

## **Inequality and Growth: An Evaluation of Trends and Relationships in India (1997)**

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This paper evaluates the recent performance of the Indian economy in terms of inequality and growth and then tests to see how these two variables are related. It begins by examining recent trends in economic growth and income distribution across the states and regions of India. This analysis shows that state and regional income levels have diverged significantly in the past twenty years, but that income inequality has converged in the past decade. The paper then focuses on how inequality and growth could be related. It discusses the wide variety of theoretical and empirical work recently done on this topic and then, correcting for empirical problems, finds no significant effect of inequality on growth within India. The paper concludes by assessing how these lessons should be applied in the formulation of future policy.