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The Political Economy of the Middle Classes in Liberalising India⁺

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Executive Summary

This paper is an update with new data to analyse the composition of the middle classes in India in the middle of the first decade of the twenty-first century, building on an earlier paper that was based on 1998-99 data, to understand the political sociology of economic liberalisation in India; specifically, to analyse whether the middle class, on balance, would support economic liberalisation, or support some policies in the process while tending to resist others, and why.¹ The hypothesis is that the middle class is not straightforwardly a support base for economic liberalisation as often assumed, but that the larger the public employee and subsidised farmer component of the middle class, however defined, the more resistant it will be to at least some facets of economic liberalisation such as privatisation and de-subsidisation.

In the six decades since independence in 1947, there has clearly been a large shift in the social structure of Indian society marked by the growth of a wafer-thin middle class to one that is huge in absolute numbers and a much more substantial section of the population even if restrictively defined. It has changed the social structure of Indian society fundamentally from one characterised by a sharp contrast between a small elite and a large impoverished mass to one with a substantial intermediate class. The first type of social structure supported a broadly “socialistic” ideology, while the second type has created a large mass base for capitalism and liberalisation.²

The debate has focussed on the size of the middle class; whether it is, say, 50 million or 150 million or 250 million, and the criteria to be used in drawing boundaries. This paper focuses on the politically far more relevant criterion of the sectoral occupational composition of the middle class - whether it is largely in the broadly defined public sector, the (entirely private) agricultural sector, or the non-agricultural private sector.

My hypothesis is that the orientation of the middle class towards economic liberalisation, especially towards continued or “second-generation” economic reforms involving privatisation of public enterprise, reduction of the scope of government, and de-subsidisation of a range of activities/interest groups, depends on two factors: (1) how large the public sector component, and publicly subsidised component, of the middle class is; and (2) how it is being affected by these reforms.

I conclude that though a considerable minority of 25-30 percent of the more restrictively defined middle class of this study, at a later stage, 2005-06, of India's post-liberalisation growth, still consists of public employees having a vested interest in the size and scope of the state, a considerable majority of 56-62 percent are self-employed, mainly in industry and services, and most of the rest are private sector employees. This indicates that the internationally recognisable middle class of 55 million, although still an elite under-six percent of the population, is constituency for liberalisation and globalisation. However, if one goes below this stratum to the Broadest Middle Class of my earlier paper, the mixed conclusions of that paper still hold. However, the base for liberalisation is broader than this elite middle class because of downward social and political alliances due to social, that is, class-cum-caste reasons between the traditional upper castes and dominant castes who dominate this middle class and the rising agrarian middle castes. Therefore, I argue that, while the growth of the middle class is a development that does not explain liberalisation itself, what it does help explain is the *particular character* of liberalisation since 1991, which I will call *sustained gradualism*, thus the "strong consensus on weak reforms" that has taken root in the political class across party lines.³

Faster reform will only come after a tipping point is reached in terms of the balance between winners and losers, which is a long way off given the composition of even the larger middle class, itself only a quarter of the population at the most despite its disproportionate political and social influence, not to speak of the vast majority of the population below it, and the fact of multi-party coalition politics characterised by several *de facto* veto players.

The Political Economy of the Middle Classes in Liberalising India

The Relationship between the Emerging Middle Classes, the State and Economic Liberalisation

This paper is an update with new data of to analyse the composition of the middle classes in India in the middle of the first decade of the twenty-first century, building on an earlier paper that was based on 1998-99 data, to understand the political sociology of economic liberalisation in India; specifically, estimating the public employee component of the emerging middle classes, themselves complexly stratified vertically and fractionalised into sectoral interests, to analyse whether the middle class, on balance, would support economic liberalisation, or support some policies in the process while tending to resist others, and why.⁴ The hypothesis is that the middle class is not straightforwardly a support base for economic liberalisation as often assumed, but that larger the public employee and subsidised farmer component of the middle class, however defined, the more resistant it will be to at least some facets of economic liberalisation such as privatisation and de-subsidisation.

In the six decades since independence in 1947, there has clearly been a large shift in the social structure of Indian society marked by the growth of a wafer-thin middle class from a small world in which, to exaggerate, everyone knew or knew of everyone else, to a middle class that is huge in absolute numbers and a much more substantial section of the population even if restrictively defined. This social-structural shift has accelerated over the period of higher growth rates of five percent-plus since the early 1980s, as compared to the 3.5 percent in 1950-80. The middle class is now anything between 50-250 million, the exact number depending on the criteria one uses to draw the cut-off point.⁵ It has changed the social structure of Indian society fundamentally from one characterised by a sharp contrast between a small elite and a large impoverished mass to one with a substantial intermediate class. The first type of social structure supported a broadly “socialistic” ideology, while the second type has created a large mass base for capitalism and liberalisation.⁶

The debate has focussed on the size of the middle class; whether it is, say, 50 million or 150 million or 250 million, and the criteria to be used in drawing boundaries. This paper focuses on the politically far more relevant criterion of the sectoral occupational composition of the middle class - whether it is largely in the broadly defined public sector, the (entirely private) agricultural sector, or the non-agricultural private sector.

My hypothesis is that the orientation of the middle class towards economic liberalisation, especially towards continued or “second-generation” economic reforms involving privatisation of public enterprise, reduction of the scope of government, and de-subsidisation of a range of activities/interest groups, depends on two factors: (1) how large the public sector component, and publicly subsidised component, of the middle class is; and (2) how it is being affected by these reforms. Public employment in India means total job security and state-determined, not market-determined, pay scales. Public employees have a vested interest in the size and scope of the state and periodically increased public sector wages. Similarly, nearly all of the better-off agrarian population have a vested interest in a variety of central and state-level subsidies, including fertiliser, electricity, water and credit. Thus, these two segments of the middle class have vested interests that militate against fiscal stabilisation measures such as downsizing, public sector wage restraints, and central and state-level desubsidisation, and structural changes like privatisation with all that that implies for continued reform. Their attitude to liberalisation can be expected to be largely oriented to only the benefits but not prepared for the painful but

inevitable costs of the process. This is not to say that all segments of the non-agricultural private sector middle class can be expected to be pro-liberalisation. Surviving uncompetitive and protection-dependent segments of private industry could well be opposed, while groups employed in other sectors have much to gain from continued liberalisation.

Theories of the Middle Class and India's Political Economy

There is a vast literature, conceptual, theoretical and empirical on class and class structure, both Marxist and non-Marxist, that deals with the "middle class" or "intermediate strata" in capitalist societies.⁷ I do not intend to even attempt to summarise it here. There is also a considerable literature on class analysis of Indian society, overwhelmingly Marxist, which too I do not intend to summarise here. However, there is very little on the Indian middle class, particularly in the post-1991 economic liberalisation period. In the approach to this paper, I will only refer selectively to the main points in the debate on the "middle class" in the general literature on class that may be useful to its application in the Indian context. Likewise, I only refer to the developments in the Indian literature on class and class structure that refer to the "middle class" or "intermediate strata" that are of relevance to understanding the relationship between the middle class and economic liberalisation since 1991.

But who is/are the middle class/es? How does one define them? The Marxian category of class, to begin with the paradigm which has most used it and to which it is central, defines class in relation to ownership of the means of production. In capitalist societies, the core classes are capitalists and workers, the owners of the means of production and those who sell their labour power to the former for a wage. The only other class significant in the Marxian schema, aside from the landlords and peasants, is the petty bourgeoisie, an intermediate stratum of small producers/proprietors, typically shopkeepers and independent artisans/small manufacturers. But while this may be heuristically useful for certain purposes, it is of limited use for empirical analysis of the class structure of societies, particularly in developing countries. For since the middle of the nineteenth century, the growth of capitalism dependent on science and technology, and the growth of regulatory state apparatuses, has meant the growth of intermediate strata in white-collar occupations and professions, both salaried and self-employed, particularly the former, characterised by increasing degrees of education, and which are intermediate in income between capitalists and manual workers. The middle classes have not only become a large fraction of the population in capitalist societies but are the classes which throw up politicians and intellectuals, that is, play an important political and ideological role. Their importance grows as economies the world over, including developing economies, shift towards the services sector, both in terms of gross domestic product (GDP) and employment shares.

Erik Olin Wright does not consider the middle class a true class but a "contradictory location within class relations".⁸ In a very detailed analysis of the horizontal fractionation and vertical layering of the middle class, he considers the "new middle class" of professionals and white-collar workers different from the "old middle class" or petty bourgeoisie of small independent producers and shopkeepers, in that the latter shares the surplus produced by the working class and accruing to the capitalist class, because of their control of scarce knowledge and skills and their supervisory role in the labour process. However, they are also employees and sellers of mental labour power and therefore exploited. For my purpose, what is useful is that middle class is highly *fractionalised and layered* and has a deeply *contradictory and conflicted* relationship to capitalism, although largely allied to the capitalist class.

Some writers, with special reference to the middle class in developing countries, emphasise their relative autonomy from the principal owning classes, the industrial bourgeoisie and the landowners, due to a combination of their control of the state and their possession of scarce skills. Aijaz Ahmad argues that, "...far from being mere 'agents' of the ruling classes or a mere 'vacillating mass'...the intermediate and auxiliary classes of the periphery occupy a strategic field in the economy and politics of their countries, thus obtaining power and initiatives which make it possible for them to struggle for political dominance over other classes, including the bourgeoisie."⁹

Ahmad is here referring to the sections of the middle class that play a role in politics. As for the traditional or "old" middle class or petty bourgeoisie in developing countries, especially at the lower end of the scale, it can be argued, as by Chris Gerry and Chris Birkbeck, that the petty commodity producer is a proletarian in disguise.¹⁰ Pranab Bardhan also shares the view that the middle class, or "professionals" including all white-collar workers, are one of the "dominant proprietary classes" based on their possession of human capital in the form of education and skills, especially those in the state apparatus due to their rentier role in control of state decisions on disbursements and patronage.¹¹

The classic work on the historical development of the Indian middle classes remains that of B. B. Misra, though it is not useful for my purpose in this paper.¹² Satish Deshpande, while discussing possible alternative definitions of the middle class in the Indian context, also privileges both cultural capital, and the middle class's role in the developmental state and historically in the ruling Congress party.¹³ While emphasising the highly differentiated character of the middle class (including linguistic, English/non-English speaking, differentiation), he states that cultural capital may consist of identities (caste, community, region) or competences (educational credentials, linguistic and other social skills), and that cultural capital has three attributes of property – tangible and psychological benefits, excludability of others, and transmissibility across generations. Referring to Gramsci, Deshpande argues that the main function of the middle class is to build hegemony. He argues that the elite fraction of the middle class specialises in the production of ideologies while its mass fraction "engages in the exemplary consumption of ideologies thus investing them with social legitimacy." These ideas are potentially useful in analysing the growing legitimacy of economic liberalisation as a policy paradigm and also, perhaps, of the Hindutva ideology and the Bharatiya Janata Party (BJP) as a party.¹⁴

Ashok Rudra, in a Marxian framework, conceives of the "intelligentsia" as a "ruling" class along with industrial capitalists and landlords.¹⁵ He defines intelligentsia, generally meaning non-manual laborers, as consisting of the following five groups/strata:

- All white-collar workers in the organised private sector, including clerks, but excluding peons (messengers), drivers and sweepers.
- All public servants from the top down to lower division clerks, i.e., excluding Group D of public employees (peons, sweepers, etc.)
- Teachers, doctors, lawyers, engineers, architects, nurses, in the organised sector or private practice.
- Writers, journalists, artists, advertising and entertainment industry professionals, in both sectors and self-employed.
- Professional politicians and trade union leaders.

All of these categories belong to the “intelligentsia” and share in the surplus produced by direct producers. The members of the intelligentsia all belong to the middle class, but not all the latter belong to the former. This last is somewhat cryptic but one assumes that he refers to the “old middle class” or petty bourgeoisie of small shopkeepers and artisans as belonging to the middle class but not the intelligentsia.

Bardhan objects to the use of the term “intelligentsia” but considers them a ruling class. His “professionals” generally matches Rudra’s five types of non-manual workers. Bardhan’s framework conceives of state power being dominated by a coalition of three dominant proprietary classes - the industrial capitalists, the rich farmers and the “professionals (both civilian and military) including white-collar workers”. Bardhan’s definition of professionals appears to be restricted to professionals in the public bureaucracy, as he adds in a footnote that “I have kept a conceptual distinction between white-collar workers in the public bureaucracy (which I include among the proprietary classes in civil society) and the political leadership representing the state (sometimes I have referred to it as the ‘state elite’).”¹⁶. However, in later work he clarifies that his definition of professionals includes all white-collar workers, not only in the public bureaucracy.¹⁷ The basis for inclusion as one of the dominant proprietary classes is its possession of human capital in the form of education, skills and technical expertise.

The economic base and interests of the class of professionals, particularly state professionals lie in maintaining the state's economic empire for rent-extraction. Public policy is driven by the internal conflicts within this coalition, each of which is able to defend its own interests but not prevail. The result is protection (for the import-substituting industrialists), subsidies (for all segments of the ruling coalition and food subsidies for the poor), overregulation and a bloated public sector (for the state professionals). The politics of competitive rent-seeking and populism pre-empts deregulation and growth-complementing infrastructural investment, has a fiscal deficit-producing logic, retards growth and implies a deteriorating conflict management mechanism.

Bardhan’s work was a late offshoot of the debate on slow industrial growth in India since the mid-1960s. As far as the relationship between economic liberalisation and the middle class is concerned, in Bardhan’s framework public enterprises are used to distribute patronage such as contracts and jobs, raise political finance, and are generally subjected to rent-seeking activities by the professionals, from politicians down to white-collar workers. The net result is both fiscal deficits and slow and inefficient growth.

Bardhan’s political sociology is a modification of Marxism by incorporating insights from neo-classical political economy. His coalition of dominant proprietary classes sounds Marxian but policy outcomes are the resultant of the internal conflicts of this coalition rather than of class struggle between the exploiting and exploited classes. The dominant coalition includes not only the bourgeois-landlord alliance but also the professionals, including white collar workers, in the public sector as one of the dominant proprietary classes in themselves, with their own corporate class interests distinct from, and to some extent conflicting with, those of industrialists and landlords.

Bardhan has argued that there is, at the beginning of the 1991 reform period, greater overlap and “increasing social and economic interpenetration” between the rich farmers and the urban industrial and professional classes, as well as between all of these and non-resident Indians, that is, lessened conflict within the dominant coalition of proprietary classes.¹⁸ He also argues, about the middle class, that “Almost all of this so-called ‘middle class’belongs to

the top two deciles, if not the top decile, of the income pyramid. Its members certainly belong to different parts of what I have described earlier, as the three dominant classes in India”¹⁹.

Both these are departures from the traditional Marxian model in the direction of liberal-pluralist interest group theory and neo-classical political economy. For the state, in Bardhan’s analysis is not merely relatively autonomous in Poulantzas’ sense, structurally constrained but standing above the fractions of the dominant class(es) and managing public policy in the interest of ‘capital as a whole’. Its personnel are a proprietary class in themselves, based on their possession of relatively scarce (in India) human capital in the form of education and by way of *de facto* possession of public capital assets. Their interest is to maximise rents from discretionary controls which constrain and to some extent militate against both industrial capitalist and landowning interests.

Atul Kohli assigned the origins of the liberalising impulse to Rajiv Gandhi and his inner circle of advisors and not to the supporting groups of which he identified two, business groups and the middle classes.²⁰ Of business groups, he argued that the business community of India has tended to react to rather than lead economic policy. Its power is closer to one of veto than of agenda setting. Middle-class support for liberalisation, Kohli argued, was because it offered concrete benefits to them to begin with, such as direct tax reduction and more consumer goods. Kohli also noted an emerging structural link between the growing middle class and big business via the booming capital market as business increasingly finances itself by raising capital from the public. Big business thus acquires a mass social base while the middle class acquires a stake in corporate profitability.

The literature since 1991 indicates a shift from state-driven to society-driven reforms. E. Sridharan, in a state-centric rather than society-centric analysis of liberalisation initiatives in the early 1990s, had argued that all liberalisation initiatives had originated not from the business community but from the top political leadership, and the business community had merely reacted to it, largely supportively so long as it did not threaten them with foreign competition.²¹ Vanita Shastri had also focussed on the elite policy circle.²² However, Jorgen Dige Pedersen, writing in the late 1990s, argued that the reforms were society-led in that the business community had been reconfigured and led by a new breed of entrepreneurs with an interest in reform. However, this would still focus on groups which would form a thin upper stratum, though outside the state.²³

More recently, Arun Shourie, Minister for Disinvestment, Communications and Information Technology in the National Democratic Alliance (NDA) government, made the same point of “society” - drivenness of reform in another way, “... Reforms are not the whim or fancy of some individuals. They are dictated by the compulsions that our polity and economy face on the one side and are propelled by the opportunities that have opened up on the other....Indeed, one Reform creates pressure that other Reforms be put through. Import-export licensing is abolished. Trade increases. Traders and manufacturers demand that ports be improved so that turnaround time comes down to Singapore levels, that the Directorate General of Foreign Trade accepts electronic filing of forms.”²⁴

The tone and tenor of the Bharatiya Janata Party’s (BJP) election campaign in 2004, with its “India Shining” and “feel good” slogans, seemed aimed at a middle class whose support for both reforms and the BJP seemed to be assumed.

Ashutosh Varshney makes the distinction between elite politics and mass politics but focusses on identity politics in the latter sphere, arguing that economic reforms have remained largely an elite affair while mass politics has been driven by religious and caste passions.²⁵ There is no detailed discussion of the growth of the middle classes per se and its implications for the politics of economic reform in any of these analyses.

Leela Fernandes employs a more restrictive but at the same time fluid definition of what she terms the “new middle class. She moves away from “traditional approaches to the study of the Indian middle classes, which tend to rest on four central definitions of middle classes as: (1) an income-based group (Sridharan 1999, 2004), (2) a structurally-defined group (Bardhan 1993, 1998; Rudra 1989, (3) an aspirational-cultural class (Mankekar 1999; Rajagopal 2001b), and (4) a product of discourse and the social imagination (Appadurai 1996)”.²⁶”. The new middle classes, she says, “At a structural level, ... largely encompasses English-speaking urban white-collar segments of the middle class who are benefiting from new employment opportunities (particularly in private-sector employment)”.²⁷ In this she misrepresents Sridharan (2004) to the extent that his definition combines income and non-manual occupational status.

Rama Bijapurkar, a leading market researcher, dismisses the middle class as a “nebulous entity” whose size is a “totally subjective number”.²⁸ However, she ends up plumping for “the logical definition that the middle class is the middle majority of market (an explicitly income-based definition, I add), the top 10 percent of the population who account for 34 percent of national income would not be ‘middle class’, nor would the bottom 60 percent who would account for another 30 percent of the national income. The 30 percent in the middle, who contribute 36 percent of the national income, could qualify for the ‘middle class’ label.”²⁹ She qualifies this definition by advocating a model of “many layers of people (a multi-tiered case, perhaps) of uneven size and with different levels of affluence in each layer”.³⁰ However, she also adds, using a consumption-based definition based on NCAER data that “the ‘consuming class’ of 375 million (75 million households), defined as cost-benefit optimisers who account for the bulk of branded consumer goods purchases, would qualify to be called middle class.”³¹

At the end of this theoretical discussion we are still left with considerable theoretical and conceptual ambiguity about the middle classes. There has been very little systematic work on the Indian middle classes despite the general feeling that the middle classes have increased in their thickness as strata. An alternative way (to Marxian classifications based on relations to the means of production elaborated in great complexity by Wright) of looking at the middle classes is in terms of income classes, or income-cum-occupation-defined classes, beginning from the top, thereby working with categories broadly similar in principle to Rudra’s intelligentsia, endorsed by Bardhan. That is, to view them as intermediate income groups in non-manual occupations, situated between a tiny rich upper class and a majority of low income and manual occupation groups. This is admittedly extremely ambiguous and everything depends on theoretically- or policy-determined cut-off points for classification.

I, therefore, adopt a pragmatic and eclectic definition combining (admittedly arbitrary) income levels with non-manual occupational status, following Andre Beteille’s position that occupational function and employment status are the two most significant criteria (for defining the middle class), although education and income are also widely used.³² The most important occupational division is between manual and non-manual work, typically middle class occupations being non-manual ones. This would also roughly agree with Rudra’s definition of

the intelligentsia except for also including the self-employed “old middle class” or petty bourgeoisie of shopkeepers, artisans and small businessmen above a certain income level.

Estimating Shifts in the Size and Composition of the Middle Classes in India

However, our definition is also constrained by data availability and therefore we adjust our definition to fit the best available data set for such an exercise, as of the middle of the first decade of the twenty-first century, viz., the Market Information Survey of Households (MISH) data set of the National Council for Applied Economic Research (NCAER), NCAER’s *The Great Indian Middle Class* report (2004) [GIMC], based on 2001-02 survey data, its latest report *How India Earns, Spends and Saves* (2007), (but released only in February 2008), based on 2004-05 survey data, which combines income, occupation and education data, and the McKinsey Global Institute’s report on India’s consumer market, *The ‘Bird of Gold’: The Rise of India’s Consumer Market* (May 2007), [MGI, 2007], for income estimates comparable across time, and the Institute of Manpower Planning and Research’s (IAMR) latest *Manpower Profile: India Yearbook 2008* report (February 2008) for occupation and education data, and the Hansa Research Group’s *Indian Readership Survey* (IRS), Round 2 report of June 2004-June 2005, for media reach and consumer durable ownership, which roughly coincides with the year for which figures are available in the other reports above (all these reports are the latest, released in 2007 or early 2008, with 2004-5 or 2005-06 data on income estimates, occupation, etc.). Taken together, these are the best available data sets for this purpose, better for our purpose than the National Sample Survey (NSS) data based on consumption, and better for estimating middle class size as income distribution data are better for this than consumption data, though consumption of durables and consumables are extremely well-covered by NCAER too.³³ In this paper, I base myself primarily on MGI’s report (2007) which combines NCAER data with its own proprietary data and other authoritative official sources such as National Accounts Statistics (NAS), National Sample Survey Organization (NSS) data on consumption patterns, and Reserve Bank of India (RBI) data. Given that household income surveys (MISH) and consumption surveys (NSS) typically understate incomes and consumption this data was calibrated to NAS data for reconciliation. The MISH income data was scaled with NAS data proportionately so that aggregate personal income from MISH matched the NAS value, thus preserving the most important sample information in the MISH data – the relative income across deciles – while ensuring the capture of aggregate income creation in the economy.³⁴

My earlier paper estimating the public sector component of the middle class was built on NCAER’s MISH data of 1998-99 published in 2002, and on IAMR’s *Manpower Profile: India Yearbook* report for the same year and estimates of disaggregated public employment data, using a number of unavoidable rule-of-thumb approximations and assumptions. MISH provided data, based on very large samples of 300,000 (compared to 120,000 of NSS), on both income distributions and occupational distributions over time since 1985-86 in a form that makes comparisons of income distribution across time possible. “Households are classified into five income groups, namely, low, lower-middle, middle, upper-middle and high. Since the income data are collected at current prices, the cut-off points of each income group for each year are adjusted to allow for inflation so that they are comparable over time. Thus, these surveys provide comparable income distributions at different points of time. Such a unique data set is not available from any other source.”³⁵ Another important point is that MISH surveys account for approximately 70 percent of GDP, that survey incomes turn out to be less than the national income estimated by the Central Statistical Organization (CSO). “The reason for this is that the CSO uses the economic concept of income, which includes imputed incomes, unrealised accruals, etc., while estimating the GDP. In surveys, on the other hand, the respondents report

what they *consider* to be their income (emphasis added). Also, in surveys, income is invariably understated because respondents tend to omit perks and allowances, reimbursements for travel, medical and other such expenses, minor, part-time or irregular incomes. This, however, does not underestimate the importance or usefulness of the MISH data. MISH surveys use the same method to estimate the household income and the underlying income distribution. The trends are therefore likely to be reliable.”³⁶ One limitation that needs to be noted is that the five income groups used were *not* quintiles from bottom to top, but based on arbitrary cut-off points. This constrained me to work with these arbitrary cut-offs-based income groups to estimate the middle class although I combined the MISH data with IAMR occupational data in an eclectic manner. However, these five income classes very roughly lend themselves to this exercise.

My estimate of the size and the public sector composition of the middle classes, defined not only by income but by non-manual occupational status, in my earlier paper was, in summary, as follows. Superimposing public sector employment data, publicly determined pay data, and rural-urban data, on the three categories of the Elite, Expanded and Broadest Middle Class, consisting of the top one, two and three of the five income classes (*not* quintiles), divided into rural and urban categories, of the MISH survey data of 1998-99, and occupational data from IAMR for the same year, to estimate non-manual occupations, I estimated that these three layers of the middle classes cumulatively consisted of six percent, 12 percent and 26 percent of the population in 1998-99. I also estimated, using a range of rule-of-thumb assumptions and approximations, the shares of three vertical categories of (a) public employees, (b) (public subsidy-dependent) farmers, and (c) private employees and non-agricultural self-employed as the residual, in the Broadest Middle Class of 248 million. The combined share of the first two vertical categories in the Broadest Middle Class was estimated as being something in the range of 144 million to 186 million, or 58 percent to 75 percent of this class with the residual being either private sector employees or non-agricultural self-employed. This implied that the greater part of this class having a stake in the size and scope of the state, economic liberalisation could only proceed sustainably on the gradualist basis accompanying the gradual shift in the balance between winners and losers of this process.

In this paper, I make a new and more stringent estimate, based on dissatisfaction with the earlier estimate on the following grounds. The estimate of the Broadest Middle Class of 248 million or 26 percent of the population was felt to be too broad, given that 79.9 percent of the population fell below the US\$2-a-day international poverty line in 2004-05.³⁷ A higher income cut-off therefore seemed appropriate. Also, though I have retained Beteille’s cultural criterion of manual versus non-manual occupation for defining the middle class, a more stringent educational criterion needed to be adopted. Additionally, a more holistic poverty criterion recently developed that goes beyond the existing poverty line’s bare-minimum criterion of enough income to buy food that gives the minimum daily calorific needs (a starvation line rather than a poverty line) to include non-calorific, specifically protein, needs of a balanced diet, and non-food basic needs such as access to drinking water, healthcare, clothing, shelter, sanitation, electricity and schooling, has been developed by Mohan Guruswamy and Ronald Joseph Abraham.³⁸ For the shelter, sanitation, water and electricity component of this poverty line, their requirement is a housing unit with brick or stone walls and a reinforced cement concrete roof, with two bedrooms, a kitchen and a covered toilet with a septic tank or sewerage connection, an electric lamp in each of the four rooms, one ceiling fan in each bedroom, one tap each in the kitchen and toilet. In 2005, Guruswamy and Abraham estimate that this would mean a per capita monthly income of Rs.840 per month, which would in turn mean that 68.5 percent of the population would be below this line, including 42.4 percent of the urban and 84.6 percent of the rural population.³⁹ For a single-earner household of five this would mean an annual income of

Rs.50,400 or in year 2000, Rs.43,591, or US\$954@Rs.45.7 per US\$1, just to be considered non-poor. The holistic poverty line above would mean that for any realistic and internationally recognisable definition of middle class the bar would have to be set much higher. Hence, the MGI (2007) categories of Seekers and Strivers seem much more realistic.

I attempt to use the MGI's more restricted but more realistic and internationally recognisable definition of the middle classes, based on NCAER's GIMC (2004) categories, and attempt to estimate the composition of this middle class in terms of sectoral occupational categories such as the public sector middle class, the non-agricultural private sector middle class, including its self-employed components, and the agricultural middle class, to the extent that such superimpositions of data are feasible. NCAER's GIMC (2004) shows the historical growth of the middle class using 2001-02 data, from 1995-96 to 2001-02 and projecting it forward to 2009-10 (Tables 1 and 2), including rural-urban breakdown (Table 3), using categories (Globals, Strivers, Seekers, Aspirers and Deprived) that were the base for the MGI (2007) categories. As in my earlier paper, I am constrained to work with the cut-offs of the MGI (2007) data based on recalibrated NCAER (2004) categories. As will become clear later, this middle class is also characterised by a college education.

The MGI's income categories are based on NCAER's GIMC (2004) report based on 2001-02 data and are all in real year 2000 rupees with calendar year 2000 being equal to Indian fiscal year 2000-01 (April-March) and so on. For conversions to US dollars for illustrative purposes, figures are shown in year 2000 real US dollars with an exchange rate of Rs.45.7 per US\$1 (using the year 2000 exchange rate since all rupee figures are in real year 2000 rupees, or in the year 2000 PPP (Purchasing Power Parity) adjusted rate of Rs.8.50 per US\$1. The deflator used in this paper for conversion of 2005-06 current rupee income to year 2000 rupees is 13.51 percent. This is *inferred* (since it is *not* given in the MGI report) in the following way so as to be consistent with the MGI (2007) income estimates. India's GDP in 2005 (2005-06) is estimated by multiplying 2005 per capita GDP (US\$560) (given in real year 2000 dollars in Exhibit 1.2, p. 24), by a population of 1107 million (Exhibit 2, p. 12) to yield 2005 GDP of US\$619.92 billion (in real year 2000 dollars) which is converted to real year 2000 rupees by multiplying by Rs.45.7 per US\$1. This yields a 2005-06 GDP in year 2000 rupees of Rs.28,33,034 crores or Rs.28.33034 trillion. The *Economic Survey 2007-08* presented on February 29, 2008, gives a current-prices GDP for 2005-06 (provisional estimate) of Rs.32,75,670 crores or Rs.32.7567 trillion). The deflator that gets us the 2005-06 GDP in real 2000 rupees is therefore 13.51 percent. This also fits with an alternative calculation. Exhibit 1.10, p. 33 (MGI, 2007), gives 2005 (2005-06) GDP at 28.3 trillion rupees (in real year 2000 rupees).

Deflating from Rs.32.7567 trillion to Rs.28.3304 trillion, we get 13.51 percent. I use this figure to be consistent with MGI (2007) but note that it is less than the deflator of 0.824, or conversely, inflator of 1.214, obtained from the Central Statistical Organisation's National Accounts Statistics (NAS) if calculated from the base year 2000-01 instead of 1999-2000. I apply this deflator to 2005-06 current rupee incomes to make our estimates. Later, I compare it with the estimates obtained if one applies the NAS-derived deflator.

The five household income classes used (broadly similar to GIMC, 2004, but recalibrated for the time period used) are:

- Deprived – less than Rs.90,000 (real year 2,000 rupees)
- Aspirers – Rs 90,000-200,000
- Seekers – Rs.200,000-500,000

- Strivers – Rs.500,000-1,000,000
- Globals – more than Rs.1,000,000

The middle class is defined as the Seekers and the Strivers, that is, with household incomes of Rs.200,000-1,000,000. I follow this definition, unlike in my earlier paper, not counting the Globals, or rich, as part of the middle class. The MGI's projections for 2005, that is, fiscal 2005-06, or just one year after the estimates in the NCAER (2007) report, express 2005 household incomes in real year 2000 rupees. The MGI estimates that the middle class, so defined, consisted in 2005 of two economic segments, the Seekers (Rs.200,000-500,000 real annual incomes or US\$4,380 to US\$10,940, or in PPP terms US\$23,530 to US\$58,820) and the Strivers (Rs.500,000-1,000,000, or US\$10,940 to US\$21,890, or in PPP terms \$58,820 to US\$117,650).⁴⁰ This yields an Indian middle class in 2005 (excluding the rich Globals who are 1.2 million households) of 2.4 million Strivers and 10.9 million Seeker households or 13.3 million households totalling 50 million people, or just under five percent of the population.⁴¹ If we count the Globals, it still comes to 14.5 million households or about 55 million people, or roughly five percent of the population, and roughly equals the population share of the Elite Middle Class that I estimated in my earlier paper.⁴² Thus, the MGI (2007) definition which I work with is a much narrower definition than the Broadest Middle Class of my earlier paper. According to the MGI (2007) definition the Deprived consist of 101.1 million households of a total of 206.9 million households or 54 percent of the *population* (household size is larger in the lowest income category), or well over twice the ratio below the (extremely minimalist) official poverty line and much more than the 35 percent estimated below the international US\$1-a-day poverty line.⁴³ This is a definition of poverty that sets the bar much higher than non-hunger and a definition of the middle class that probably fits much better with other cultural/sociological criteria like non-manual occupation, college and high-school education, ownership of standard consumer durables, etc. The interesting question from the point of view of the implications for orientation of the middle class towards economic liberalisation is: how much of this narrower or Elite middle class (to use the terminology of my earlier paper) of five to six percent consists of public employees or publicly subsidised farmers (the agrarian middle class, which is *not* same as the rural middle class, the latter being disproportionately non-agricultural)?

Applying the inflator of 1.156 derived from the above-derived deflator of 13.51 percent to the Middle Class's lower cut-off (Seekers') of Rs.200,000 (in 2000 rupees) we get a cut-off in 2005 (2005-06) household rupee income of Rs.231,240. For a single-earner household in public employment, this would be equivalent to Rs.19,270 per month. Table 23 gives the gross salary including allowances as of March 2006 but only at the start of each pay-scale, and then the multiplier derived from Tables 21-22 for including the value of current benefits. Including current benefits, a single earner household at the start of the S13 scale (at Rs 20,489 including current benefits, or Rs.7450 basic pay) would make the cut-off. This would include all of Group A and the first two out of five scales of Group B. Group D is already excluded on the non-manual criterion. All Group A and Group B are automatically at least graduates, typically, postgraduates, and would comfortably fit the middle-class stereotype by educational level.

Given that the NCAER (2007) survey data's income cut-offs in 2004-05 are the basis for the MGI estimates, and that NCAER (2007) admits to gross under-reporting by respondents, in that gross income estimated was only 56 percent of the personal disposable income provided by the National Accounts Statistics, public employees incomes, especially for Groups A to C, will have to be adjusted upwards by some figure. This was done by MGI by scaling the survey estimates against NSS and NAS statistics by the ratio-preserving method.⁴⁴ The well-known fact that public sector salaries are understatements of income, because they do not take into consideration

several benefits, was quantified by Premarajan, Rao and Gurunathan (2008) in a report of the Xavier Labour Relations Institute (XLRI) commissioned by the Sixth Central Pay Commission. Calculated on a Cost-to-Government basis, analogous to Cost-to-Company calculations used in the private sector, total employee compensation was, on average, over three times salary, and for the railways 3.75 times and armed forces four times.⁴⁵ Not *all* of this is necessarily translatable as additional current income that releases official salary income for consumption or personal saving (as for example housing loan subsidies and medical reimbursement) but if we take current benefits we can get a total compensation estimate (Table 23) for each government salary scale (assuming the multiplier for current benefits derived in Tables 21-22 for January 1, 2007, applied to March 2006 salary data, makes only a negligible difference to my estimates).

Calculating how many public employees come above the cutoff based only on the given pay scales, underreports their income because it does not take into account very important additional current and deferred incomes deriving from an array of thirteen employee benefits (Tables 21 and 22) such as medical benefits net of deductions, leave travel and home travel, telephones, newspapers, motor vehicle and computer advance subsidies, and very importantly, subsidised housing loans (in that the same income would leave much less disposable income if market rents or market housing loan interest had to be paid for accommodation), group insurance benefit, pension, gratuity, leave encashment and post-retirement medical insurance, ignoring the unquantifiable corrupt incomes at various levels.⁴⁶ If we take out the four deferred benefits (pension, gratuity, leave encashment and post-retirement medical insurance) and consider only the nine current benefits for each of the 34 public pay scales (Tables 21-23) we get the figure of gross pay plus allowances plus current benefits (Table 23) which reflects actual public employee compensation in that it is the operative figure for consumption and savings decisions (although the deferred income components such as pension, etc., give public employees greater current flexibility in that they are less under pressure to save for an uncertain future, not to speak of the effect of job security).

Let me now try to estimate the numbers of public employees who are above the cutoff, beginning with Central government employees. Central government employees (of whichever Group) who are above the cutoff of Rs.8,000 basic pay, itself comfortably above our cutoff, are only 8.91 percent of the total number of Central government employees, or only 281,844.⁴⁷ Of these, 74,747 are Group A, and 149,839 are Group B, these two categories making up the majority of those who fall above the cutoff. This implies that a certain number of Group C employee-headed households are also above the cutoff. If one takes a cutoff of Rs.6,500 basic pay (totalling with current benefits, Rs.18,182, at the *start* of the scale), 18.22 percent of Central government employees, were above this on March 31, 2004. By March 31, 2006, this proportion would have increased, particularly given bottom-weighted shrinkage in Central government employment (Table 19). This 18 percent would include the entire Groups A and B (totalling 7.1 percent) plus 11 percent (of 64 percent) Group C employees, or a sixth of Group C. Taking into account that there are 1.40 earners per household on average (Table 4) which could include female or other earners in a joint family or pensioners, of Group B, C and D employees, and that the vast majority of employees on any scale are above the start of the scale, I take Rs.18,182 as the cutoff, or in other words, 18 percent of Central employees. And if one adjusts the 7.53 percent female Central government employees by the simplifying assumption that each of them is part of a similar income male-headed household (not necessarily public employee-headed households but I make the compensating assumption, for simplicity, that there are an equivalent number of similar-earning non-public employee spouses) the number of male-headed households on lower pay scales will get pushed above the cutoff. Therefore, given that there are on average 1.40 earners per household and that one therefore needs to adjust upward by the

realistic assumption of another undeterminable percentage of households with more than one Group B and/or C and/or D public employees which falls above the threshold, and keeping in mind that Table 23 gives the gross salary including allowances as of March 2006 only at the *start* of each pay-scale while the vast majority on each scale are somewhere above the start, we need to adjust upward. I, therefore, assume that by March 2006, the aforementioned 18.22 percent of Central employees are above the cutoff for these reasons and also adjust upward this percentage by 50 percent, considering the fact that the junior-most level of the middle of the five Group C scales (or assuming proportionality across scales, about three-fifths of Group C), if doubled, will take the household to middle class status, in combination with the fact that Group C are 64 percent of Central employees, figures and assumptions about female employees and 1.4 earners per household on average, even assuming the second earner makes only 50 percent of the principal earner, the vast majority being somewhere above the start of each scale, I make the realistic assumption that one-third of Group C employee households make the cutoff. This gives the following estimates of Central government employees above our middle class cutoff. All of Group A and two-thirds of Group B gives us 7.1 percent; one-third of Group C gives us 21 percent, or 28 percent of Central employees, or 823,000 Central employee households. Eliminating 7.53 percent female employees as per our assumption, we get , 761,000 households. Add to this, the officer cadre of the armed forces, and we get another 53,000 officer households, assumed to be all male, bringing the total to 814,000 middle class, central public employee households, or at 3.76 per household, 3,061,000 persons.⁴⁸

Extending this logic to the entire broad public sector, we need to make several rule-of-thumb assumptions since exact data are unavailable. There is no data on the breakdown by Groups A to D in state governments or local governments, or into managerial, clerical and manual worker categories in public enterprises except for a figure of 70 percent manual workers in a representative sample of Central public enterprises (Table 20).

To begin with the Central and state Quasi-government sector, into which public enterprises fall, I assume that two-thirds of the 30 percent non-manual employees in the Central and State quasi-government sector (including public enterprises and other publicly supported organisations but except university teaching staff which we calculate separately from available figures) to be above the middle class cutoff for the same reasons as Group C in Central government, that is, but assuming a proportion over twice as high at 60 percent, due to higher pay scales and current benefits in public enterprises.⁴⁹

However, I first estimate separately the middle class numbers from University teaching staff from figures available for teaching staff in universities, Central and State, which fall under Quasi-government like public enterprises. All of them were above the cutoff in March 2006 even at the start of the lowest scale (Table 24). The latter, in Central and State universities, including affiliated colleges, totalled 472,000 in 2004-05 out of total Quasi-government employment of 5,748,000 in 2004-05, or 8.2 percent of Quasi-government employment.⁵⁰ Assuming even distribution from top to bottom of the one-sixth who are female (the same for public employees as a whole, but much less than the one-third for schoolteachers) we get 393,000 households or at 3.76 per household, 1,478,000 persons in middle class, university/college teaching staff households.

Of the remaining 5,276,000 Central and state Quasi-government employees, excluding university teachers, that is, overwhelmingly public enterprise employees, if we assume 60 percent of the assumed 30 percent non-manual employees are middle class for the above reasons, and one-sixth are female, we get 791,000 households, or at 3.76 per household,

2,974,000 persons in Quasi-government, non-university teaching middle class households. For Quasi-government, Central and State, as a whole, we get 1,184,000 households or 4,452,000 persons.

For estimating the middle class numbers by my cutoff among State government employees, I begin with schoolteachers. Full-time schoolteachers in Government (Central, State and Local Bodies) and private schools, other than para-teachers, totalled 5,260,000 in 2004-05, of whom 38 percent were female.⁵¹ I estimate the number of male-headed households that make the cutoff, using female percentages for each category of teacher, and then apply the last percentage available for breakdown of teachers into government (Central and State) schools, and Local Bodies schools. I assume the same scales for government and private schools, though the latter are usually paid less, hence making for a conservative estimate of the number of middle class public employee teacher households. Disaggregating into primary, senior basic, post-basic and higher secondary teachers, and eliminating female teachers by the assumption of their being part of male-headed households (not necessarily teachers or government employees, but with the earlier compensating assumption), I make the following estimates of middle class households. For primary teachers, there were 1,794,000 trained teachers of which 61 percent were male, giving us 1,094,000 households. Now all primary teachers are below the cutoff even at the top of the scale ((Rs.4500-7,000, gross with current benefits Rs.12,000+ to Rs.18,000+), but if we assume that typically they are at the middle of the scale and a spouse at one-third or more of the pay, and assume roughly that one-third are like this and make the cutoff, we get 365,000 households. For senior basic teachers, the number of trained teachers was 13,83,000, or 863,000 male-headed households which with the above one-third assumption gives us 288,000 households; this is conservative since many or most would be on the scale for trained graduate teachers, of Rs.5500-9000 (or approximately Rs.13000+ to Rs.21,000+). For post-basic teachers, we get 667,000 male teachers, assumed to be on the posts-graduate teacher scale of Rs.6,500-10,500 and hence, we make a rough assumption on earlier lines that half are above the cutoff, thus getting 334,000 households. For higher secondary teachers, assuming the post-graduate teachers scale, and assuming 90 percent over the cut-off, we get 553,000 households, or in all, 1,539,000 male-headed middle class teacher households, or 5,785,000 persons. Now, 39.4 percent of this figure for government teachers gives us 606,000 government teacher households, and assuming, since education is a state subject, that 90 percent of teachers are state government employees, this gives us 546,000 state government male teacher households above the cutoff; likewise, 21 percent of 1,539,000 gives us 323,000 Local Bodies male teacher households in the middle class.

Eliminating state government teachers (1,865,000 or 90 percent of government teachers, that is, 39.4 percent of all teachers) would leave 5,337,000 or 74 percent of the 7,202,000 state government employees to be categorised. Assuming the same Central percentage of 29 percent in Group D (manual employees) to be eliminated and assuming inclusion in the middle class of 28 percent of the total by the assumptions for Central employees earlier, and deflating by 10 percent for female employees, we get 1,345,000 households.. For this we take into account the fact that women are about one-sixth of all public employees, much higher than the 7.53 percent in the Central government, probably because schoolteaching and health (nursing) are largely state government responsibilities. Since we have already adjusted for female teachers, we are left with 9.5 percent female employees in state government other than the teachers (507,000 females out of 5,337,000 non-teacher employees). This gives us 1,345,000 households, which at 3.76 persons per household gives us 5,057,000 persons in middle class, non-teacher state government employee households. Or a total of 1,891,000 households or 7,110,000 persons in middle class state government employee households, including teachers.

For local governments, while Groups A and B are miniscule (even in Central government they are only seven percent) there is no exact breakdown for Groups C and D, but from figures for full-time schoolteachers employed by Local Bodies, 1,104,000 (in 2004-05, assuming no change in one year, that is, 52 percent of 2,118,000 Local Bodies employees). I have earlier estimated that there were, in 2004-05, 323,000 middle class male teacher households, or at 3.76 per household, 1,214,000 persons in such households. Estimating Group D in Local Bodies as higher than in Central government at 35 percent, this means another 13 percent in Groups A to C other than teachers, which based on the other assumptions above, and assuming 20 percent of these to be above our cutoff, and 10 percent female employees in non-teaching jobs, would give us another 50,000 middle class employee households, which at 3.76 per household would give us 188,000 people..

Summing up the middle class public employee households and estimated numbers of people across Central, State, Quasi-government and Local Bodies, we get the following figures – 4,262,000 households or at 3.76 per household, 16,025,000 persons. This does not count civilian and military public pensioner households about which there are no figures for separate households. This is out of an estimated 14.5 million Globals (1.2 million), Strivers (2.9 million) and Seekers (10.4 million) households, who at 3.76 per household would total 54.52 million. We are counting the Globals here as part of the pool in which public employees so estimated fall because top six grades of Group A in 2005-06, would cross the Rs.1,000,000 income cutoff in year 2000 rupees. This makes persons in middle class (and Global) public employee households 26.85 percent of the middle class (Seekers and Strivers) plus Globals. These estimates, we emphasise, are all based on very rough rule-of-thumb estimates, including the assumptions about women employees and multi-earner households. We need to adjust the number of public employee household upwards for separate public pensioner households above the cutoff, so this is a conservative estimate.

So this leaves 10.238 million of the 14.5 million Global plus middle class households, defined by income, or about 70 percent of households in this category, in other employment categories, including private sector employees, *non-manual* self-employed outside agriculture, and *non-manual* self-employed in agriculture, that is, prosperous farmers who hire sharecroppers and wage labour. It is inherently difficult to estimate the number of private sector employees, non-agricultural self-employed, and agricultural self-employed, who come into the middle class, except to lump all these categories as the residual 70 percent after subtracting our estimate of public employees. One simple and approximate way of estimating the number of middle class (and Global) private sector regular salary/wage employees, is to take them as half of the estimate for public employees since (from Table 18) the latter are two-thirds of Organised sector employment (the Organised sector comprises all establishments in the public sector and all private establishments outside agriculture employing ten or more persons), keeping all assumptions about them the same for public employees. This gives us 2,131,000 middle class private sector households, or at 3.76 per household, 8,013,000 persons. This would total 6,393,000 middle class (and Global) public and private employee households, or 24,038,000 persons. The residual 8,107,000 households, or 30,482,000 persons would be in other categories, self-employed in non-agriculture (*both* in rural and urban areas, we emphasise) and self-employed in agriculture, or rich landowners/farmers.

According to NCAER (2007), the percentage of households in self-employment outside agriculture in 2004-05 was 32.5 percent in urban areas and 11.5 percent in rural areas, and self-employment in agriculture was 41.3 percent in rural and 3.1 percent in urban areas (Table 5). From landownership, income and education data (Table 8, 9 and 10), under four percent of rural

households are large landowners (10 acres and above) (Table 9), and only seven percent of rural households are headed by a university graduate (Table 8), approximately covering the above under-four percent although farmers other than large landowners do have college graduate-headed households (Table 10). An average large landowner rural household (6.42 per household) would earn (in 2004-05) Rs.126,255, or roughly half our middle class cutoff. We cannot adjust this upwards to account for state-subsidised electricity, water, fertiliser and credit, analogous to our exercise with public employees, because these are production subsidies not subsidies which add to income, except indirectly. Hence, only a tiny fraction of these 5.4 million households or 20.3 million persons, at the upper end of the range, would fall within the middle class, unlike the much larger number and fraction of our Broadest Middle Class of 26 percent of the population, of our earlier 1998-99 data-based paper. We can realistically assume that the share of the agricultural self-employed, or rich farmer/landowners, in this residual category would be relatively small, and that it would be dominated by the non-agricultural self-employed, that is, owners of large, medium and small businesses, including wholesale and retail trade. But since there is no way of breaking up the residual into these two categories of self-employed, I leave the residual of 30.48 million persons or 56 percent of the Globals plus middle class, as divided in some undetermined ratio between non-manual, non-agricultural self-employed (large, medium and small) businessmen, and non-manual, rich farmers, with the self-employed businessmen heavily dominant.

In terms of occupational categories, important for estimating the middle class howsoever defined, the picture is as follows. The percentage of Professional, Technical and Related Workers, and Administrative, Executive and Managerial workers, taken together, increased from 1977-78 to 2004-05, from 1.8 percent to 3.5 percent in rural areas, and 10.3 percent to 18.3 percent in urban areas (Tables 11, 12, 13 for the figures in paragraph). For 2004-05, 7.1 percent of total employment nationally, consisted of these two categories of employees, out of a workforce of 408.2 million, or 28.98 million. Clerical and Related Workers in 2004-05 were 2.6 percent or 10.61 million. So the three major non-manual (white-collar) categories in 2004-05, the last for which figures are available and which is just a year before our middle class estimate year, added up 39.59 million, or let us say 40 million persons by 2005-06. From our education data in the paragraph below, this seems a huge overestimate since we estimate only under 29 million graduates and postgraduates. How many of these fall into our restricted (Seekers and Strivers) definition of middle class, and how many of them are in the public sector? How does this data fit with the estimates above? Since 40 million persons in this category is a much larger number of persons than we would get in such households in our definition of middle class, much of this category must fall below our middle class cutoff. Also, how do educational profile data and media consumption data, especially print media, which is strongly correlated with education, fit with the estimates above? The estimated stock of postgraduates as of 2001 was 3.92 million in the arts, 805,000 in the sciences and 902,000 in commerce, or about 5.6 million in all (Tables 6 and 7 for the figures in this paragraph). The estimated stock of graduates as of 2001 was 8.77 million in the arts, 4.02 million in the sciences and 4.85 million in commerce, or 17.6 million in all. The total stock of postgraduates and graduates in general education totals 23.2 million, which means a figure of about 25 million-odd by 2005-06. This excludes professional degrees such as engineering, medicine and chartered accountancy, which would be a smaller number. Up to 2001, the estimated stock of professional degree holders was: 392,000 doctors, 24,000 dentists, 47,000 veterinary scientists, 239,000 agricultural scientists, 1,183,000 engineering degree holders and 1,721,000 engineering diploma holders, totalling 3,605,000 professional degree holders. Assuming a figure of 3,800,000 by 2005-06, we get a total pool of graduate and postgraduate degree holders of 28,800,000.⁵² Assuming two per household on average, this would mean 14.4 million households or about 54 million persons in such

households, which would almost *exactly* fit the restricted definition of middle class of Seekers and Strivers, plus the Rich or Globals! This in turn would fit with at least a minimal English-language competence. In terms of media readership and reach, the readership of English language dailies in 2004-05, was 17.4 million and of vernacular dailies was 26.25 million or 43 million persons above 12 years of age (Table 14). Since English daily readership is closely correlated with income and education, these figures would comfortably cover the over-12 middle class, thus fitting our rough estimates. There could also be a considerable overlap between English and vernacular daily readership.

How do data on consumption of durables (Tables 15 and 16) fit with the estimates above? The ownership of automobiles (excluding tractors) was 11.557 million in 2004-05, year before our middle class estimate in an era of rapid growth in automobile purchases. Excluding buses, trucks, vans and company/government cars, for which there are no figures, even if conservatively estimated 5-7 million belonged to households, and assuming one each, this would cover 25-35 million people or most of the middle class, which appears realistic. The number of individuals in 2004-05 in households with refrigerators was 91 million and in household with landline phones was 88 million, both typically middle class possessions, the numbers comfortably covering our estimates of the middle class. However, the estimated number of individuals owning cellphones was an incredibly low 22 million in 2004-05, whereas it had reached 210 million by late 2007. Thus, the education, media reach and consumer durable ownership figures from different sources corroborate our data on middle class size. What is significant for the political economy of liberalisation is that only 30 percent of the much more restrictively defined middle class (plus Globals) of under 55 million people, or under six percent of the population, and at a later date in the liberalisation and growth process (2005-06, compared to my earlier paper based on 1998-99 data) consists of persons in public employee households, and only some very small part of the 56 percent of this number that consists of non-manual, non-agricultural self-employed and non-manual, agricultural self-employed, would consist of the latter. I would surmise that a large part of the non-agricultural self-employed would be small and medium enterprise owners including in small and medium manufacturing, real estate and particularly, wholesale and retail trade.

This contrasts sharply with the findings of my earlier paper on the composition of the middle class. Thus, even with a definition that corresponds to the restricted Elite Middle Class of my earlier paper, or six percent of the population, a significant minority of would still consist of classes which have a vested interest in job-secure state employment, state salary hikes and state subsidies to agriculture of various kinds. In short, they would have a vested interest in the size and scope of the state. However, the main point is that by 2005-06, at the upper end of the middle class, there is a relative fall in the weight of the public employee-cum-subsidised rich farmer component. Hence, the balance of interests among this restrictively defined middle class by 2005-06, is weighted towards the more liberalisation-friendly, non-agricultural self-employed in large, and especially, I would surmise, medium and small business, and private sector employees. Thus, one can expect a graduated difference in attitudes towards economic liberalisation between this narrower, more internationally recognisable middle class of this paper, and the broader middle class of a quarter of the population of my earlier paper, in that the weight of public employees and publicly subsidised farmers would be the majority of the latter while only a minority of the former. This internationally recognisable middle class could therefore be expected to be much more open to liberalisation and less statist in its orientation. However, while this relative elite would have a much greater voice in political parties and governments at the Centre and the states and in media and opinion-making, it would consist of only a small fraction of the electorate that politicians must be sensitive to.

Lastly, if we conduct this entire exercise using a different inflator, of 0.824, obtained from the Central Statistical Organisation's National Accounts Statistics (NAS) if calculated from the base year 2000-01 instead of 1999-2000, then we need to apply the corresponding inflator of 1.214 to the Rs.200,000 cutoff for the middle class in real year 2000 rupees, to obtain a 2005-06 current rupee income of Rs.2,42,800, or Rs.20,233 per month. Using this cutoff, and going through the above exercise again (too space-consuming to detail), we get a public employee share of the middle class of 25 percent instead of 30 percent, private employees correspondingly being 12.5 percent, and self-employed at 62 percent, figures which are somewhat but not radically different from our MGI-consistent estimates above. What this would mean is that more public employees are in the layers of the middle class below the more restrictively defined, "internationally recognisable", "Elite" middle class of under six percent of the population in this paper, that is, in my earlier paper's Broad and Broadest Middle Class.

Table 1: Growing Prosperity (Income Figure in Rs.1,000 per annum of 2001-02 prices, householders 1000 nos.)

Classification	Income Class	1995-96	2001-02	Annual growth 1995-2001 (%)
Deprived	< 90,000	13176	135378	0.5
Aspiring	90-200,00	28901	41262	6.1
Seekers	200-500,000	3881	9034	15.1
Strives	500-1,000,000	651	1712	17.5
Near Rich	1000,00-2000,000	189	546	19.4
Clear Rich	2000-5000	63	201	21.3
Sheer Rich	5000-10,000	11	40	23.4
Super Rich	> 10,000	5	20	25.9
Total		164876	188192	2.2

Notes: The middle class comprises Seekers and Strivers. Each household in 2001-02 consisted of 5.39 members on average.

The definition of middle class used here is not the same as "consuming classes" used in other NCAER publications. "Consuming classes" is based on income levels and consumption patterns while middle class is based on income levels. In 2001-02, while the middle class was 58 million, the consuming class 210 million.

Source: NCAER, *Great Indian Middle Class* (2004), Table 1, p. 1.

Table 2: Growing the Great Indian Middle Class (Income Figures in Rs 1000 per annum of 2001-02 prices, householders 1000 nos.)

Classification	Income Class	2001-02	2005-06*	2009-10*
Deprived		135378	132250	114394
Aspiring		41262	53276	75304
Seekers		9034	13813	22268
Strives		1712	3212	6173
Near Rich		546	1122	2373
Clear Rich		201	454	1037
Sheer Rich		40	103	255
Super Rich		20	53	141
Total		188192	204283	221945

Notes: * Projections

Source: NCAER, *Great Indian Middle Class* (2004), Table 2, p. 2.

Table 3: The Rural-Urban Split

Classification	1995-96		2001-02		Annual growth 1995-2001 (%)	
	Rural	Urban	Rural	Urban	Rural	Urban
Deprived	29295	101881	24632	110746	- 2.8	1.4
Aspiring	14541	14359	21267	19995	6.5	5.7
Seekers	2239	1642	5762	3272	17.1	12.2
Strives	428	223	1204	507	18.8	14.7
Near Rich	135	53	410	136	20.3	16.8
Clear Rich	49	14	161	41	21.9	19.1
Sheer Rich	9	2	34	6	23.7	21.8
Super Rich	4	1	17	2	26.0	24.7
Total	46701	118175	53487	134705	2.3	2.2

Source: NCAER, *Great Indian Middle Class* (2004), Table 3, p. 2.

Table 4: Estimates of households and population (2004-05)

	Rural	Urban	All India
Households (million)	144.5	61.4	205.9
Population (million)	732	295	1,027
Household size	5.08	4.81	5.00
No. of earners per household	1.43	1.34	1.40

Source: Rajesh Shukla, *How India Earns, Spends and Saves*, NCAER, 2007, Table 2.1, p. 17

Table 5: Distribution of households by major source of income

Sources of income	Rural (%)	Urban (%)	All India (%)
Regular salary/wages	10.5	36.9	18.1
Self-employment in non-agriculture	11.5	32.5	17.5
Labour	34.6	22.9	31.2
Self-employment in agriculture	41.3	3.1	30.3
Others	2.1	4.6	2.8
Total	100.0	100.0	100.0

Source: Rajesh Shukla, *How India Earns, Spends and Saves*, NCAER, 2007, Figure 2.2, p. 18

Table 6: Estimated Stock of Postgraduates in General Education

Years	Arts	Science	Commerce
1971	438,820	134,910	48,270
1981	1,113,570	292,360	148,300
1985	1,499,340	360,610	230,210
1991*	2,185,340	482,050	403,640
1992*	2,327,140	507,480	441,110
1993*	2,475,630	534,370	481,050
1994*	2,631,200	562,790	523,780
1995*	2,797,600	593,400	570,500
1996*	2,973,000	626,100	620,600
1997*	3,154,700	660,300	673,600
1998*	3,341,300	695,500	728,500
1999*	3,526,300	730,600	783,000
2000*	3,718,400	767,100	841,700
2001*	3,917,278	805,041	902,504

Notes: Stock is taken at the beginning of the year.

* Projected.

Source: IAMR, Estimates of Stock of Different Categories of Educated Manpower up to 2001, cited in Institute of Applied Manpower Research, *India Year Book 2008: Manpower Profile*, 2008, Table 5.3.1, p. 312.

Table 7: Estimated Stock of Graduates in General Education

Years	Arts	Science	Commerce
1971	1,339,400	625,590	318,560
1981	3,242,560	1,434,580	1,054,160
1985	4,039,840	1,767,880	1,514,700
1991	5,501,850	2,430,330	2,468,030
1992	5,796,420	2,568,290	2,672,620
1993	6,101,340	2,712,020	2,888,820
1994	6,410,110	2,859,670	3,110,820
1995	6,750,100	3,004,600	3,328,000
1996	7,008,600	3,154,900	3,552,800
1997	7,322,700	3,311,100	3,786,300
1998	7,663,100	3,479,300	4,037,800
1999	8,023,000	3,655,400	4,301,300
2000	8,392,800	3,837,700	4,573,600
2001	8,768,995	4,024,899	4,853,079

Notes: Stock is taken at the beginning of the year.

Source: IAMR, Estimates of Stock of Different Categories of Educated Manpower up to 2001, cited in Institute of Applied Manpower Research, *India Year Book 2008: Manpower Profile*, 2008, Table 5.3.2, p. 314.

Table 8: Earnings by education level of chief earner

Distribution of household (%)			
	Rural	Urban	All India
Illiterate	26.0	7.9	20.6
Up to Primary	22.5	11.5	19.2
Middle	19.2	14.1	17.7
High School	17.2	22.3	18.7
Higher Secondary	8.1	15.0	10.1
Graduate+	7.0	29.2	13.7
Total	100.0	100.0	100.0
Average household income (Rs per annum)			
Illiterate	36,028	49,464	37,574
Up to Primary	41,900	58,721	44,900
Middle	46,393	63,559	50,473
High School	61,143	86,984	70,347
Higher Secondary	74,518	99,719	85,691
Graduate+	109,527	143,302	131,104
Total	51,922	95,827	65,041

Source: Rajesh Shukla, *How India Earns, Spends and Saves*, NCAER, 2007, Table 2.2, p. 22

Table 9: Household profile by size of landholding

	Categories of land				
	Landless	Marginal	Small	Medium	Large Total
rural					
Estimated households ('Million)	58.4	42.9	20.4	17.2	5.4 144.1
Estimated population ('Million)	273.0	218.9	108.4	96.9	34.5
	731.8				
Average household size	4.68	5.10	5.33	5.65	6.42
	5.08				
Per capita income (Rs/annum)	8,409	8,929	10,962	14,101	19,666
	10,227				

Note: Land class: Landless - 0 acre; Marginal - 0-2 acre; Small - 2-4 acre; Medium - 4-10 acre; Large - over 10 acre

Source: Rajesh Shukla, *How India Earns, Spends and Saves*, NCAER, 2007, Table 2.3, p. 23

Table 10: Distribution of households by level of education of chief earner and size of landholding

	Landless	Marginal	Small	Medium	Large	Total rural
Illiterate	30.2	26.2	20.6	20.0	18.5	26.0
Up to primary	22.7	23.9	22.3	20.3	18.4	22.5
Up to higher secondary	40.8	44.0	49.0	50.0	53.0	44.5
Graduate+	6.3	6.0	8.2	9.7	10.1	7.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: Land class: Landless - 0 acre; Marginal - 0-2 acre; Small - 2-4 acre; Medium - 4-10 acre; Large - over 10 acre

Source: Rajesh Shukla, *How India Earns, Spends and Saves*, NCAER, 2007, Table 2.4, p. 23

Table 11: Educational Composition of Urban Workforce

Educational Level	1977-78		1987-88		1993-94		1999-2000		2004-05	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Illiterate	23.1	65.2	20.3	55.1	18.4	48.9	16.0	44.0	13.2	37.7
Literate but										
Up to Primary	34.2	17.5	30.9	19.4	25.8	19.7	21.9	17.8	22.9	19.8
Middle	16.6	4.7	16.0	6.4	17.3	8.4	18.9	9.3	19.4	10.6
Secondary/Hr. Sec.	17.7	7.6	21.3	10.7	24.2	12.3	26.4	14.2	24.0	10.9
Graduate and above	8.4	5.0	11.5	8.5	14.3	10.6	16.8	14.7	20.5	21.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Sample Survey Organisation

Sarvekshana, Vol. V, July 77-June 78, (32nd Round)

Special No., July 87-June 88, (43rd Round)

Vol. XX, July 93-June 94, (50th Round)

Report No. 458 & 515 Employment and Unemployment in India, 1999-2000, (55th Round)

2004-05, (61st Round)

Cited in Institute of Applied Manpower Research, *India Year Book 2008: Manpower Profile*, 2008, Table 3.2.2, p. 175.

Table 12: Percentage Distribution of Total Employment by Occupational Division

Occupational Division	Rural					Urban				
	1977-78	1987-88	1993-94	1999-2000	2004-05	1977-78	1987-88	1993-94	1999-2000	2004-05
0.1. Professional, Technical and Related Workers	1.5	1.7	2.3	2.1	2.2	7.3	8.0	9.0	8.9	9.2
2. Administrative, Executive and Managerial Workers	0.3	0.7	0.9	1.4	1.6	3.0	5.0	5.9	8.4	9.1
3. Clerical and Related Workers	0.9	1.3	1.4	1.5	1.2	10.2	10.2	9.7	9.2	7.6
4. Sales Workers	3.1	3.9	4.2	4.1	4.7	16.3	16.8	17.0	16.7	17.6
5. Service Workers	2.5	2.3	2.0	2.5	2.3	11.0	9.9	9.2	9.7	10.0
6. Farmers, Fishermen and	82.4	75.1	76.7	74.2	72.3	13.7	10.7	10.7	8.3	8.8
7-8-9. Production and Related Workers, Transport Equipment Operators And Labourers	9.3	12.7	12.4	14.2	15.7	38.5	38.5	38.7	38.9	37.7
10. Workers not classified by Total	—	2.4	—	—	—	0.8	—	—	—	—
Total Estimated Employment (Million)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	197.5	224.0	255.0	273.8	317.8	46.1	56.0	65.1	76.9	90.4

Note: Figures relate to usual status of individuals. Figures for the year 1977-78 and 1999-2000 relate to the population age 5 year and above while figures for the years 1983, 1987-88 and 1993-94 relate to the population age 15 years and above.

Source: National Sample Survey Organisation

(i) *Sarvekshana*, Vol. V, July 77-June 78, (32nd Round)

Special No., July 87-June 88, (43rd Round)

Vol. XX, July 93-June 94, (50th Round)

(ii) Report No. 458, Employment and Unemployment in India, 1999-2000

(iii) Report No. 515, Employment and Unemployment in India, 2004-05

Cited in Institute of Applied Manpower Research, *India Year Book 2008: Manpower Profile*, 2008, Table 3.2.14, p. 191.

Table 13: Percentage Distribution of Total Employment by Occupational Division and Sex, 2004-05

Occupational Division	Rural			Urban			Total		
	Male	Female	Person	Male	Female	Person	Male	Female	Person
0.1. Professional, Technical and Related Workers	2.5 (2.3)	1.8 (1.4)	2.2 (2.0)	7.8 (7.6)	14.3 (14.4)	9.2 (8.9)	3.9 (3.6)	3.6 (3.1)	3.8 (3.5)
2. Administrative, Executive and Managerial Workers	1.9 (1.7)	1.0 (0.8)	1.6 (1.4)	10.2 (9.0)	5.2 (5.8)	9.1 (8.3)	4.1 (3.5)	1.6 (1.5)	3.3 (2.9)
3. Clerical and Related Workers	1.6 (1.9)	0.3 (0.3)	1.2 (1.4)	8.1 (9.4)	5.7 (6.5)	7.6 (8.9)	3.3 (3.8)	1.1 (1.1)	2.6 (2.9)
4. Sales Workers	6.2 (5.0)	2.1 (1.8)	4.7 (3.9)	19.9 (18.4)	9.2 (8.8)	17.6 (16.5)	9.8 (8.4)	3.1 (2.7)	7.6 (6.6)
5. Service Workers	2.4 (2.4)	2.2 (2.3)	2.3 (2.3)	7.8 (7.9)	18.1 (16.5)	10.0 (9.6)	3.8 (3.8)	4.5 (4.2)	4.0 (3.9)
6. Farmers, Fishermen and 7-8-9. Production and Related Workers, Transport Equipment Operators and Labourers	66.1 (70.5)	83.0 (84.5)	72.3 (75.4)	6.2 (7.0)	18.1 (18.4)	8.8 (9.3)	50.1 (54.4)	73.6 (75.6)	58.2 (61.1)
Total	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)
Total Employment (Million)	201.7 (196.8)	116.1 (104.0)	317.8 (300.8)	70.7 (77.1)	19.7 (18.9)	90.4 (96.0)	272.4 (273.9)	135.8 (122.9)	408.2 (396.8)

Note: Figures relate to usual status of individuals.

Figures in parenthesis indicate for the year 1999-2000.

Workforce covers those involved in gainful activity regularly.

Source: National Sample Survey Organisation

(i) *Sarvekshana*, Vol. V, July 77-June 78, (32nd Round)

(ii) Report No. 458, Employment and Unemployment in India, 1999-2000

(iii) Report No. 515, Employment and Unemployment in India, 2004-05

Cited in Institute of Applied Manpower Research, *India Year Book 2008: Manpower Profile*, 2008, Table 3.2.15, p. 192.

Table 14: Reach of the media

Sample size (no. of households)	228,540
Est. individuals above 12 yrs (000s)	777,969
English dailies readership (000s)	17,396
Vernacular dailies readership (000s)	26,249
T.V. Reach (000s)	427,732
T.V. (cable and satellite reach) (000s)	210,218

Source: Hansa Research Group, *Indian Readership Survey, 2005*, Round 2 (July 2004 – June 2005)

Table 15: Ownership of consumer durables

	All	Urban	Rural
Sample	228540	157570	70970
Est. Individuals (000s)	777969	236715	541254
Automobile ownership (excl. tractor) ('000s)		11557	8820 2737
Two-wheeler ownership (excl. bicycles) ('000s)		104774	59769 45005
Individuals in TV households	330867	169580	161287
Individuals in refrigerator household	91333	68299	23034
Individuals in landline household	87722	53684	34037
Individuals owning cellphones	22080	18421	3659
Internet usage in last one month of survey	10693	9314	1379

Source: Hansa Research Group, *Indian Readership Survey, 2005*, Round 2 (July 2004 – June 2005)

Table 16: Ownership of consumer durables (% of households)

Consumer durable	Rural	Urban
Car	3	12
Motorcycle	19	34
Colour TV (Regular)	17	54
Mixer/Grinder	19	56
Ceiling fan	48	89
Wrist watch	76	88
Bicycle	69	53
Pressure cooker	38	80

Source: Rajesh Shukla, *How India Earns, Spends and Saves*, NCAER, 2007, Figure 3.22, p. 40

Table 17: Employment* in Organised and Unorganised Sector

Year	Employment (Million)		Total ^E	Organised as % of total
	Organised	Unorganised		
1973	18.82	217.48	236.30	7.96
1978	21.24	249.46	270.70	7.85
1983	24.01	278.69	302.70	7.93
1988	25.71	296.29	322.00	7.99
1991	26.73	315.17	341.90	7.82
1994	27.38	344.72	372.10	7.36
2000	27.96	368.84	396.80	7.05
2001	27.79	383.71	411.50	6.75
2002	27.21	NA	NA	NA
2003	27.00	NA	NA	NA
2004	26.44	NA	NA	NA
2005	26.45	NA	NA	NA

Notes: Organised Sector includes all the establishments in the public sector and non-agricultural establishments employing 10 or more persons in the private sector. While data on employment in the public sector and the non-agricultural establishments in the private sector employing 25 or more persons are collected under the provisions of Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959, the same from the non-agricultural establishments in the private sector employing 10-24 persons are being collected on voluntary basis.

*As on March 31. E – Estimated NA – Not available

Source: (i) National Sample Survey Organisation.

(ii) Directorate General of Employment and Training.

Cited in Institute of Applied Manpower Research, *India Year Book 2008: Manpower Profile*, 2008, Table 3.2.20, p. 197.

Table 18: Employment* in Organised Sector

Year	Employment** (Lakh)		Percentage of Women	
	Public	Private	Total	Employment to Total
1971	107.31	67.42	174.73	11.00
1981	154.84	73.95	228.79	12.20
1986	176.84	73.74	250.58	13.00
1987	180.24	73.64	253.88	13.20
1988	183.20	73.92	257.12	13.40
1989	185.09	74.53	259.62	13.60
1990	187.72	75.82	263.54	14.10
1991	190.57	76.76	267.33	14.10
1992	192.10	78.46	270.56	14.40
1993	193.26	78.51	271.77	14.80
1994	194.45	79.30	273.75	15.20
1995	194.66	80.59	275.25	15.40
1996	194.29	85.12	279.41	15.80
1997	195.59	86.86	282.45	16.40
1998	194.18	87.48	281.66	16.90
1999	194.15	86.98	281.13	17.20
2000	193.14	86.46	279.60	17.60
2001	191.38	86.52	277.89	17.81
2002	187.73	84.32	272.06	18.43
2003	185.80	84.21	270.00	18.40
2004	181.97	82.46	264.43	18.66
2005	180.06	84.52	264.58	18.41

Notes: *As on March 31

** Sikkim, Arunachal Pradesh, Dadar & Nagar Haveli and Lakshdweep are not covered under the Employment Market Information (EMI) Programme.

Source: Directorate General of Employment and Training, Employment Review for various years, cited in Institute of Applied Manpower Research, *India Year Book 2008: Manpower Profile*, 2008, Table 3.2.21, p. 198.

Table 19: Estimated Employment in Public and Private Sectors (in 000's)

Year	Public Sector						Private Sector	Total Employment	
	Central Govt.	State Govt.	Quasi Govt.			Local Bodies			Total Public Sector
			Central	State	Total				
1990-91	3410	7113	3564	2658	6222	2313	19058	7675	26733
1991-92	3428	7190	3554	2839	6393	2198	19209	7846	27055
1992-93	3383	7293	3592	2898	6490	2160	19326	7850	27176
1993-94	3392	7337	3566	2948	6514	2202	19445	7930	27375
1994-95	3395	7355	3574	2946	6538	2197	19467	8058	27525
1995-96	3366	7414	3538	2920	6458	2192	19430	8511	27941
1996-97	3295	7485	3586	2950	6536	2244	19560	8685	28245
1997-98	3253	7458	3536	2925	6461	2246	19418	8748	28166
1998-99	3313	7458	3472	2914	6386	2259	19416	8698	28114
1999-00	3273	7460	3413	2913	6326	2255	19314	8646	27960
2000-01	3261	7425	3291	2901	6192	2261	19139	8652	27791
2001-02	3195	7384	3195	2824	6019	2175	18773	8432	27205
2002-03	3133	7367				2179	18580	8421	27001
2003-04	3027	7222	3303	2519	5822	2126	18197	8246	26433
2004-05	2938	7202	3285	2463	5748	2118	18007	8452	26458

Source: CSO, *Monthly Abstract of Statistics*, Vol. 52, No. 12, December 1999, p. 269, Table 24.1. CSO, *Monthly Abstract of Statistics* Vol. 56, No. 8, August 2003, p. 5.

Note: (a) Totals may not tally due to rounding off; (b) Central government employment does not include the defence services.

Table 20: Employment Position in Central Public Sector Enterprise, Under Department of Heavy Industry

Year	Total Number of PSE's	Executives	Supervisors	Workmen/Others	Total
1998-1999	48	27382	19713	136723	183818
1999-2000	48	26999	20168	129634	176801
2000-2001	48	25972	17259	118081	161312
2001-2002	49	22682	16416	107460	146558
2002-2003	40	19924	13336	84725	117985
2003-2004	36	16646	12413	71569	100628
2004-2005	34	16580	12338	71186	100104
2005-2006	34	16777	12484	68412	97673
2006-2007	34	16729	12232	64753	93714

Source: Annual Reports, Department of Public Enterprise, Government of India.

Table 21: Current Benefits of Central Government Employees as on January 1, 2007

Post / Grade	Reimbursement of Tuition fee	LTA	HTA	Telephones	Newspapers	Pension	Gratuity	leave encash	cost medical net Deductions	Medical insurance post retirement	Moto vehicle subsidy	Computer advance	interest subsidy per month	Group insurance Benefit	Sum of all benefits	Sum of all current benefits
S1	40	42	21			765	274	167	698	538			411	28	2,984	1240
S2	80	56	28			783	280	171	944	538			421	28	3,328	1556
S3	80	56	28			795	285	174	944	538			427	28	3,354	1562
S4	80	56	28			825	295	180	944	538			444	51	3,440	1602
S5	80	56	28			915	328	200	944	538			492	51	3,632	1651
S6	80	56	28			960	344	210	944	538			516	51	3,727	1675
S7	80	56	28			1,200	411	262	944	538		0	645	51	4,215	1804
S8	80	163	82			1,350	411	295	914	538		0	726	51	4,609	2015
S9	80	163	82			1,500	411	328	914	538	80	80	806	51	5,032	2255
S10	80	163	82			1,650	411	361	914	538	80	80	887	111	5,356	2396
S11	80	163	82			1,950	411	426	914	538	80	80	1,048	111	5,883	2558
S12	80	163	82		80	1,950	411	426	914	538	80	80	1,048	111	5,963	2638
S13	80	163	82		80	2,235	411	488	884	538	80	80	1,202	111	6,433	2761
S14	80	163	82		80	2,250	411	492	884	538	80	80	1,210	111	6,459	2768
S15	80	228	114		80	2,400	411	524	884	538	80	80	1,162	213	6,794	3459
S16	80	228	114		80	2,700	411	590	884	538	80	80	1,307	213	7,305	3066
S17	80	228	114		80	2,700	411	590	884	538	80	80	1,307	213	7,305	3066
S18	80	228	114		80	3,098	411	677	834	538	80	80	1,500	213	7,932	3208
S19	80	228	114		80	3,000	411	656	884	538	80	80	1,453	213	7,816	3211
S20	80	228	114		80	3,195	411	698	834	538	762	126	1,547	213	8,825	3983
S21	80	228	114	1,500	80	3,600	411	787	834	538	762	126	1,743	213	11,015	5679
S22	80	228	114	1,500	80	3,825	411	836	834	538	762	126	1,852	213	11,398	5788
S23	80	228	114	1,500	80	3,600	411	787	834	538	762	126	1,743	213	11,015	5679
S24	80	228	114	1,500	80	4,290	411	937	834	538	762	126	2,077	213	12,190	6014
S25	80	228	114	1,500	80	4,530	411	990	834	538	762	126	2,136	213	12,541	6072
S26	80	390	195	1,500	80	4,920	411	1,075	834	538	762	126	2,136	213	13,259	6315
S27	80	390	195	1,500	80	4,920	411	1,075	834	538	762	126	2,136	213	13,259	6315

S28	80	228	114	1,500	80	4,290	411	937	834	538	762	126	2,077	213	12,190	6014
S29	40	1,333	667	1,800	160	5,520	411	1,206	834	538	762	126	2,136	213	15,745	8070
S30	40	1,000	500	1,800	240	6,720	411	1,468	588	538	762	126	2,136	213	16,542	7405
S31	0	1,000	500	1,800	240	6,720	411	1,468	588	538	762	126	2,136	213	16,502	7365
S32	0	1,000	500	1,800	240	7,215	411	1,577	517	538	762	126	2,136	213	17,034	7293
S33	0	667	334	2,800	240	7,800	411	1,704	517	538	762	126	2,136	213	18,247	7794
S34	0	667	334	2,800	240	9,000	411	1,967	517	538	762	126	2,136	213	19,709	7793

Note: The last column is the second last column minus the sum of the columns for Pension, Gratuity, Leave Encashment and Medical Insurance Post-retirement, all figures being for the start of each scale.

Source: Premarajan, Rao and Gurunathan (2008), Table 6.11, pp. 52-53 (corrected according to Gurunathan, personal communication).

Table 22: Central Government Employees Benefits as Percentage of Cost to Government

Post / Grade	LTA	HTA	Telephones	Newspapers	Pension	Gratuity	Leave encash	Cost medical net Deductions	Medical insurance post retirement	Motor vehicle subsidy	Computer subsidy advance	HBA interest subsidy per month	Group insurance Benefit	Sum of all benefits	Sum of all current benefits (as % of CTG)	Multiplier for current benefits
S1	0.43 %	0.22 %	0.00 %	0.00 %	7.87 %	2.82 %	1.72 %	7.18 %	5.53 %	0.00 %	0.00 %	4.23 %	0.28 %	30.69 %	12.75 %	1.184 %
S2	0.55%	0.27%	0.00%	0.00%	7.67%	2.74%	1.68%	9.24%	5.27%	0.00%	0.00%	4.12%	0.27%	32.58%	15.22%	1.226%
S3	0.54%	0.27%	0.00%	0.00%	7.69%	2.76%	1.68%	9.13%	5.20%	0.00%	0.00%	4.13%	0.27%	32.44%	15.11%	1.224%
S4	0.52%	0.26%	0.00%	0.00%	7.73%	2.76%	1.69%	8.84%	5.04%	0.00%	0.00%	4.16%	0.48%	32.23%	15.01%	1.221%
S5	0.48%	0.24%	0.00%	0.00%	7.83%	2.81%	1.71%	8.08%	4.61%	0.00%	0.00%	4.21%	0.44%	31.09%	14.13%	1.201%
S6	0.46%	0.23%	0.00%	0.00%	7.90%	2.83%	1.73%	7.77%	4.43%	0.00%	0.00%	4.25%	0.42%	30.68%	13.79%	1.199%
S7	0.38%	0.19%	0.00%	0.00%	8.15%	2.79%	1.78%	6.41%	3.66%	0.00%	0.00%	4.38%	0.35%	28.64%	12.26%	1.172%
S8	1.00%	0.50%	0.00%	0.00%	8.26%	2.51%	1.80%	5.59%	3.29%	0.00%	0.00%	4.44%	0.31%	28.19%	12.33%	1.172%
S9	0.91%	0.45%	0.00%	0.00%	8.33%	2.28%	1.82%	5.07%	2.99%	0.44%	0.44%	4.48%	0.28%	27.94%	12.52%	1.174%
S10	0.83%	0.42%	0.00%	0.00%	8.43%	2.10%	1.84%	4.67%	2.75%	0.41%	0.41%	4.53%	0.57%	27.37%	12.25%	1.169%
S11	0.71%	0.36%	0.00%	0.00%	8.53%	1.80%	1.86%	3.99%	2.35%	0.35%	0.35%	4.58%	0.49%	25.72%	11.18%	1.151%
S12	0.72%	0.36%	0.00%	0.35%	8.57%	1.81%	1.87%	4.02%	2.36%	0.35%	0.35%	4.61%	0.49%	26.21%	11.60%	1.157%
S13	0.64%	0.32%	0.00%	0.31%	8.74%	1.61%	1.91%	3.46%	2.10%	0.31%	0.31%	4.70%	0.43%	25.16%	10.80%	1.144%
S14	0.63%	0.32%	0.00%	0.31%	8.75%	1.60%	1.91%	3.44%	2.09%	0.31%	0.31%	4.70%	0.43%	25.11%	10.76%	1.144%
S15	0.82%	0.41%	0.00%	0.29%	8.67%	1.48%	1.89%	3.19%	1.94%	0.29%	0.29%	4.20%	0.77%	24.53%	10.55%	1.140%
S16	0.74%	0.37%	0.00%	0.26%	8.80%	1.34%	1.92%	2.88%	1.75%	0.26%	0.26%	4.26%	0.69%	23.81%	10.00%	1.131%
S17	0.74%	0.37%	0.00%	0.26%	8.80%	1.34%	1.92%	2.88%	1.75%	0.26%	0.26%	4.26%	0.69%	23.81%	10.00%	1.131%
S18	0.66%	0.33%	0.00%	0.23%	8.96%	1.19%	1.96%	2.41%	1.56%	0.23%	0.23%	4.34%	0.62%	22.93%	9.26%	1.120%
S19	0.68%	0.34%	0.00%	0.24%	8.91%	1.22%	1.95%	2.62%	1.60%	0.24%	0.24%	4.31%	0.63%	23.22%	9.54%	1.124%
S20	0.63%	0.31%	0.00%	0.22%	8.81%	1.13%	1.92%	2.30%	1.48%	2.10%	0.35%	4.26%	0.59%	24.32%	10.98%	1.145%
S21	0.55%	0.27%	3.59%	0.19%	8.61%	0.98%	1.88%	1.99%	1.29%	1.82%	0.30%	4.17%	0.51%	26.34%	13.58%	1.184%
S22	0.52%	0.26%	3.40%	0.18%	8.68%	0.93%	1.90%	1.89%	1.22%	1.73%	0.29%	4.20%	0.48%	25.87%	13.14%	1.173%
S23	0.55%	0.27%	3.59%	0.19%	8.61%	0.98%	1.88%	1.99%	1.29%	1.82%	0.30%	4.17%	0.51%	26.34%	13.58%	1.184%
S24	0.47%	0.23%	3.08%	0.16%	8.81%	0.84%	1.93%	1.71%	1.11%	1.56%	0.26%	4.27%	0.44%	25.04%	12.35%	1.165%
S25	0.45%	0.22%	2.94%	0.16%	8.88%	0.81%	1.94%	1.63%	1.05%	1.49%	0.25%	4.19%	0.42%	24.58%	11.90%	1.158%
S26	0.71%	0.35%	2.73%	0.15%	8.95%	0.75%	1.96%	1.52%	0.98%	1.39%	0.23%	3.89%	0.39%	24.13%	11.49%	1.151%
S27	0.71%	0.35%	2.73%	0.15%	8.95%	0.75%	1.96%	1.52%	0.98%	1.39%	0.23%	3.89%	0.39%	24.13%	11.49%	1.151%
S28	0.47%	0.23%	3.08%	0.16%	8.81%	0.84%	1.93%	1.71%	1.11%	1.56%	0.26%	4.27%	0.44%	25.04%	12.35%	1.165%
S29	2.14%	1.07%	2.89%	0.26%	8.85%	0.66%	1.93%	1.34%	0.86%	1.22%	0.20%	3.42%	0.34%	25.24%	12.94%	1.173%
S30	1.37%	0.68%	2.46%	0.33%	9.20%	0.56%	2.01%	0.80%	0.74%	1.04%	0.17%	2.92%	0.29%	22.63%	10.12%	1.131%

S31	1.37%	0.68%	2.46%	0.33%	9.20%	0.56%	2.01%	0.80%	0.74%	1.04%	0.17%	2.92%	0.29%	22.59%	10.08%	1.130%
S32	1.29%	0.64%	2.32%	0.31%	9.29%	0.53%	2.03%	0.67%	0.69%	0.98%	0.16%	2.75%	0.27%	21.93%	9.39%	1.120%
S33	0.80%	0.40%	3.35%	0.29%	9.32%	0.49%	2.04%	0.62%	0.64%	0.91%	0.15%	2.55%	0.25%	21.80%	9.31%	1.119%
S34	0.70%	0.35%	2.95%	0.25%	9.47%	0.43%	2.07%	0.54%	0.57%	0.80%	0.13%	2.25%	0.22%	20.73%	8.19%	1.103%

Note: The second last column is the third last column minus the sum of the columns for Pension, Gratuity, Leave Encashment and Medical Insurance Post-retirement. The last column is the number by which the gross pay plus allowances have to be multiplied by to include total compensation including current benefits, all figures being for the start of each scale. The last column is the ratio of gross pay plus allowances plus sum of all current benefits to gross pay plus allowances.

Source: Premarajan, Rao and Gurunathan (2008) Table, pp. 138-39 (corrected according to Gurunathan, personal communication).

Table 23: Central Government Payscales as on March 2006

As on: March 2006					
Pay Scales					
Contents	Group D				
	S1	S2	S2A	S3	S4
Basic Pay	2550	2610	2610	2650	2750
Dearness Pay	1275	1305	1305	1325	1375
HRA	1148	1175	1175	1193	1238
CCA	125	125	125	125	125
DA	918	940	940	954	990
Transport Allowance	100	100	100	100	100
Gross Pay	6116	6254	6254	6347	6578
Multiplier	1.184	1.226	blank	1.224	1.221
Total Compensation	7241	7667	blank	7769	8032

Group C					
Contents	S5	S6	S7	S8	S9
Basic Pay	3050	3200	4000	4500	5000
Dearness Pay	1525	1600	2000	2250	2500
HRA	1373	1440	1800	2025	2250
CCA	200	200	300	300	300
DA	1098	1152	1440	1620	1800
Transport Allowance	100	100	100	100	100
Gross Pay	7346	7692	9640	10795	11950
Multiplier	1.201	1.199	1.172	1.172	1.174
Total Compensation	8823	9223	11298	12652	14029

	Group B				
Contents	S10	S11	S12	S13	S14
Basic Pay	5500	6500	6500	7450	7500
Dearness Pay	2750	3250	3250	3725	3750
HRA	2475	2925	2925	3353	3375
CCA	300	300	300	300	300
DA	1980	2340	2340	2682	2700
Transport Allowance	100	400	400	400	400
Gross Pay	13105	15715	15715	17910	18025
Multiplier	1.169	1.151	1.157	1.144	1.144
Total Compensation	15320	18088	18182	20489	20621

Group A										
Contents	S15	S16	S17	S18	S19	S20	S21	S22	S23	S24
Basic Pay	8000	9000	9000	10325	10000	10650	12000	12750	12000	14300
Dearness Pay	4000	4500	4500	5162.5	5000	5325	6000	6375	6000	7150
HRA	3600	4050	4050	4646	4500	4793	5400	5738	5400	6435
CCA	300	300	300	300	300	300	300	300	300	300
DA	2880	3240	3240	3717	3600	3834	4320	4590	4320	5148
Transport Allowance	400	800	800	800	800	800	800	800	800	800
Gross Pay	19180	21890	21890	24951	24200	25702	28820	30553	28820	34133
Multiplier	1.140	1.131	1.131	1.120	1.124	1.145	1.184	1.173	1.184	1.165
Total Compensation	21865	24758	24758	27945	27201	29429	34123	35839	34123	39765

Group A contd.										
Contents	S25	S26	S27	S28	S29	S30	S31	S32	S33	S34
Basic Pay	15100	16400	16400	14300	18400	22400	22400	24050	26000	30000
Dearness Pay	7550	8200	8200	7150	9200	11200	11200	12025	13000	15000
HRA	6795	7380	7380	6435	8280	10080	10080	10823	11700	13500
CCA	300	300	300	300	300	300	300	300	300	300
DA	5436	5904	5904	5148	6624	8064	8064	8658	9360	10800
Transport Allowance	800	800	800	800	800	800	800	800	800	800
Gross Pay	35981	38984	38984	34133	43604	52844	52844	56656	61160	70400
Multiplier	1.158	1.151	1.151	1.165	1.173	1.131	1.130	1.120	1.119	1.103
Total Compensation	41666	44871	44871	39765	51147	59767	59714	63455	68438	77651

Note: Multiplier is the number by which the gross pay plus allowances have to be multiplied by to include total compensation including current benefits, all figures being for the start of each scale. It is the ratio of gross pay plus allowances plus sum of all current benefits to gross pay plus allowances. This is calculated from Premarajan, Rao and Gurunathan (2008) which is based on Central government employee pay and benefits as on January 1, 2007, but these ratios, and hence the multiplier, will have changed only infinitesimally from those of March 31, 2006, which is the date for the gross pay and allowances figures for each payscale in this table.

Source: Ministry of Finance, calculated for the author on request for each payscale as on March 31, 2006

Table 24: Payscales of University Teachers as of March 2006

S.No.	Post	Pay Scale	Basic	DP	DA	HRA	TA	CCA	Total
1	Vice Chancellor	25000(Fixed)	25000	12500	17625	11250	800	300	67475
2	Professor	16400-22400	16400	8200	11562	7380	800	300	44642
3	Reader	12000-18300	12000	6000	8460	5400	800	300	32960
4	SR. Lecturer	10000-15200	10000	5000	7050	4500	800	300	27650
5	Lecturer	8000-13500	8000	4000	5640	3600	800	300	22340

The Caste Composition and Political Leanings of the Middle Classes

How is the middle class as defined above, related to caste, and in combination with this, what are its emerging political leanings in the post-liberalisation period? Historically, the very narrow middle class was almost entirely dominated by the traditional, i.e., “twice-born”, upper castes (the Brahmin, Kshatriya and Vaishya *varnas* or broad caste clusters each comprised of hundreds of actual endogamous castes or *jatis*), especially outside South India. That has now been changing although the traditional upper castes still have a hugely disproportionate representation in the upper and middle classes, howsoever defined. As Deshpande points out, the Hindu upper castes account for 59 percent of the topmost Monthly Per Capita Consumption Expenditure (MPCE) class in urban areas (Rs.1,950 or more), and 40 percent in rural areas (Rs.950 or more) according to NSSO data for 1999-2000.⁵³

D. L. Sheth pointed out that the new middle class of the 1990s, as revealed by the CSDS survey of 1996, is increasingly constituted by non-traditional caste groups, particularly middle-caste, non-“twice born”, farmer castes who would fit M. N. Srinivas’s category of dominant castes.⁵⁴ The middle class in the CSDS survey was defined (more restrictively at 20 percent than in my Broadest Middle Class estimate of 26 percent of the population from the MISH data in my earlier paper, but much more expansively than the under-6 percent in this paper) by five indicators: (a) respondents identifying themselves as middle class as well as (b) ten years or more of schooling; (c) residence in a brick-and-cement house; (d) white-collar occupation; (e) ownership of at least three of the following four assets: car/jeep/tractor, scooter/motorcycle, television set, electrically operated water pump-set and non-agricultural land. Twenty percent of the sample was identified as middle class. It was found that while the upper castes, defined as the “twice born” upper castes and the non- “twice born” dominant castes, were a quarter of the sample, they constituted nearly half of the middle class. However, this signified a reduction in the representation of the upper castes in the middle class as it was earlier almost totally dominated by them. It also represented a rise in the share of the non-“twice born” dominant castes, as well as of the Other Backward Classes (lower castes), Scheduled Castes, Scheduled Tribes, and religious minorities, which together constituted half the middle class and three-quarters of the sample.

Yogendra Yadav, Sanjay Kumar and Oliver Heath have argued that during the 1990s there has been a distinct shift in the political preferences of the upper and middle classes, as also the upper castes, away from the Congress and towards the BJP. They argue that the BJP “has created a *new social bloc* (emphasis added), a new coalition of various social groups, that now lays claim to political power....The new social bloc is formed by the convergence of traditional caste-community differences and class distinctions....defined by an overlap of social and economic privileges”.⁵⁵ In 1999, according to the CSDS post-poll survey, the BJP got 60 percent of upper caste Hindu votes, 52 percent of dominant Hindu peasant castes such as Jats, Marathas, Patidars, Reddys and Kammas, which were (then) not classified as OBCs, and less and less down the caste hierarchy. Likewise, the BJP’s vote share is clearly related to class, its vote share falling linearly as one goes down the ladder of economic status and educational attainment. The BJP’s base, though spreading to rural areas, remains disproportionately urban. The new social bloc leaning towards the BJP is largely upper castes and dominant castes, which also make up a disproportionately large part of the upper income groups.

The CSDS post-poll data from the 2004 elections and the survey of September 2007 support this finding.

The cut-off points for income for the five classes in the 2004 CSDS survey (tables below) were:

- Rich (Rs.10,000 per month, or Rs.120,000 per annum or more)
- Middle (Rs.5-10,000 per month, or Rs.60-120,000 per annum)
- Lower (Rs.3-5,000 per month, or Rs.36-60,000 per annum)
- Poor (Rs.1-3,000 per month, or Rs.12-36,000 per annum)
- Very Poor (below Rs.1,000 per month, or Rs.12,000 per annum).

It should be noted here that *even* the Rich in this scale may not make it to the bottom end of the middle class in our Seekers category, and the Middle class in this scale would be well below the middle class in our scale. However, in terms of socio-economic *relativities* in political leanings the survey yields a useful picture.

Table 25: Age * Voted for Lok Sabha 2004 (New Recorded) * Economic class by assets and income Cross-tabulation

Economic class by assets and income		Voted for Lok Sabha 2004 (New Recorded)							Total		
		Congress allies	Congress BJP	BJP allies	BJP Left	BSP	SP	Others			
Rich	UPTO 25 YRS	140	22	151	64	41	31	39	61	549	
		25.5%	4.0%	27.5%	11.7%	7.5%	5.6%	7.1%	11.1%	100.0%	
	26-35 YRS	22.1%	15.2%	20.0%	20.7%	21.1%	40.8%	31.7%	24.0%	22.0%	
		175	45	209	100	56	23	37	68	713	
	36-45 YRS	24.5%	6.3%	29.3%	14.0%	7.9%	3.2%	5.2%	9.5%	100.0%	
		119	34	183	62	35	9	25	47	514	
	46-55 YRS	23.2%	6.6%	35.6%	12.1%	6.8%	1.8%	4.9%	9.1%	100.0%	
		83	14	94	39	25	5	13	35	308	
	ABOVE 55 YRS	18.8%	23.4%	24.2%	20.1%	18.0%	11.8%	20.3%	18.5%	20.6%	
		117	30	119	44	37	8	9	43	407	
	Total	28.7%	7.4%	29.2%	10.8%	9.1%	2.0%	2.2%	10.6%	100.0%	
		634	145	756	309	194	76	123	254	2491	
	Middle	UPTO 25 YRS	25.5%	5.8%	30.3%	12.4%	7.8%	3.1%	4.9%	10.2%	100.0%
			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
26-35 YRS		144	49	176	60	39	8	14	52	542	
		26.6%	9.0%	32.5%	11.1%	7.2%	1.5%	2.6%	9.6%	100.0%	
36-45 YRS		18.8%	22.2%	23.9%	18.6%	21.9%	17.0%	19.2%	24.4%	21.2%	
		248	67	193	84	55	11	24	53	735	
Total		33.7%	9.1%	26.3%	11.4%	7.5%	1.5%	3.3%	7.2%	100.0%	
		168	55	153	84	30	6	15	51	562	
Total		32.5%	30.3%	26.2%	26.0%	30.9%	23.4%	32.9%	24.9%	28.8%	
		22.0%	24.9%	20.8%	26.0%	16.9%	12.8%	20.5%	23.9%	22.0%	

Table 25: Age * Voted for Lok Sabha 2004 (New Recorded) * Economic class by assets and income Cross-tabulation (continued)

Economic class by assets and income		Voted for Lok Sabha 2004 (New Recorded)							Total		
		Congress	Congress allies	BJP	BJP allies	Left	BSP	SP		Others	
Middle	46-55 YRS	95	30	107	51	22	15	12	22	354	
		26.8%	8.5%	30.2%	14.4%	6.2%	4.2%	3.4%	6.2%	100.0%	
	ABOVE 55 YRS	109	20	108	44	32	7	8	35	363	
		30.0%	5.5%	29.8%	12.1%	8.8%	1.9%	2.2%	9.6%	100.0%	
	Total	764	221	737	323	178	47	73	213	2556	
		29.9%	8.6%	28.8%	12.6%	7.0%	1.8%	2.9%	8.3%	100.0%	
			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Lower	UPTO 25 YRS	317	133	314	160	75	37	94	119	1249
			25.4%	10.6%	25.1%	12.8%	6.0%	3.0%	7.5%	9.5%	100.0%
		26-35 YRS	479	212	389	275	133	60	106	171	1825
26.2%			11.6%	21.3%	15.1%	7.3%	3.3%	5.8%	9.4%	100.0%	
36-45 YRS		341	130	293	149	100	59	79	103	1254	
		27.2%	10.4%	23.4%	11.9%	8.0%	4.7%	6.3%	8.2%	100.0%	
46-55 YRS		193	81	159	122	53	32	67	67	774	
		22.4%	20.8%	22.6%	18.6%	23.1%	24.5%	20.1%	18.9%	21.4%	
ABOVE 55 YRS		195	69	139	94	72	53	47	86	755	
		24.9%	10.5%	20.5%	15.8%	6.8%	4.1%	8.7%	8.7%	100.0%	
Total	1525	625	1294	800	433	241	393	546	5857		
	12.8%	11.0%	10.7%	11.8%	16.6%	22.0%	12.0%	15.8%	12.9%		
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
Poor	UPTO 25 YRS	264	102	225	125	57	95	50	100	1018	
		25.9%	10.0%	22.1%	12.3%	5.6%	9.3%	4.9%	9.8%	100.0%	
		21.4%	19.4%	22.3%	18.2%	15.3%	27.5%	18.7%	18.8%	20.5%	

Table 25: Age * Voted for Lok Sabha 2004 (New Recoded) * Economic class by assets and income Cross-tabulation (continued)

Economic class by assets and income		Voted for Lok Sabha 2004 (New Recoded)							Total	
		Congress allies	Congress BJP	allies	BJP Left	BSP	SP	Others		
Poor	26-35 YRS	361	167	295	187	117	75	103	170	1475
		24.5%	11.3%	20.0%	12.7%	7.9%	5.1%	7.0%	11.5%	100.0%
		29.3%	31.7%	29.2%	27.2%	31.4%	21.7%	38.4%	32.0%	29.6%
	36-45 YRS	279	126	201	150	64	64	45	123	1052
		26.5%	12.0%	19.1%	14.3%	6.1%	6.1%	4.3%	11.7%	100.0%
		22.6%	24.0%	19.9%	21.8%	17.2%	18.5%	16.8%	23.1%	21.1%
	46-55 YRS	152	59	141	108	81	44	47	70	702
		21.7%	8.4%	20.1%	15.4%	11.5%	6.3%	6.7%	10.0%	100.0%
		12.3%	11.2%	14.0%	15.7%	21.7%	12.7%	17.5%	13.2%	14.1%
	ABOVE 55 YRS	177	72	147	118	54	68	23	69	728
		24.3%	9.9%	20.2%	16.2%	7.4%	9.3%	3.2%	9.5%	100.0%
		14.4%	13.7%	14.6%	17.2%	14.5%	19.7%	8.6%	13.0%	14.6%
	Total	1233	526	1009	688	373	346	268	532	4975
		24.8%	10.6%	20.3%	13.8%	7.5%	7.0%	5.4%	10.7%	100.0%
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Very poor	UPTO 25 YRS	304	123	213	138	122	94	49	102	1145
		26.6%	10.7%	18.6%	12.1%	10.7%	8.2%	4.3%	8.9%	100.0%
		16.9%	16.2%	17.8%	14.3%	19.5%	19.1%	18.8%	18.1%	17.2%
	26-35 YRS	526	204	364	267	167	138	69	130	1865
		28.2%	10.9%	19.5%	14.3%	9.0%	7.4%	3.7%	7.0%	100.0%
		29.2%	26.9%	30.4%	27.6%	26.6%	28.0%	26.5%	23.1%	28.0%
	36-45 YRS	360	182	284	228	138	130	59	128	1509
		23.9%	12.1%	18.8%	15.1%	9.1%	8.6%	3.9%	8.5%	100.0%
		20.0%	24.0%	23.7%	23.6%	22.0%	26.4%	22.7%	22.8%	22.6%
	46-55 YRS	273	117	162	157	103	58	42	100	1012
		27.0%	11.6%	16.0%	15.5%	10.2%	5.7%	4.2%	9.9%	100.0%
		15.1%	15.4%	13.5%	16.2%	16.4%	11.8%	16.2%	17.8%	15.2%

Table 25: Age * Voted for Lok Sabha 2004 (New Recorded) * Economic class by assets and income Cross-tabulation (continued)

Economic class by assets and income	Voted for Lok Sabha 2004 (New Recorded)									Total
	Congress	Congress allies	BJP	BJP allies	Left	BSP	SP	Others		
Very poor	ABOVE 55 YRS	340	133	175	178	97	73	41	102	1139
		29.9%	11.7%	15.4%	15.6%	8.5%	6.4%	3.6%	9.0%	100.0%
		18.9%	17.5%	14.6%	18.4%	15.5%	14.8%	15.8%	18.1%	17.1%
Total		1803	759	1198	968	627	493	260	562	6670
		27.0%	11.4%	18.0%	14.5%	9.4%	7.4%	3.9%	8.4%	100.0%
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CSDS, National Election Survey (post-poll), 2004

Table 26: Voted for Lok Sabha 2004 (New Recoded) * Economic Class by income only, Cross-tabulation

	Economic Class by income only					Total
	Very poor	Poor	Lower	Middle	Rich	
Congress	2069	1478	1208	916	237	5908
	35.0%	25.0%	20.4%	15.5%	4.0%	100.0%
Congress allies	25.6%	27.0%	27.3%	26.3%	27.2%	26.5%
	969	563	414	275	51	2272
	42.6%	24.8%	18.2%	12.1%	2.2%	100.0%
	12.0%	10.3%	9.3%	7.9%	5.9%	10.2%
BJP	1344	1154	1145	1036	267	4946
	27.2%	23.3%	23.2%	20.9%	5.4%	100.0%
	16.6%	21.1%	25.8%	29.7%	30.7%	22.1%
BJP allies	1188	768	522	453	120	3051
	38.9%	25.2%	17.1%	14.8%	3.9%	100.0%
	14.7%	14.1%	11.8%	13.0%	13.8%	13.7%
Left	749	408	329	249	41	1776
	42.2%	23.0%	18.5%	14.0%	2.3%	100.0%
	9.3%	7.5%	7.4%	7.1%	4.7%	8.0%
BSP	628	301	162	82	19	1192
	52.7%	25.3%	13.6%	6.9%	1.6%	100.0%
	7.8%	5.5%	3.7%	2.4%	2.2%	5.3%
SP	393	291	262	133	34	1113
	35.3%	26.1%	23.5%	11.9%	3.1%	100.0%
	4.9%	5.3%	5.9%	3.8%	3.9%	5.0%
Others	736	503	389	344	102	2074
	35.5%	24.3%	18.8%	16.6%	4.9%	100.0%
	9.1%	9.2%	8.8%	9.9%	11.7%	9.3%
Total	8076	5466	4431	3488	871	22332
	36.2%	24.5%	19.8%	15.6%	3.9%	100.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CSDS, National Election Survey (post-poll), 2004

Table 27: Caste/Tribe (Recorded) * Voted for Lok Sabha 2004 (New Recorded) Cross-tabulation

	Voted for Lok Sabha 2004 (New Recorded)								Total
	Congress	Congress allies	BJP	BJP allies	Left	BSP	SP	Others	
Upper caste	734	111	1469	443	300	42	117	226	3442
	21.3%	3.2%	42.7%	12.9%	8.7%	1.2%	3.4%	6.6%	100.0%
	12.3%	4.9%	29.4%	14.4%	16.6%	3.5%	10.5%	10.7%	15.3%
Peasant Proprietors	442	261	472	415	66	17	60	162	1895
	23.3%	13.8%	24.9%	21.9%	3.5%	.9%	3.2%	8.5%	100.0%
	7.4%	11.5%	9.4%	13.4%	3.7%	1.4%	5.4%	7.7%	8.4%
Upper OBC	1060	590	962	832	173	132	344	451	4544
	23.3%	13.0%	21.2%	18.3%	3.8%	2.9%	7.6%	9.9%	100.0%
	17.8%	25.9%	19.3%	27.0%	9.6%	11.0%	30.8%	21.4%	20.2%
Lower OBC	833	461	826	558	361	122	129	300	3590
	23.2%	12.8%	23.0%	15.5%	10.1%	3.4%	3.6%	8.4%	100.0%
	14.0%	20.3%	16.5%	18.1%	20.0%	10.1%	11.5%	14.2%	15.9%
SC	1011	317	422	401	359	773	106	234	3623
	27.9%	8.7%	11.6%	11.1%	9.9%	21.3%	2.9%	6.5%	100.0%
	17.0%	13.9%	8.4%	13.0%	19.9%	64.3%	9.5%	11.1%	16.1%
ST	631	117	466	119	134	8	3	317	1795
	35.2%	6.5%	26.0%	6.6%	7.5%	.4%	.2%	17.7%	100.0%
	10.6%	5.1%	9.3%	3.9%	7.4%	.7%	.3%	15.0%	8.0%
Muslims	819	344	152	79	164	68	346	234	2206
	37.1%	15.6%	6.9%	3.6%	7.4%	3.1%	15.7%	10.6%	100.0%
	13.7%	15.1%	3.0%	2.6%	9.1%	5.7%	31.0%	11.1%	9.8%
Others	430	75	227	240	247	41	12	183	1455
	29.6%	5.2%	15.6%	16.5%	17.0%	2.8%	.8%	12.6%	100.0%
	7.2%	3.3%	4.5%	7.8%	13.7%	3.4%	1.1%	8.7%	6.5%
Total	5960	2276	4996	3087	1804	1203	1117	2107	22550
	26.4%	10.1%	22.2%	13.7%	8.0%	5.3%	5.0%	9.3%	100.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CSDS, National Election Survey (post-poll), 2004

Table 28: Caste group * Voted for Lok Sabha 2004 (New Recorded) Cross-tabulation

	Voted for Lok Sabha 2004 (New Recorded)								
	Congress	Congress allies	BJP	BJP allies	Left	BSP	SP	Others	Total
SC	1115	393	546	479	454	809	111	284	4191
	26.6%	9.4%	13.0%	11.4%	10.8%	19.3%	2.6%	6.8%	100.0%
ST	18.7%	17.3%	10.9%	15.5%	25.2%	67.2%	9.9%	13.5%	18.6%
	706	138	473	167	176	12	11	365	2048
	34.5%	6.7%	23.1%	8.2%	8.6%	.6%	.5%	17.8%	100.0%
	11.8%	6.1%	9.5%	5.4%	9.8%	1.0%	1.0%	17.3%	9.1%
OBC	2315	1149	1973	1380	506	269	632	840	9064
	25.5%	12.7%	21.8%	15.2%	5.6%	3.0%	7.0%	9.3%	100.0%
	38.9%	50.5%	39.5%	44.7%	28.0%	22.4%	56.5%	39.9%	40.2%
Others	1822	597	2003	1061	668	113	364	617	7245
	25.1%	8.2%	27.6%	14.6%	9.2%	1.6%	5.0%	8.5%	100.0%
	30.6%	26.2%	40.1%	34.4%	37.0%	9.4%	32.6%	29.3%	32.1%
Total	5958	2277	4995	3087	1804	1203	1118	2106	22548
	26.4%	10.1%	22.2%	13.7%	8.0%	5.3%	5.0%	9.3%	100.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CSDS, National Election Survey (post-poll), 2004

Table 29: Economic Class * Party Vote (2007) Cross-tabulation

	Party Vote (2007)								
	Congress	Congress allies	BJP	BJP allies	Left	BSP	SP	Others	Total
Rich	513	49	448	102	69	44	126	139	1490
	34.4%	3.3%	30.1%	6.8%	4.6%	3.0%	8.5%	9.3%	100.0%
Middle	1719	228	1433	300	299	203	554	583	5319
	32.3%	4.3%	26.9%	5.6%	5.6%	3.8%	10.4%	11.0%	100.0%
Lower	848	96	506	138	134	169	253	251	2395
	31.9%	18.7%	37.8%	27.8%	26.3%	19.9%	35.4%	35.5%	100.0%
Poor	1512	492	1008	343	400	429	423	432	5039
	35.4%	4.0%	21.1%	5.8%	5.6%	7.1%	10.6%	10.5%	100.0%
Very poor	800	353	400	198	233	176	210	236	2606
	15.7%	7.9%	13.3%	12.8%	11.8%	16.6%	16.2%	15.3%	100.0%
Total	5392	1218	3795	1081	1135	1021	1566	1641	16849
	30.0%	9.8%	20.0%	6.8%	7.9%	8.5%	8.4%	8.6%	100.0%
	14.8%	29.0%	10.5%	18.3%	20.5%	17.2%	13.4%	14.4%	15.5%
	32.0%	7.2%	22.5%	6.4%	6.7%	6.1%	9.3%	9.7%	100.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CSDS, September 2007, Political Opinion Survey

Table 30: Caste/Tribe (Recorded) * Party Vote (2007) Cross-tabulation

	Party Vote (2007)								
	Congress	Congress allies	BJP	BJP allies	Left	BSP	SP	Others	Total
Upper caste	792	55	1207	240	226	90	139	127	2876
	27.5%	1.9%	42.0%	8.3%	7.9%	3.1%	4.8%	4.4%	100.0%
	14.6%	4.4%	31.2%	22.2%	19.9%	8.8%	8.9%	7.7%	16.9%
Peasant Proprietors	582	124	341	47	90	13	220	294	1711
	34.0%	7.2%	19.9%	2.7%	5.3%	.8%	12.9%	17.2%	100.0%
	10.7%	9.9%	8.8%	4.4%	7.9%	1.3%	14.1%	17.7%	10.1%
Upper OBC	916	364	733	236	64	107	508	470	3398
	27.0%	10.7%	21.6%	6.9%	1.9%	3.1%	14.9%	13.8%	100.0%
	16.9%	28.9%	19.0%	21.9%	5.6%	10.4%	32.5%	28.3%	20.0%
Lower OBC	715	156	639	157	155	121	219	231	2393
	29.9%	6.5%	26.7%	6.6%	6.5%	5.1%	9.2%	9.7%	100.0%
	13.2%	12.4%	16.5%	14.6%	13.7%	11.8%	14.0%	13.9%	14.1%
SC	885	259	329	186	211	581	188	255	2894
	30.6%	8.9%	11.4%	6.4%	7.3%	20.1%	6.5%	8.8%	100.0%
	16.3%	20.6%	8.5%	17.2%	18.6%	56.5%	12.0%	15.4%	17.0%
ST	418	96	284	35	141	12	40	87	1113
	37.6%	8.6%	25.5%	3.1%	12.7%	1.1%	3.6%	7.8%	100.0%
	7.7%	7.6%	7.4%	3.2%	12.4%	1.2%	2.6%	5.2%	6.5%
Muslims	755	148	141	65	195	75	217	107	1703
	44.3%	8.7%	8.3%	3.8%	11.5%	4.4%	12.7%	6.3%	100.0%
	13.9%	11.8%	3.7%	6.0%	17.2%	7.3%	13.9%	6.4%	10.0%
Others	372	56	189	113	53	29	34	88	934
	39.8%	6.0%	20.2%	12.1%	5.7%	3.1%	3.6%	9.4%	100.0%
	6.8%	4.5%	4.9%	10.5%	4.7%	2.8%	2.2%	5.3%	5.5%
Total	5435	1258	3863	1079	1135	1028	1565	1659	17022
	31.9%	7.4%	22.7%	6.3%	6.7%	6.0%	9.2%	9.7%	100.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CSDS, September 2007, Political Opinion Survey

Table 31: Age group * Party Vote (2007) Cross-tabulation

	Party Vote (2007)								
	Congress	Congress allies	BJP	BJP allies	Left	BSP	SP	Others	Total
UPTO 25 YRS	829	173	668	136	135	167	245	300	2653
	31.2%	6.5%	25.2%	5.1%	5.1%	6.3%	9.2%	11.3%	100.0%
26-35 YRS	1529	346	1160	318	339	316	487	485	4980
	15.3%	13.7%	17.3%	12.6%	11.9%	16.2%	15.6%	18.1%	15.6%
36-45 YRS	1207	299	930	274	290	206	384	421	4011
	30.1%	7.5%	23.2%	6.8%	7.2%	5.1%	9.6%	10.5%	100.0%
46-55 YRS	909	204	545	187	189	174	218	254	2680
	22.2%	23.7%	24.1%	25.4%	25.5%	20.0%	24.5%	25.4%	23.6%
ABOVE 55 YRS	959	237	561	164	183	166	232	198	2700
	16.7%	16.2%	14.1%	17.3%	16.6%	16.9%	13.9%	15.3%	15.7%
Total	5433	1259	3864	1079	1136	1029	1566	1658	17024
	31.9%	7.4%	22.7%	6.3%	6.7%	6.0%	9.2%	9.7%	100.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CSDS, September 2007, Political Opinion Survey

These surveys indicate a certain degree of consolidation of rich and middle class, and upper-caste and dominant peasant caste, support for the BJP and BJP allies respectively, and also a pro-BJP leaning among the young of the rich and middle classes. The BJP was ahead of the Congress in 2004 among all age groups of the Rich, and among the young (upto-25) and 46-55 year age groups of the Middle class, while lagging behind the Congress in all age groups of the Lower, Poor and Very Poor classes (Table 25). Among the young (upto-25) of the Lower class, the NDA was ahead of the Congress and its allies. If one looks at the *dependence* of the parties on the votes of the Rich and Middle Class (CSDS), one finds that they constitute less than 20 percent of the Congress votes, while over 25 percent of the BJP votes, while BJP allies depend on these two layers for almost 20 percent of their votes (Table 26). If one looks at the voting preferences by social group, one finds that 43 percent of the Upper Castes voted for the BJP with the Congress a distant second at 21 percent. Of peasant proprietors, 25 percent voted for BJP, with Congress second with 23 percent and BJP allies close behind at 22 percent (Table 27). That is, 47 percent of peasant proprietors voted for BJP or BJP allies, fitting the “new social bloc” argument. Likewise, among upper OBCs, the BJP (21 percent) and BJP allies (18 percent), totaling 39 percent, were together ahead of the Congress (23 percent), and individually only slightly behind (Table 27). The picture is in sharp contrast to the preferences exhibited by the Scheduled Castes, Scheduled Tribes and Muslims. Reinforcing this, the share of Others (i.e., non-OBC/SC/ST) in the BJP’s vote is higher (40 percent) than any other party, and that of Others in BJP allies’ vote (34 percent) is also higher than that of the Congress (Table 28).

If one looks at the September 2007 CSDS survey (which indicated a strong shift to the Congress nationally), while the BJP shifted to second place after the Congress in the indicated preferences of the Rich and Middle Class, its dependence on these two classes in its total vote at nearly 50 percent remained much higher than the Congress’ 41 percent (Table 29). It also continued to lead (42 percent) among the Upper Castes compared to the Congress (28 percent), and its dependence on the Upper Castes (31 percent), Peasant Proprietors (20 percent) and Upper OBCs (22 percent), collectively 73 percent, for its total vote remained much higher than the Congress (Table 30). Age group-wise, the BJP depended on the under-35 voters for 47 percent of its votes, more than the Congress (43 percent) (Table 31). Thus, the figures indicate a diffuse consolidation since 1999, carried through 2004 and 2007 of a “new social bloc” of upper castes and upper and middle classes, weighted towards the younger age groups, behind the BJP and its dominant peasant proprietor caste/upper OBC regional party allies, that is, behind the NDA, pushing the Congress and its UPA allies to second place among these categories, the voter base of the Left parties and the BSP having an opposite social profile. Thus, the new social bloc argument, for the rise of the BJP and NDA, is supported by the 1999, 2004 and 2007 CSDS surveys.

Mirroring Sheth’s and Yadav-Kumar-Heath’s survey data from the 1996, 1998 and 1999 elections, Radhika Desai argues that there is an emerging top-middle convergence of interests and political preferences between the traditional upper castes and the rising dominant peasant castes, particularly in the more prosperous states of Western and Southern India where the weight of peasant proprietor intermediate castes is greater than in the North. For example, Patidars (Patels) in Gujarat, Marathas in Maharashtra, Lingayats and Vokkaligas in Karnataka, Reddis and Kammas in Andhra Pradesh; in all these states the BJP has both expanded and forged alliances. And that this explains the powerful social bloc behind the BJP in Gujarat and the support of the dominant caste-based regional parties for the NDA-led by the BJP through the worst communal riots of 2002.¹¹¹⁵⁶ “The greater the economic fortunes of these middle castes, the more they tended to see the possibility of integration into Hindutva’s predominantly upper

caste/class fold as inviting.”⁵⁷ As noted in the previous paragraph, Desai’s theory of convergence of interests and orientations between the traditional upper castes and upwardly mobile peasant proprietor castes (which dominate the non-BJP NDA regional parties as well as the BJP’s social coalition in Gujarat) finds support in the September 2007 survey too.

This evidence of a new social bloc, disproportionately upper caste and upper class, in support of the BJP and the BJP-led NDA coalition for essentially *social* reasons, would seem to indicate that the largely upper- and dominant caste middle classes, which overlap very substantially with this bloc, would have tended to support the BJP-led NDA’s economic liberalisation program for reasons *other than purely economic*, in fact, may have supported the program because they support the BJP and/or its coalition for essentially social reasons. Therefore, the NDA was able to take a strong pro-reform line as it did in the 2004 election campaign because it could rely on this “new social bloc” for *social, i.e., caste-cum-class*, reasons. In fact, white-collar workers views, and the views of BJP supporters, on economic reforms is very mixed, with a significant section disapproving of various aspects of the reforms.⁵⁸

The CSDS post-poll survey data of 2004 support the middle class character of the BJP despite its defeat in urban areas. In the cities that account for the predominantly urban constituencies, the Congress-led United Progressive Alliance parties won 43 percent of the votes of the very poor, while the BJP-led NDA parties won just 25 percent, while among the urban upper middle class, the NDA parties enjoyed a 14 percent lead.⁵⁹ This supports the proposition that support for economic reform among the middle class is not due to any ideological shift in favour of reform or any understanding of reform policies, the survey data showing very poor awareness and understanding of reform policies even among the middle class, but due to class identification of the rich and middle class with the BJP.

It would appear that the change in India’s social structure from an elite-mass structure to one with a substantial middle class emphasises the political vacuum on the centre-right after the demise of the Swatantra party in the 1970s. That is, there was no right-of-centre party specifically articulating the interests of the emerging middle class in a context where there was a sociological and political convergence between the top and the middle, like in most capitalist democracies, the Congress party being a catchall party that has to cater to lower castes, minorities and poor. The BJP and its NDA allies would have seemed to have occupied this political space created by the emergence of the middle class in the past two decades, going beyond the BJP’s narrow Hindu communal agenda, although by no means abandoning, at most temporarily downplaying, that agenda.

If the 2004 post-poll and September 2007 survey data, indicating that the under-25 age group of not only the Rich but the Middle and Lower classes, is disproportionately BJP- and NDA-inclined, is correct, and keeping in mind that the CSDS survey’s classes are well below the middle class cut-offs of this paper, it would appear to indicate that, in a country where 60 percent of the population is under thirty, there is also an “aspirational” middle class beyond the economically defined middle class, particularly among the young of all castes and classes. This section, though it may fall below our middle class, does not solidarise with the class into which it is born but aspires to leave it behind and therefore identifies with classes, social groups, parties and policies, that seem to promise upward mobility. Thus, the middle class, whether or broadly defined, would appear to have a wider socio-political and economic policy impact than its actual numbers.

Conclusion

I conclude that the data on the composition and political leanings of the more restrictively defined middle class of 2005-06, differs from my conclusions on the political implications of the Broadest Middle Class of a quarter of the population in my earlier study based on 1998-99 data. That is, though a considerable minority of 30 percent of the more restrictively defined middle class of this study, at a later stage, 2005-06, of India's post-liberalisation growth, still consists of public employees having a vested interest in the size and scope of the state, a considerable majority of 56 percent are self-employed, mainly in industry and services, and most of the rest are private sector employees. Even if we change these figures to 25 percent for public employees and 62 percent for the self-employed (going by NAS-derived inflator-defined cut-offs for 2005-06 current rupee incomes), the argument that follows is not materially affected. This indicates that among the Rich (Globals) and the internationally recognisable middle class of 55 million, although still an elite under-6 percent of the population, there is constituency for liberalisation and globalisation. However, if one goes below this stratum to the Broadest Middle Class of my earlier paper, the conclusions of that paper probably still hold. However, the for liberalisation is broader than this elite middle class because of downward social and political alliances due to social, that is, class-cum-caste reasons between the traditional upper castes and dominant castes who dominate this middle class and rising agrarian middle castes. Therefore, I argue that, contrary to the case usually made, while the growth of the middle class is a development that does not explain liberalisation itself, what it does help explain is the *particular character* of liberalisation since 1991, which I will call *sustained gradualism*. This is in contrast to the spurts of liberalisation following each IMF stand-by episode earlier (1957, 1966, 1973, 1981), which all petered out very soon in the import-substitution industrialisation regime.⁶⁰ The post-1991 liberalisation, by contrast, has been (a) sustained, but (b) unlike a whole range of countries, very gradual, if not glacial, with the Indian economy remaining one of the relatively more closed economies at least in terms of trade. This can perhaps be explained, among other things, by the fact of the growth of even this narrowly defined upper stratum of the middle class, is balanced by a much broader public employee and publicly-subsidised farmer-dominated middle class below it, leading to a support base for liberalisation while at the same time being constrained by the weight of public employees and farmers in it. One must also remember that private sector employees, approximately half of public employees in our estimates, cannot automatically be assumed to be supporters of all aspects of liberalisation, especially if they are in import-competing industries/firms, thus, the "strong consensus on weak reforms" that has taken root in the political class across party lines.⁶¹

Looking to the future, what are the implications of the relative size and composition of the middle class as estimated in this paper? If we categorise economic reform into three broad types of policies – deregulation, macroeconomic stabilisation, and public sector reform, including privatisation – then we can expect varying responses from different components of the middle class. Deregulation and macroeconomic stabilisation are "first generation" reforms, while public sector reform including, centrally, privatisation are "second generation" reforms. However, the backlog of "first generation" reforms must also be considered part of the agenda of "second generation reforms", and that backlog is considerable. The economy still remains fairly heavily regulated and fiscal stabilisation remains to be consolidated although the primary deficit (net of interest payments) is now negative. As for public sector reform and privatisation, only a small minority of fifteen of the 236 Central public enterprises have been truly privatised from 1991-2005, actually beginning only in 1999-2000, with government ownership falling below 50 percent of equity.⁶²

Deregulation can be expected to command widespread support as regulation is identified with corruption and inefficiency. Regional medium-scale businesses would welcome deregulation especially Central deregulation. However, there is likely to be a contrary pull from the rising backward caste component of the middle classes who may not want to give up statist regulation for patronage, especially at the state level.

Macroeconomic stabilisation would also bring forth mixed responses, particularly desubsidisation. The urban middle class would tend to resist giving up high administered interest rates on savings schemes of public sector banks and financial institutions, and the rural rich would resist giving up subsidies to agriculture. Likewise, subsidies to public higher education would tend to be resisted. On the closely related issue of public sector reform and privatisation, the public employee component of the middle class could be expected to resist downsizing and wage restraints although it is possible that a snowballing support effect can occur after a certain point among those who are not laid off but who stand to gain in the increasingly privatised public enterprises and among those whose family members gain from the growth of the private sector. All in all, given the growth of a largely private sector-dominated, narrowly defined and also more prosperous and educated middle class of less than 60 million as of 2005-06, support for second generation reform of the de-subsidisation and privatisation type, can be expected to grow, but only very gradually. Faster reform will only come after a tipping point is reached in terms of the balance between winners and losers, which is a long way off given the composition of even the larger middle class, itself only a quarter of the population at the most despite its disproportionate political and social influence, not to speak of the vast majority of the population below it, and the fact of multi-party coalition politics characterised by several *de facto* veto players.

Endnotes

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¹ "The Growth and Sectoral Composition of India's Middle Class: Its Impact on the Politics of Economic Liberalisation", *India Review*, Vol. 3, No. 4, October 2004, pp. 405-428.

² See Atul Kohli's argument, for example, that the growth of the number of shareholders in India provides a mass base for capitalism, in Kohli, "The Politics of Economic Liberalisation in India", *World Development*, Vol. 17, No. 3 (March 1989), pp. 305-328.

³ Montek S Ahluwalia, "Economic Reforms in India: Has Gradualism Worked?" in Rahul Mukherji, ed., *India's Economic Transition: The Politics of Reforms* (New Delhi: Oxford University Press, 2007), 109-111.

⁴ "The Growth and Sectoral Composition of India's Middle Class: Its Impact on the Politics of Economic Liberalisation", *India Review*, Vol. 3, No. 4, October 2004, pp. 405-428.

⁵ In this paper we use the more restrictive "international" cutoffs of the McKinsey Global Institute (MGI, 2007, note 29 below) which gives a figure of 50-60 million, while in our earlier paper (Sridharan, 2004, see note below) we used the more expansive cutoff derived from NCAER data.

- 6 See Atul Kohli's argument, for example, that the growth of the number of shareholders in India provides a mass base for capitalism, in Kohli, "The Politics of Economic Liberalisation in India", *World Development*, Vol. 17, No. 3 (March 1989), pp. 305-328.
- 7 For example, Erik Olin Wright, *Classes* (London: Verso, 1985); Frank Bechhofer and Brian Elliott, eds., *The Petite Bourgeoisie: Comparative Studies of the Uneasy Stratum* (London: Macmillan, 1981); Dale L. Johnson, ed., *Class and Social Development: A New Theory of the Middle Class* (Newbury Park, CA: Sage, 1982); Dale L. Johnson, ed., *Middle Classes in Dependent Countries* (Newbury Park, CA: Sage, 1985).
- 8 Erik Olin Wright, *Classes* (London: Verso, 1985).
- 9 Aijaz Ahmad, "Class, Nation and State: Intermediate Classes in Peripheral Societies", in Johnson (1985), p.44.
- 10 Chris Gerry and Chris Birkbeck, "The Petty Commodity Producer in Third World Cities: Petit Bourgeois or 'Disguised' Proletarian?", in Bechhofer and Elliott, eds., *The Petite Bourgeoisie*, 1981, pp. 121-154.
- 11 Pranab Bardhan, *The Political Economy of Development in India* (New Delhi: Oxford University Press, 1994, 4th ed.), p. 51. While his book is India-specific his definitions can be used for comparative studies of class and state in developing countries.
- 12 B. B. Misra, *The Indian Middle Classes: Their Growth in Modern Times* (New Delhi: Oxford University Press, 1960).
- 13 Satish Deshpande, "The Centrality of the Middle Class", in Deshpande, *Contemporary India: A Sociological View* (New Delhi: Penguin Books, 2003), pp. 125-150.
- 14 On these last two points see Zoya Hasan, "Changing Political Orientations of the Middle Classes in India", in Imtiaz Ahmad and Helmut Reifeld, eds., *Middle Class Values in India and Western Europe* (New Delhi: Social Science Press, 2002), pp. 152-170; and Suhas Palshikar, "Politics of India's Middle Classes", in Ahmad and Reifeld (2002), pp. 171-193.
- 15 Ashok Rudra, "Emergence of the Intelligentsia as a Ruling Class in India" *Economic and Political Weekly*, Vol. XXIV, No. 3 (January 21, 1989), pp. 142-150.
- 16 Bardhan (1994, 4th edition), p. 51, n. 8.
- 17 Pranab Bardhan, "The Third Dominant Class", *Economic and Political Weekly*, Vol. XXIV, No. 3 (January 21, 1989), p. 155-156.
- 18 Pranab Bardhan, "A Political-Economy Perspective on Development", in Bimal Jalan, ed., *The Indian Economy: Problems and Prospects* (New Delhi: Penguin Books, 1992), pp. 333-334, and for the quote, Bardhan (1989), p. 156.
- 19 Bardhan (1992), p. 333.
- 20 Atul Kohli, "The Politics of Economic Liberalisation in India", *World Development*, 17, 3, (March 1989), pp. 305-328.
- 21 E. Sridharan, "Economic Liberalisation and India's Political Economy: Towards a Paradigm Synthesis", *Journal of Commonwealth and Comparative Politics*, Vol. 31, No. 3, (November) 1993, pp. 1-31.
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- 23 Jorgen Dige Pedersen, "Explaining Economic Liberalisation in India: State and Society Perspectives", *World Development*, Vol 28, No. 2 (2000), pp. 265-282.
- 24 Arun Shourie, "When Spirit is Willing, Flesh has a Way", *Indian Express*, February 4, 2004.
- 25 Ashutosh Varshney, "Mass Politics or Elite Politics: India's Economic Reforms in Comparative Perspective", in Jeffrey Sachs, Ashutosh Varshney and Nirupam Bajpai, eds., *India in the Era of Economic Reforms* (New Delhi: Oxford University Press, 1999), pp. 222-260.
- 26 Fernandes (2007), xxxiv.
- 27 Leela Fernandes, *India's New Middle Class: Democratic Politics in an Era of Economic Reform*, Delhi: Oxford University Press, 2007, xviii.
- 28 Rama Bijapurkar, *We Are Like That Only: Understanding the Logic of Consumer India*, New Delhi: Penguin, 2007, p. 86.
- 29 Ibid, p. 86.
- 30 Ibid, p. 88.
- 31 Ibid, p.86.
- 32 Andre Beteille, "The Social Character of the Indian Middle Class", in Imtiaz Ahmad and Helmut Reifeld, eds, *Middle Class Values in India and Western Europe* (New Delhi: Social Science Press, 2002), p. 76.
- 33 Rajesh Shukla, *How India Earns, Spends and Saves*, NCAER, 2008; McKinsey Global Institute, *The 'Bird of Gold': The Rise of India's Consumer Market*, May 2007; Institute of Applied Manpower Research, *India Year Book 2008: Manpower Profile*, 2008; Hansa Research Group, *Indian Readership Survey, 2005*. See Deepak Lal, Rakesh Mohan and I. Natarajan, "Economic Reforms and Poverty Alleviation: A Tale of Two Surveys", *Economic and Political Weekly*, Vol. XXXVI, No. 12, (March 24, 2001), pp. 1017-1028, for a

comparison of the MISH and NSS data with respect to the debate on post-reform decline of poverty, in which they argue that NSS data in the 1990s is less reliable and greatly overstates poverty.

³⁴ See MGI (2007), p. 35 and pp. 186-188 for details of methodology and the “ratio-preserving” method of reconciling data from different sources.

³⁵ NCAER, *India Market Demographics Report 2002* (New Delhi: NCAER, 2003), p. 5.

³⁶ NCAER, *India Market Demographics Report 2002* (New Delhi: NCAER, 2003), p. 5.

³⁷ World Bank, *World Development Report 2008*, Table 2, p. 336 for poverty line data, and p. 347-8 for technical notes on this indicator.

³⁸ Mohan Guruswamy and Ronald Joseph Abraham, *Redefining Poverty: A New Poverty Line for a New India*, Centre for Policy Alternatives, February 2006.

³⁹ For this cutoff and these figures see Guruswamy and Abraham (2006), pp. 34-35.

⁴⁰ MGI (2007), p. 13.

⁴¹ MGI (2007), p. 13.

⁴² MGI (2007), Exhibit 2, p. 12, and Exhibit 3, p. 13.

⁴³ MGI (2007), pp. 11-12, 46-47.

⁴⁴ Rajesh Shukla et al, *How India Saves, Earns and Spends*, New Delhi: NCAER and Max New York Life, 2007, 14-15; McKinsey Global Institute, *The ‘Bird of Gold’: The Rise of India’s Consumer Market*, May 2007, pp. 36-37 and 186-188 for the scaling up of survey income data to national accounts data.

⁴⁵ R. K. Premarajan, E. M. Rao and L. Gurnathan, A Study of Estimating Cost to Government for a Government Employee, Xavier Labour Relations Institute, Jamshedpur, 2008, pp. 135-37.

⁴⁶ R. K. Premarajan, E. M. Rao and L. Gurnathan, A Study of Estimating Cost to Government for a Government Employee, Xavier Labour Relations Institute, Jamshedpur, 2008, (http://india.gov.in/govt/cpc_studies.php#, accessed on April 15, 2008). This was a study done for the Sixth Central Pay Commission by the authors at the Xavier Labour Relations Institute, Jamshedpur, estimating the Cost to Government of its employees analogous with the widely used Cost to Company approach in the private sector, computing all the costs of all the current and deferred benefits of government employees.

⁴⁷ On 31 March 2004, according to *Quarterly Employment Review*, January-March 2004, Ministry of Labour and Employment, 2006, Tables 6-7, p. 9-10, the change in two years would be very small.

⁴⁸ An urban household size of 4.81 (Table 4; average household size by MGI, 2007:176-77, data is 5.4 in 2005-06, but 4.6 for urban areas, and Central public employees would be overwhelmingly urban), would be more realistic, in our view, but going by consistency with the MGI data of 13.3 million households totalling 50 million people, we opt for 3.76.

⁴⁹ See Premarajan, Rao and Gurnathan (2008), pp. 131-134, for estimates of current benefits and CTG in public enterprises.

⁵⁰ See <http://www.indiastat.com/india/ShowData..asp?secid=13472&ptid=369848&level=4> accessed on March 31, 2008, give figures up to 2002, the last such total available. Therefore, our estimates of the middle class using these figures are conservative since there would have been a small increase by 2005-06.

⁵¹ Figures for schoolteachers for 2004-05, with category-wise breakdown into Government, Local Body, Private, with gender figures, in this paragraph, are from: <http://www.indiastat.com/india/ShowData.asp?secid=420077&ptid=369845&level=4> accessed on March 31, 2008. To these figures we apply the percentages for government, local body and private school teachers derived from 2002 figures for total teachers employed, derived from: <http://gov.ua.nic.in/NScheduleData/main3.aspx?flag=12> accessed April 2, 2008.

⁵² See IAMR (2008), Table 5.3.1, p. 312, and Table 5.3.4, p. 314.

⁵³ See Tables 1-4 in Satish Deshpande, “Caste Inequalities in India Today”, in Deshpande, *Contemporary India: A Sociological View* (New Delhi: Penguin Books, 2003), pp. 112-113.

⁵⁴ D. L. Sheth, “Secularisation of Caste and Making of New Middle Class”, *Economic and Political Weekly*, Vol. XXXIV, Nos. 34 & 35, (August 21-27/28-Sept. 3, 1999), pp. 2502-2510. For a more detailed account see D. L. Sheth, “Caste and Class: Social Reality and Political Representations”, in V. A. Pai Panandiker and Ashis Nandy, eds., *Contemporary India* (New Delhi: Tata McGraw Hill, 1999), pp. 337-363.

⁵⁵ Yogendra Yadav, Sanjay Kumar and Oliver Heath, “The BJP’s new social bloc”, *Frontline*, November 19, 1999, 31-40, p. 32.

⁵⁶ Radhika Desai, “Hindutva’s Gujarat: The Image of India’s Future”, in Desai, *Slouching Towards Ayodhya* (New Delhi: Three Essays Press, 2002), pp. 137-163.

⁵⁷ Desai, *Slouching Towards Ayodhya*, p. 146.

⁵⁸ Sanjay Kumar, “Impact of Economic Reforms on Indian Electorate”, *Economic and Political Weekly*, Vol. XXXIX, No. 18 (April 17, 2004), pp. 1621-1630, Table 1 and Table 5.

⁵⁹ Yogendra Yadav, “Urban India more polarised”, and “Economic reforms in the mirror of public opinion”, *The Hindu*, June 13, 2004.

⁶⁰ See David DeNoon, "Cycles in Indian Economic Liberalisation, 1966-1996", *Comparative Politics*, Vol. 31, Number 1 (October 1998), pp. 43-60.

⁶¹ Montek S Ahluwalia, "Economic Reforms in India: Has Gradualism Worked?" in Rahul Mukherji, ed., *India's Economic Transition: The Politics of Reforms* (New Delhi: Oxford University Press, 2007), 109-111.

⁶² <http://www.divest.gov.in/pvtps.htm>, accessed on June 16, 2008.

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