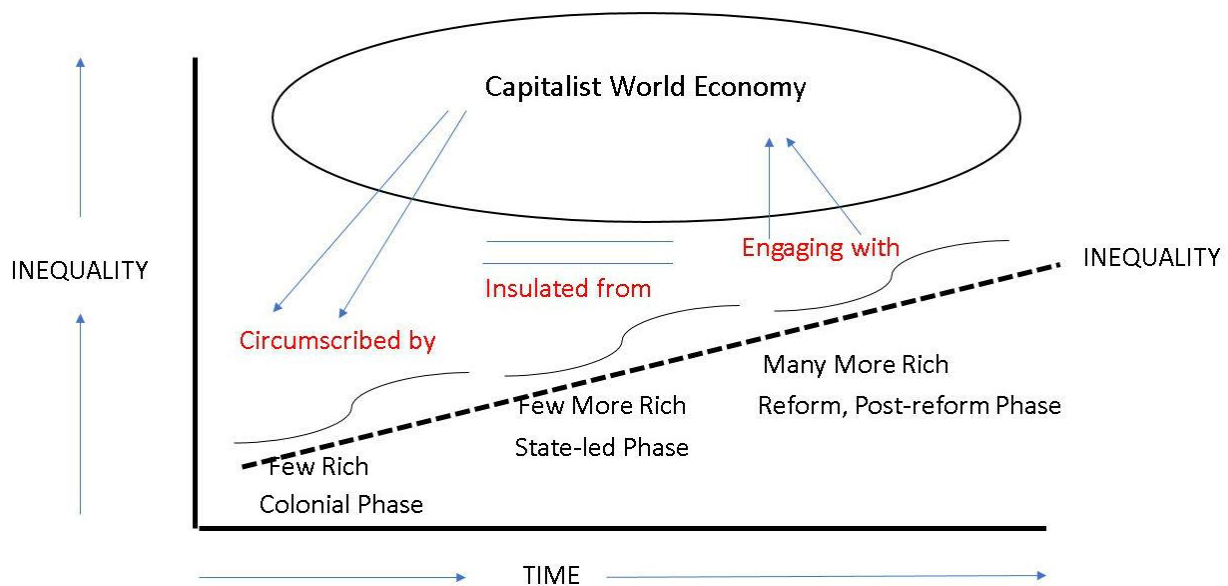
this shifting context, both endogenous policy and exogenous forces of internationalisation and technological change, that the rise of the Indian wealthy and worsening inequality must be examined.

In Figure 3, I present the analytical framework in a stylised manner. The Y-axis represents inequality and the X-axis time. There are three distinctive phases in the evolution of the Indian political economy representing the changing relationship between the state and business and between the national and international economy. In the first phase, the Indian economy is dominated by colonialism, effectively circumscribed by global capitalism. In this phase there are few wealthy Indians other than those belonging to the feudal regimes of Nawabs propped up by Britain's divide and rule policy and some landlords. During the waning years of British imperialism, there were a few Indian merchants who availed themselves of commercial opportunities offered by the two World Wars and sanctioned by the British government in India. Some of these trading families became India's big business families, whose own economic interests converged with the nationalist goals of an independent country with its autonomous economy. In phase two, circa 1950-1985, independent India launched the classic late industrialisation strategy of heavy industry through import substitution. The Indian economy was insulated from the dynamics of the world capitalist economy during this phase. The state dominated its partnership with business. Consistent with domestic market development, the state protected local business from foreign competition but also regulated business to pre-empt the rise of monopoly control.

During this state-led phase there were wealthy Indians, who profited from the artificial scarcity that arose from excessive regulations over production, capacity expansion, shortage of foreign exchange (since exports were not a priority), and privileged access to the state that dispensed production licenses. Rent-seeking activities, including bribery to circumvent various regulations, did contribute to the rise of the wealthy. However, by global

standards the scale of wealth generation in India remained limited. It is at this stage a few wealthy businesses emigrated to other countries, especially the UK, to avoid the regulatory environment, the unpredictability of economic policy, and the high tax regime. Income distribution, as evidenced by the GINI coefficient, remained relatively stable. This was largely due to anaemic growth rates since the 1970s, which speeded up in the second of half the 1980s, only to collapse in 1991 due to India's massive balance of payments deficit.

Figure 3: An analytical framework: Inequality arising from the interfacing of late industrialisation with globalisation



In the third phase, since around the mid-1980s, the Indian economy moved to a different growth level. Tentative and incremental reforms in deregulating the economy in the mid-1980s did lead to a spurt in consumer demand but also contributed to a worsening of the trade deficit. Energy-intensive growth with high oil prices had a detrimental impact on India as well. However, with IMF stabilisation loans to address the BOP deficit various reforms were introduced that effectively increased India's definitive shift, though not complete, to

internationalisation and a removal of some of the most irrational regulations. Reforms led to greater engagement of the Indian economy with the global one. Growth rates resumed and the 'new' process of wealth generation began, including expansion of the auto, IT, pharmaceutical, and financial sectors. It was during this phase, as the government delicensed the economy, supposedly creating a level playing field, that it also created plenty of space to game the system through power, influence, and privileged access (see Stacey and Mundy, 2018, on Mukesh Ambani's Reliance Jio telecom growth). With many lucrative business opportunities, wealth generation went unimpeded as business confidence grew and bank lending expanded, often falling in the zone of non-performing assets. It is in this phase that India's growth rates become second to none but inequality became far more pronounced than in previous phases.

Structural change and inequality

Structurally speaking, the Indian economy displays a form of inequality that has not been witnessed before. There is a declining share of agriculture, as predicted by the economic development trajectory, but curiously a stagnating industrial sector, often dubbed 'premature deindustrialisation', and a growing contribution of services to GDP characterise the contemporary Indian economy. More pertinently, the growth of high value, tradable services such as finance, insurance, real estate, and business services (including IT services) have become the new sources of growth. In this changing structural context, a large share of India's workforce remains tied to low productivity (informal) agriculture, while a few manufacturing sectors that have adjusted to global value chains such as auto and pharmaceuticals have been performing well. In addition, India's abundant supply of skilled professionals has ensured its global position in various tradable services, especially software and IT. Notwithstanding the rise of globally-oriented economic activities, the vast majority of Indian workers are engaged in economic activities in the informal sector. Between

2004-05 and 2011-12, a period of high economic growth, the share of informal sector employment remained sticky, from 92.7% falling marginally to 91.9% (Ministry of Finance, Government of India, 2015, p. 136). What is more disturbing is that there is a growing informalisation of the formal sector. This is part of the reform process where flexible labour is highly coveted but also serves to hold down wage costs from creeping up as economic growth continues. For example, in formal organisations such as auto manufacturing there are both regular, permanent workers working side by side with temporary, contract workers, while lower tiered supplier firms rely solely on insecure and precarious unorganised workers (Author's field visit to a Japanese factory in 2017; Barnes, 2018; Kerswell and Pratap, 2015). Similarly, the growth in the lucrative offshoring sector creates some well-paid, salaried professionals but also the creation of informal service workers. Economic growth, instead of eroding the informal sector, is reproducing it, if not expanding it. This is a paradox of late 20th century global capitalism operating in India.

It is not possible to undertake a full-scale investigation as to why the Indian economy is generating a visible wealthy class while the rest of society is mired in the low-wage informal sector. There are many hypotheses, mostly from the supply side, which predict that should those supply-side bottlenecks be resolved, such grotesque forms of inequality are likely to disappear, implying that the incentives to remain in or the constraints that impinge on the informal sector will be weakened. But these hypotheses do not account for India's abundant labour supply, the general averseness to manufacturing for the world market competitively, the presence of China's massive manufacturing infrastructure, and the timing of India's engagement with the world economy when the deployment of precarious labour along with labour-saving technologies, automation, and artificial intelligence has intensified. The alternative hypothesis is that the very change in the global capitalist economy has engendered non-egalitarian dynamics, which when combined with India's specific form of

deregulation and the jockeying of Indian business to capture new opportunities does allow us to explain both the rise of the wealthy and worsening inequality.

Mechanisms of wealth-creating opportunities

As alluded to in the analytical framework, in phase two the state regulatory framework entailing the license-permit-quota raj restricted output, thereby encouraging certain types of rent-seeking activity through the economy of scarcity. One result of this has been unaccounted wealth for a few private individuals and public officials, including politicians. In the second phase, economic reforms at home and economic integration at the global level have generated new commercial opportunities for Indian businesses, especially in what Gandhi and Walton (2012) term “rent-thick activities”. These include mostly mature sectors such as real estate, cement, mining, liquor, mining, and infrastructure, including ports. Of course there have also been non-rent sectors such as IT, pharmaceuticals, bio-tech, and automotive. Finance has the dubious distinction of being both rent and non-rent.

In addition to business success brought about by strategic investments and commercial acumen, many Indian businesses in exploiting new economic opportunities relied on fixers, lobbyists, and subcontractors to access the state. In this political economy, where patronage politics between politicians and the electorate is rife, the relationship between the state and business has also been subject to patronage. Thus there have been questionable land acquisitions for infrastructure projects or special economic zones made possible by intermediaries and their privileged access to the arms of the state. There is an additional factor that contributes to our understanding of the rise of the wealthy and consequent inequality in India. It is the change in the state-business relationship where instead of the state being dominant, as in phase two, it is business that now commandeers

the state.⁴ The power of capital with growth is inevitable and in the absence of countervailing policies to rein in big business, the latter is able to leverage its financial and political power in its favour. This is facilitated by a *quid pro quo* arrangement where politicians seeking public office expect contributions by business to their campaign funds, while businesses expect special treatment from the state. While this is common to many democracies, the magnitudes and volumes of transactions have exploded dramatically (for some details see Crabtree, 2018). Thus the sudden and recent rise of India's wealthy can be explained (if not robustly tested) by 'crony capitalism'. Some entrepreneurs have had the foresight to skip all together the *quid pro quo* arrangement by becoming politicians themselves, thereby enriching themselves and their businesses with favourable policies.

The rise of the wealthy in India can also therefore be attributed to a particular historical juncture of India's engagement with the world economy with its specific endogenous political-economic dynamics. Commercial opportunities and business acumen, along with privileged access to the state in certain areas, have allowed some businesses to thrive. Their subsequent use (and abuse) of disproportionate power have led to further expansion for some and debt-led collapse of others (Crabtree, 2018). Of course the reciprocal relationship between business and government is not uncommon but when the playing field is uneven, which is often the case, skewed structurally in favour of those already wealthy and with 'connections' to the state, the dynamics of wealth creation become more than a matter of business strategy and professional management. It is how to work with and around the state, sometimes with foreign governments.

⁴ Incidentally this is not unique to India. Even in South Korea, with the proverbial developmental state, there has been a reversal of the state-business relationship (see D'Costa, 2018).

The global reach of wealthy Indians

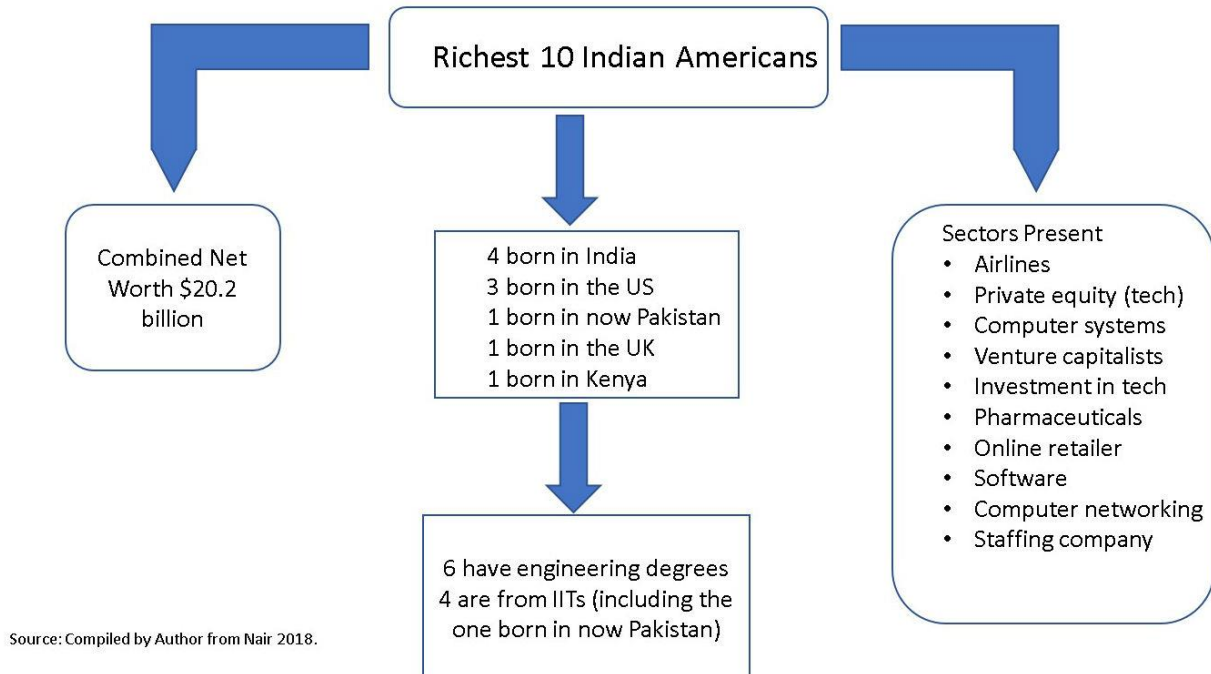
The rise of the Indian wealthy class and worsening inequality at this particular juncture can be explained by the commercial and business opportunities arising from a deregulated home economy and a liberal international economic order. The international mobility of the wealthy is also facilitated by favourable disposition towards the wealthy by receiving countries under investment migration regimes. For example, wealthy foreigners, in exchange for their wealth/capital, can be offered a quick route to permanent residency or citizenship. There are several countries in the global economy that offer this opportunity to the wealthy. In addition to the tax havens in the Caribbean and some smaller European countries, the US, Canada, Australia, the UK, and Singapore (all Anglophone and economically relatively wealthy countries) have investment migration policies to attract foreign investors. This also explains why the rich may prefer to live in less unequal places.⁵ There are also many successful Indian businesses that have found their niches abroad. For example, the Indian IT industry is foreign-demand driven. India has about 55% of the \$146 billion global software outsourcing market due to a large and relatively inexpensive talent pool. The share of exports to total output has remained steady at around two-thirds of total volume. The cumulative annual growth rate for exports during the fiscal year 2009 to the fiscal year 2016 has been estimated at 61.68% (India Brand Equity Fund (IBEF), 2017). Countries such as the US (the largest export market for India), the UK, Canada, Germany, Singapore, the Netherlands, and Japan, which rely on Indian IT, are also home to many wealthy Indians, especially the Anglophone countries. Demand for technical professionals is high in these countries and many of them establish successful firms or rise up the corporate ladder to senior positions because of their rich technical knowledge and industry experience. Some individuals become wealthy entrepreneurs and venture capitalists. For example, some of

⁵ However, inequality in these migration investment-friendly countries is also rising.

the corporate leaders in the tech industry in the US are of Indian origin, including the CEO of Microsoft, the head of Google's chrome browser and search business, the founder of Hotmail, the developers of the USB standard, Intel's Pentium chip, Adobe's CEO, and other venture capitalists (Gibbs, 2014).

Of the 264,000 millionaires in India, six thousand super rich changed their residency to other countries (Special Broadcasting Service (SBS), 2017). There were roughly 10,000 HNWI Indians who left the country (Global Wealth Migration Review, 2018, p. 23). The US, the UK, Canada, and Singapore are also home to an earlier generation of successful Indian businesses and a new crop of wealthy Indian entrepreneurs who have recently emigrated to these and other countries, such as those in the Gulf region. In examining the top 150 wealthiest Indians and their business in the world, we find, for obvious reasons, that most of them were based in India. However, there were at least 43 individuals and businesses that had operations outside of India (Indian Link, 2017). Of these there were three businesses that operated in India but also had operations in one or two of the following countries: the UK, Switzerland, and Ireland. There were also three operations of Indian origin (but not in India) in paired countries or regions such as the UK-Switzerland, the UK-Dubai, and the UK-Nigeria. Beyond India and the six multi-country cases, the number of Indian businesses operating solely and mutually exclusively in a single foreign country or region was as follows: the US (9), the UK (6), Dubai (6), the UAE (3), Canada (3), and one each in Indonesia, Hong Kong, Nepal, the Gulf, Tanzania, Thailand, Singapore, and Abu Dhabi.

In Figure 4, a recent Forbes 'richest Indian-Americans' list, all billionaires (Nair, 2018), is summarised, providing some patterns for and profiles of Indian HNWIs in the US. One commonality is that these entrepreneurs have an engineering background and have been involved with technology, whether as a platform for a shopping network, or in private equity, venture capitalism, or as investors in tech firms or staffing for technology firms. This profile is quite different from the Indian wealthy found in the UK (see below).

Figure 4: Patterns and profiles of Indian HNWI in the US

In the UK, wealthy Indians are well represented. For example, the Asia Rich List 2018 recognised the 101 richest Asians in the UK. These individuals (and in some cases family) belong to the ultra-high net worth group. Of the twenty-one richest Asians, all of them were of Indian origin. The valuation of these individuals ranged from GBP 540 million for the founder of Jet Airways, a private airline in India, to GBP 22 billion of the Hinduja family with a multinational business empire covering trucks, banking, and gulf oil (Millington, 2018). Most of these Asians are of Indian heritage (a few originated from Pakistan), from India or from East Africa, either being born there or having emigrated from India earlier. However, unlike their American counterparts, the UK-based wealthy Indian businesses span food manufacturing, pharmaceuticals, hotels, construction, banking, finance and investment, petrol pumps, retail/groceries, fashion, consumer goods, petrochemicals, textiles, mining and agriculture, and steel. Some of these business founders fled from East Africa, especially

during the brutal regime of Idi Amin in Uganda, others left India due to a highly regulated business environment, while a few of the Indian origin businesses got their commercial footing elsewhere, as in the case of an Indonesia-based Indian business in petrochemicals, textiles, and steel (Mittal of ArcelorMittal Steel, headquartered in Luxembourg, and Lohia of the Indorama Corporation of Indonesia).

Outside of the tech and business-friendly Anglophone countries of the US and the UK, small countries such as Australia and Singapore have been important destinations for wealthy Indians, many of them moving to these countries due to favourable host government immigration policies and quality of life. In a recent Forbes Singapore Rich listing of 2017 (Karmali, 2017), five Indian-origin businesses were mentioned with combined assets of over \$7 billion. The individuals associated with these businesses came from India and settled in Singapore, some becoming citizens as well. Businesses range from real estate, including luxury hotels, to oil and gas, data analytics, electric vehicles, and financial services.

Some concluding observations

In this essay I have highlighted the evolutionary character of India's late industrialisation efforts and in that context provided an understanding of the rise of the Indian wealthy. I used an analytical framework that linked late industrialisation (LI) with the sudden rise of the very wealthy in a country that is largely characterised as impoverished. I argued that the shifts in the Indian economic structure in the context of deregulation and globalisation created hitherto unprecedented business opportunities for some, while labour markets remained flexible due to a holding down of wages and the presence of a vast informal sector.

In conclusion, I raise a few questions as observations. First, theoretically is there an intrinsic relationship between late industrialisation and the rise of the wealthy and between late industrialisation and rent-seeking activity behind the rise of the wealthy. Late industrialisation (or new business opportunities on an unprecedented scale) does offer

space for businesses to succeed since the state relies on the private sector for its nationalist agenda. Furthermore, the withdrawal of the state from the economy through deregulation reinforces private sector growth on a bigger scale. In other words, the objective conditions for capital accumulation are generally strengthened. But beyond this simple observation there is nothing intrinsic about the rise of the wealthy since much would depend on how successful late industrialisation has been. We have many experiences of late industrialisation: from Latin America, Africa, South Asia, East and Southeast Asia, and China. In each of these cases there have been many instances of rent-seeking activities (or crony capitalism) associated with big business, party officials, politicians, and bureaucrats. However, the economic performances of these countries and the degree of inequality have also varied substantially thereby suggesting that there is no generalised relationship between late industrialisation and the rise of the wealthy, although for some countries the particular sequencing of economic policy shifts and the nature of the domestic political economy could support the relationship that I have highlighted for the Indian case. One could make the case that today the economic opportunities are immense at the global level and those businesses who have a first-comer advantage, special knowledge, and unusual access to information or policymaking institutions are likely to be successful. The *quid pro quo* arrangement that has become integral to the practice of parliamentary democracy in India is also an important contributor to the sudden rise of the wealthy.

Second, cronyism can be argued to be not analytically useful when discussing the rise of fortunes of specific businesses that are tied to the state. After all, in 19th century America where robber barons ruled the day, there was cronyism. There are also instances of cronyism today in the US (lobbying, special interests). If one assumes that the state, even if not all the time, is an instrument of the ruling classes, cronyism is likely to be present in different times and places. Third, the key question is when does cronyism get pronounced? Is it the absence of a well-designed regulatory framework that encourages the excesses of

the wealthy or is it the bountiful commercial opportunities that drives the wealth creation process with its attendant excesses? The late arrival of such opportunities in a moribund economy with a weakly-enforced regulatory framework in India contributed to the rise of the wealthy, while Indian businesses operating abroad exploited specific market niches to their advantage. As in the case of 19th century America, an underdeveloped regulatory framework allowed the reaping of economic opportunities that also contributed to the 'gilded age' of grotesque forms of inequality, exemplified by today's emblematic Antilia in India. Finally, given the expansionary nature of global capitalism could we claim that the rise of the wealthy is inevitable even in impoverished countries in India? Or is it because of its impoverishment that the wealthy emerge on a disproportionate basis?

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