On the Land Question in 21st Century India

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The Price of Land: Acquisition, Conflict, Consequence by Sanjoy Chakravorty *(OUP India), 2013; pp 304, Rs 825.*

Conflicts over land and resources are now a marked feature of the Indian growth story. Intense citizen resistance and their electoral implications are leading capitalist and state interests to call land acquisition the "biggest problem" for economic growth, even as token attempts at "inclusive growth" are made. The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act 2013 (RTFCTLARRA) is one such attempt at "inclusion", with state-determined social impact assessments, higher compensation, and, rehabilitation and resettlement mechanisms (Sampat 2013).

Sanjoy Chakravorty's book, written and published before RTFCTLARRA 2013 was enacted, shares a fundamental premise with the new law – both valorise economic growth and urbanisation and place "the price of land" at the heart of land acquisition conflicts, albeit with differing resolutions.

Briefly, Chakravorty argues that over the last decade India has permanently entered a new land price regime with extremely high land prices. This is driven by an increasing supply of money, high income inequalities and scarcity of land. The then Land Acquisition Rehabilitation and Resettlement Bill 2012's compensation provisions, at four times the market rate in rural areas and twice in urban areas, will, he believes, raise land prices exponentially and will fundamentally impede economic growth and urbanisation. Compensation should, in Chakravorty's view, aim at meeting the "reservation price" of landowners through parameters determined by each state independently. "Priceless" lands, where landowners are uwilling to give up land because of subjective cultural values, should be kept out of the purview of acquisition altogether. All actors including the state should undertake consent-based acquisition. And, finally, the state should facilitate transparency and information symmetries to create well-functioning land markets. Despite his ideological market bias, this timely work furthers analyses the largely obscure land and property markets in India. His findings are based mostly on secondary material, but offer significant pointers for further investigation.

New Land Price Regime

Chakravorty scrutinises newspaper accounts in 2010 and 2011 to indicate that Indian urban land prices range from Rs 50,000 to Rs 200 crore per acre.[1] Analysing the Residential Price Index (RESIDEX) data based on home mortgage figures of banks for 15 cities from 2007 to 2010 and Town and Country Planning Organisation (TCPO) data for two cities from 1999 to 2004,[2] he concludes that the price of urban land has increased fivefold between 2001 and 2011. An international comparison of the real estate price to income ratio further reveals that while in the world's most expensive land markets, 62 to 69 years of national average income is needed to buy housing in the highest end of the property market, in Mumbai and Delhi the ratio is a whopping 580 and 180 years of national per capita income, respectively. With these figures he underscores the post-liberalisation inequalities in wealth and income distribution.

Based on news reports and studies of rural land prices, Chakravorty claims that agricultural land prices in some areas may have increased by a factor of five to 10 over the past decade. He finds that agricultural land prices are higher in the urban periphery than in interior districts, but there is wide variation in rural land prices near urban centres across states. Prices vary, he suggests, according to productivity and income from land, depending on how active local land markets are, and on the scarcity of land supply and fragmentation.

The rising price of land then, he contends, is a condition lasting well over a decade and cannot be called a "bubble": "India is permanently in a new land price regime" (p 163; see also Chakravorty 2013). He argues that this is because of the expansion of money supply post-liberalisation: expansion of credit markets, income growth for some sections who in turn invest in land and property as status markers, rise in blackmoney, foreign investment by non-resident Indians, and the scarcity of land with respect to location and intense fragmentation.

How sustainable is this new land price regime? We are left to assume that land prices will continue to rise over the coming years as well, fuelled by growing money supply and incomes and the scarcity of land. However, a developer I interviewed in Goa for my research on the state's real estate economy revealed that the ban on illegal mining in the state slowed the financing of projects. Sand and stone mining bans further raised construction costs. Opposition to housing and infrastructure projects were further deterrents. Growth slowed on account of these factors, with an adverse impact on land and property transactions. Thus, when growth itself is premised on a chain of illegalities, what are the implications of assuming that the new land price regime is sustainable?

Multiples of Reservation Price

Chakravorty argues that if farmers are ready to die rather than sell land then this is often because the price offered does not meet their reservation price. Reservation price, he clarifies, comprises income-based utility and other subjective utility of land. Given the wide variation in scarcity, income from and productivity of land across states, he argues it is best to let each state negotiate reservation prices. Chakravorty claims that the introduction of factor multiples for compensation threaten an adverse impact on growth and urbanisation[3] by making land prices prohibitive. The new law's framers seem to have heeded this advice, leaving compensation at four times in rural areas subject to the distance from an urban area (to be decided by each state), and at market price in and around urban areas.

It should be noted that official market prices are determined as an average of prices in sales transaction in the previous few years. These circle rates never reflect current market prices as parties frequently depress real transactions to avoid stamp duties. After an infrastructure or real estate project enters an area, market rates appreciate considerably and exert a change in land-use pull on adjacent agricultural land. Thus, compensation rates are always determined at previously depressed and not current prices. The pull on adjacent land has further implications as land is diverted from agriculture and local livelihoods are directly and indirectly disrupted. The claim that higher compensation would create asymmetries where rural land would be costlier than urban seems erroneous. The removal of factor multiples from compensation only robs land losers from a share of the profits of the developer. To mitigate disparities between the landed and landless, a greater compensation rate for the landless needs to be promulgated.

This is unlikely to raise project costs for developers, but will decrease their profits and reduce income inequalities. To illustrate, in his study of agrarian change around the Mahindra World City (MWC) on the outskirts of Jaipur, Levien (2012) found that the MWC paid Rs 10,20,567 per acre for 3,000 acres for land acquired by the Rajasthan State

Industrial Development and Investment Corporation (RIICO). While their development costs amounted to Rs 29.70 lakh per acre, they were selling industrial land at Rs 100.80 lakh per acre and residential land at an estimated Rs 248.49 lakh per acre – making whopping profits of Rs 60.75 lakh per acre of industrial land and over Rs 209.25 lakh per acre for residential land. Had the farmers been given four times the rate given to the government (which is unlikely as the government agency acquires land on depressed circle rates), this would amount to Rs 40.82 lakh per acre. Adjusting for development costs of the company (Rs 66,000 per acre), MWC would still make a profit of Rs 30.27 lakh per acre of industrial land (and more from residential land). The question worth asking is – Who does the removal of factor multiples benefit?[4]

Some Goan developers I interviewed pointed out that the entry of national-level builders in the Goa market in 2004 fuelled such a price rise in local markets that land (and property) were increasingly priced out of local affordability. Income inequality, in other words, is the driving force of land appreciation. Growing disposable incomes of some sections of the country's population are fuelling further uneven and often illegal development. In his misplaced focus on the implications of factor multiples on the price of land, Chakravorty fails to take this crucial insight deeper. The extent of inequality fuelling this phenomenon requires a deeper interrogation of the implications of growth and urbanisation.

'Incommensurability of Values'

Martinez-Alier (2002) in his work on "the environmentalism of the poor" discusses the "incommensurability of values", where the economic value for land and the environment is incommensurable with ecological, cultural or other values. While he sees incommensurability as operating within the framework of the dominance of economic values attempting to subsume other values under capitalism, Chakravorty simply wishes away the problem by suggesting that "priceless lands" be left out of acquisition altogether. The "flashpoints" he discusses in his analysis of conflicts (Nandigram, Singur, Maha Mumbai special economic zone (SEZ) and Kaliganagar) are over lands considered priceless by resistors. Indeed many mining areas are in priceless indigenous land and at the heart of the Maoist war against the Indian state. Will the paradigm of economic growth Chakravorty espouses leave such lands out of its expansionist reach as he naively seems to believe?

The doctrine of eminent domain embedded in land acquisition laws assumes sovereign power for "public purpose". Chakravorty assures us that this paradigm of acquisition is now dying, that information and knowledge of the "right to refuse" among citizens accounts for this paradigm shift. Considering the expanded scope of eminent domain in the draft land acquisition bill under discussion when the book was written, this view is unjustified. While it is debatable that the provisions of the draft bill (for instance social impact assessment) allow for acknowledgement of dissent, that the draft bill (or the new law) in any way recognised a right to refuse acquisition is simply inaccurate.

Accumulation by Dispossession

Certain ideologies are based on abstraction and apprehension of reality, while others are based on its erasure. Chakravorty's analysis is based on the latter and the elephant in the room is capitalism, which carries its own contradictions and regularly generates crises that must be overcome to meet its imperative of constant expansion (cf Harvey 2010). In the case of land acquisition the limit is popular resistance. The RTFCTLARRA 2013 is an attempt to overcome this limit, but contains within it the elements of future crises of acquisition in its expanded scope, non-consensual state acquisition and inadequate compensation.

There is a fundamental conceptual confusion in Chakravorty's understanding of "accumulation by dispossession" (ABD) wherein he takes it to refer to forcible land acquisition undertaken directly by (or for) a capitalist concern. He argues that since the independent Indian state undertook large-scale acquisition for infrastructure projects, and this acquisition was not by the private sector, the process was not ABD and those that argue that it is so follow ABD as an "article of faith" (p 129).[5] Glaring as this confusion is, he would do well to remember that the Indian state was acquiring land to institute infrastructure for capitalist growth, in agriculture and industry. The current policy emphasis on infrastructure, industrialisation and urbanisation codified in the RTFCTLARRA 2013 is similarly in aid of a capitalist model of development.

Chakaravorty's analysis is premised on capitalism's idealised tenets, liberal democracy with clear property rights; and well-functioning, transparent land markets with information symmetries. He will have us believe that the egregious overreach of capital can be mitigated by these features once they are in place, flying against historical evidence of land realpolitik. His faith in well-functioning markets operating in benignly democratic conditions ignores the violent institution of capitalist markets historically, including the parliament-sanctioned enclosures of 18th Century England (Thompson 1966; Polanyi 2001; Fanon 2005). Chakravorty avoids a deeper analysis of the processes underlying contemporary conflicts over land and attempts to insulate himself from critiques of the capitalist model of development embedded in his arguments by claiming that such critiques are anti-developmentalist and ideological. This is unfortunate, as his analysis of land markets lends itself to a trenchant critique of the model of development being currently instituted and a reversal of policies that are driving the price of land upward. If deeper democracy is understood to mean the right of citizens to determine the path of development, prefiguring development out of ideological dogma for markets and growth will not help its cause. But here we hit capitalism's Achilles heel – democracy within market limits.

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NOTES

1 All prices discussed in the book (and here) are converted to per acre measures.
2 RESIDEX figures are based on home mortgage lending data provided by banks. He considers these the closest approximations to real prices as they are based on contracts but adds that even if they exclude off-the-book dealings, they can only be underestimates of actual prices.
3 Here he particularly chastises National Advisory Council (erroneously called committee in the book) members N C Saxena, Harsh Mander and Aruna Roy.
4 Levien (2012) further analyses the involutionary dynamic of agrarian change amplifying caste and class inequalities and the marginalisation of women in the wake of the MWC. He argues that the local economy is a matter of indifference and local labour is not absorbed by the MWC (see also Cross 2009 for a critique of the politics of work in a special economic zone (SEZ)).
5 For a comprehensive explanation of ABD see Harvey (2005).

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