The Price Of Land
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Acquisition, Conflict, Consequence

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To Pallabi,
this is one way …
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All the competing elements of Indian society appear to have converged on a single issue—land—or, to be more specific, changes in land use and ownership. From Special Economic Zones (SEZs) to power plants, from highways and airports to new factories and mines, from housing complexes to slum development, from scams and grabs to distress sales and forced evictions, stories of conflict over land dominate the media and popular imagination. Every section of the population is affected: farmers and factory workers, the rural poor, and the urban elite. Every voice in the political spectrum has spoken and continues to speak: revolutionary, leftist, centrist, and rightist; the growth-obsessed and the anti-capitalists; environmentalists and developers; business and civil society leaders; and of course politicians and policymakers.

At the centre of all this, the most contentious issue by far, is the acquisition of agricultural land. This is said by some to be the ‘biggest problem’ in Indian development today. That in some circles land acquisition is thought to be a bigger problem than poverty or corruption or inequality is, by itself, intriguing and revealing. Past injustices committed during land acquisition from peasants are said to have given rise to what Prime Minister Manmohan Singh called ‘India’s biggest internal security challenge’, the Maoists, the armed Adivasis operating a guerilla campaign against the state in the heart of the nation. And the numbers in play are staggering:
hundreds of crores of rupees for a single acre of urban land; hundreds of thousands of villagers dispossessed for a single project.

No one is untouched and no one is unheard. There are hundreds of newspapers and television channels continuously sending out information, misinformation, innuendo, and propaganda on land. This is not surprising. The media industry thrives on conflict, and over the last half decade land has been a source of unending stories of conflict. Narratives dominate. Heroes and villains are made and unmade. This explosion of information (if not misinformation) is good, in principle. Information, as we shall see, has been the vital ingredient in producing the conditions we see today. But in this din of many voices of partisans and advocates, analysis is marginalized. It is necessary to step back and see the big picture.

Over more than 60 years of independence, much land, a lot of it agricultural land, has been acquired for infrastructure and industry. Massive dams and irrigation projects in Bhakra Nangal, Hirakud, Damodar valley, Narmada valley, and perhaps as many as 5,000 dams overall; integrated steel plants and their associated townships in Raurkella, Durgapur, Bhilai, and Bokaro; new towns and housing complexes; numerous defense establishments spread all over the country; ever newer and larger airports and runways; and ever wider highways, new ports, and expanded ports; thermal power plants and the coal mines that feed them; aluminum plants and bauxite mines; and fertilizer plants—all of these have been created on land that had been in some other use. Millions of acres, possibly as much as 50 million acres, or about 6 per cent of all the land in the country, have been converted after 1947. Millions of people, possibly as many as 50 million, have been displaced or adversely affected.

Yet, in the last five years, a system of land acquisition that appeared to have been working for decades has broken down. Aside from the well-known cases of very troubled and violent acquisition processes (in Nandigram, Singur, Kalinganagar, Posco, and Yamuna Expressway, for example), there are hundreds of small and large cases of land acquisition processes in trouble. From road-widening projects in Meghalaya to port-expansion projects in Tamil Nadu, from soap factories in Gujarat to steel factories in Odisha, there is
resistance to land acquisition all over the country. One could go so far as to call this a simmering revolution. The situation has reached such an impasse that a new land acquisition law has been proposed by the central government and several states have created, or are in the process of creating, new acquisition policies.

This book explores what happened and why, and what it means for the future. My aim is to provide clear answers to three fundamental questions on land acquisition (with a focus on the acquisition of agricultural land for non-agricultural use):

- What are the realities of land acquisition today?
- How did the situation get to this impasse?
- What are the ways forward?

This overview lays out the core themes, arguments, and facts about land acquisition in India. It is a shorthand guide to what is detailed in the rest of the book.

**The Core Themes**

I suggest that the explanations begin from the price of land. If many landowners refuse to sell, if some are willing to die rather than sell—and we shall see that this is a fact, not hype—something must be seriously wrong with the price of land acquisition. Simply put, the price of acquisition must be less than the landowners’ reservation price, the level below which they will not sell willingly. Hence, it is necessary to understand both elements: how acquisition price is determined and how farmers’ reservation price is determined. Both price setting processes are dynamic. Land acquisition has a history and we need to understand how it evolved. Landowners’ reservation prices change along with changes in the economy and the land market and these changes have to be understood too. Therefore, the price of land—in urban and rural India, in different cities and regions, for acquisition and voluntary sale, contested and accepted, from pre-colonial to contemporary times—is a core theme running through this analysis.

The state determines how markets operate through laws and institutions. The state in India—from pre-colonial to contemporary times—has set the conditions for the operations of
the land market through laws and policies on ownership, taxes, subsidies, and land use and acquisition. For the purpose of this analysis, the most direct of these laws and policies in independent India have been those on land reform (abolishment of the colonial ownership system, land ceilings, tenancy laws, and so on) and land acquisition (specifically, its purpose and compensation). These policies are fundamentally contradictory—the Indian state gives with one hand and takes away with the other. Aside from the explicit or direct policies on land, the state has implicit policies on subjects ranging from industrialization and trade to transportation and the environment that impact the land market. The focus in this book is on the explicit policies, but the implicit policies are omnipresent. In general, the state is omnipresent in India's land market and its actions and contradictions form the second major theme in this book.

The third core theme is change, or to be more specific, two key changes in a country undergoing transition in all aspects. First, there have been significant recent changes in land markets, driven by increasing demand from both urban and rural users, expanding credit markets, and rising incomes and inequalities. These changes are marked by rapidly increasing prices all over urban India and several parts of rural India. These price changes influence behaviours for all participants—buyers, sellers, acquirers, and resistors. Second, the information market has changed in fundamental ways. Indian citizens today have more information (and misinformation) about the most critical elements that influence action on land—that is, prices and rights.

These information sets are important. Markets work through prices. The price of a given piece of land, like the price of everything else, is based on information on the price of other pieces of land: prices paid in the recent past and prices paid elsewhere, especially in nearby locations. The price of land, like the price of anything else, is also based on the right to negotiate and the right to refuse to sell or buy. If information on prices is not available and the rights to negotiate and refuse do not exist, a real market does not exist. The right of refusal is especially important in India's agricultural land markets. In past land acquisitions, landowners
were compelled to sell at levels below their reservation price. This was the fundamental problem. The last half decade marks a turning point because of increasing awareness among farmers that they cannot be forced to sell. This ability to refuse, and just as important, information that the power to refuse exists, have fundamentally changed the dynamics of land acquisition. The turbulence and conflict of today are both the cause and effect of this major transition.

One of the objectives of this book is to explain how Indian farmers got this power to refuse to sell. I suggest that the (now dying) process of land acquisition was enabled by information asymmetry—the state had more information (and power), the targets of acquisition had less.¹ This asymmetry has been removed by new agents in the information market. The media (television and print) are of course the primary direct disseminators of information, but the content is provided by a range of new agents from civil society and political parties. It is no longer possible for the state to take thousands of acres and displace thousands of people because the targets of displacement are better informed and organized and the general citizenry too is better informed by these new information agents. As a result, the old system of acquisition has become defunct and a new one is beginning to form—in a new information market with many agents with many agendas and a new land market with high and rising prices.

**A Brief History of Land**

The core themes identified earlier are substantiated in the remainder of the book. But before being immersed in those details, let us use this overview to preview the thread of the main arguments using a chronological narrative. Figure A1 in the Appendix shows a timeline of the significant events that have shaped India’s land markets in the last 250 years. Note that what comes next is a bare bones account, with several big and over-inclusive statements. Most of these statements, the essential elements, are fleshed out later in the main body of the book (using standard scholarly devices like citations and data). Some are not, but I believe they are plausible enough for us to get started.
Let us begin from the premise that land is unique, unlike any other commodity that is exchanged through the market. Its supply is known and constant (regardless of demand) and there is no substitute for it. Land—along with labour and capital—is a basic factor of production; this means that every good and service has a land-cost element embedded in it. It is a source of income and an asset. Land is also the reason for many of the upheavals in history. Conquests, invasions, wars, migrations, riots, imperialism, colonialism, fascism, all share one common goal—to control or possess land that is in the possession of another. This desire to possess does not arise simply because it gives pleasure. Surely there is great pleasure in possession, but there is a practical, economic side to it too. Subject lands provide soldiers, slaves and other forms of subjugated labour, and most important, revenues.

Colonialism

The colonization of India by the East India Company was driven almost entirely by the desire for land revenues. There was little being manufactured at that time and not much to trade. The colonizers sustained themselves and grew their ranks by taking handsome profits from the land revenues extracted from the peasantry. The rate of taxation was 75 per cent or more of a cultivator’s output. This was more or less the economic model of all pre-colonial regimes in India, from the Mughals to the Marathas; there were simply some variations in the rate of revenue extraction and method of revenue collection (from individual cultivators, or village headmen, or zamindars, or princes, and so on).

The Industrial Revolution created a new economic incentive for colonialism: industrial manufacturing. So, added to the existing revenue sources—land primarily, and trade in cash crops like opium and tea—was the new revenue from manufacturing and trade in manufactured goods. This new industrial system unavoidably led to new uses for land. If the old system could be simplified to have had two land uses—urban, for administration and trade, and agricultural, for production—the new system started adding several new uses: transportation first (canals and roads) to enable commerce, followed by mining (coal first, metal ores later), and
industrial manufacturing. The new system began to convert some agricultural land to different uses: for infrastructure and industry. It was not difficult to make these conversions happen. The colonial state had near-absolute power. It took land for new uses (such as canals, rail lines, and mines) and provided compensation as it saw fit. That is, the buyer set the price.

This is an important point. The only situation in which buyers can set prices is what economists call a monopsony. This is a condition in which there are many sellers and one buyer. This is the obverse of the more well-known condition of monopoly in which there are many buyers and one seller. In a monopoly the seller has the power to set prices; prices are high because high prices serve the interest of the seller. There are laws to curb monopolies in every country. In a monopsony, on the other hand, the buyer has the power to set prices; prices are low because low prices serve the interest of the buyer.

But why should someone sell if the price is too low? He does not unless he is compelled to. This brings up a second important point. Every country has laws that compel its citizens to act against their own interests in order to accomplish some public interest or purpose. The public purpose laws that are specific to land acquisition are called eminent domain laws. The questions are: What is in the public interest and who makes that determination? How are land-losers compensated? Do they have the right or ability to resist or negotiate? These turn out to be the central questions on land acquisition from the time land has been acquired in the name of public purpose. Note that the core conflict is between the state (which is almost always the land acquirer or at least an enabler) and private landowners.

The colonial state was not omnipotent but was very powerful. It decided what served a public purpose. Landowners had little legal recourse and were paid what the state decided to pay. So the colonial state acquired land for transportation, mines, and factories as it saw fit and paid what it saw fit. In some cases, the state converted land from one agricultural use to another without even the fig leaf of compensation.

There were frequent incidents of resistance—such as the indigo revolt in Bengal in 1859, numerous Adivasi uprisings in the
Overview

Chhotanagpur region, and several farmer revolts in the Deccan—but these were isolated events. The resistors had no knowledge of what was happening in the rest of the country, and no ability to exchange information or organize. The vast majority of the peasantry behaved as if these were the inevitable and unchangeable conditions of life, and their actions, habits, and regular practices were defined and limited by these normal conditions. The colonial state too saw its power as normal and its practices and habits took the asymmetries of power and information for granted. Over time it created laws and policies that formalized these conditions. The culmination was the Land Acquisition Act of 1894.

But the key transformation effected by the colonial power was not in taking land or converting land uses—both of which were quite limited in extent, certainly in comparison to what the independent Indian state would do later—but in turning land into a commodity, something that could be bought and sold. This transformation began with the Permanent Settlement in Bengal in 1793, a policy that for the first time in Indian history created proprietary rights in land—not for common cultivators, but for zamindars and large estates. Decades later, well after the Sepoy Rebellion in 1857, as the importance of land revenue declined and the fear of peasant unrest increased, the colonial raj expanded tenant rights at the cost of landlord rights. Between the time the First World War ended and the British left India, the land market had been substantially transformed—with rising population and consequent land fragmentation, expanded tenancy rights which led to exchange rights, numerous intermediaries and sub-infeudation, and incipient credit markets run by usurious local moneylenders.

By then the critical elements in the land acquisition process had been established: price setting by the buyer, that is, the state, and lack of power and information among ‘sellers’ about prices elsewhere, negotiation, resistance, and so on. In other words, the land takings were characterized by asymmetric information and power in monopsony ‘markets’.

The third critical element was that these conditions were considered ‘normal’ and institutions and individuals behaved as if they were. These elements—the asymmetries of power and
information between landowners and the state and the ways in which these asymmetries are normalized—are foundational to understanding stability and change in land markets, including the contemporary agricultural land market in India.

Independence

Normal conditions vary over time and space. What would have been considered normal and usual in late nineteenth century India is different from what would have been considered normal and usual in England in the same time period, or what would have been considered normal and usual in mid-twentieth century India. When we reach the latter period, India was an independent nation, a parliamentary democracy that was interested, perhaps above all else, in development, the simplest understanding of which is the rise of per capita gross national product, producing, in turn, improvements in key social indicators in health and education. This was the new normal. Not colonialism and exploitation but democracy and development. Not a colonial state but a developmental state that saw large-scale modernization and industrialization as its essential ingredients.

The developmental state had to have policies on land. The new policies differed in at least one significant way from those of the colonial state: agricultural output was no longer directly taxed for revenue generation (breaking a system as old as recorded Indian society). The farmer became a symbol both of eternal and modern India. He was given technological assistance to improve output, but not directed to grow something specific. The zamindari system was abolished and the village moneylender was severely curtailed. Some land redistribution took place—around 6 per cent of agricultural land changed hands. Some of this came about because of tenancy reform; and a little came from new laws on landholding ceilings that were created to protect small farmers and prevent the re-emergence of big ones. Adivasi lands, forest lands, and community lands were protected by restricting sales to outsiders.

The land market changed in fundamental ways because of the new laws and policies; and because land is a state subject, the laws were different and different land markets eventually emerged...
in India's states. The effects of these laws also vary from state to state. Some state governments at some points, especially leftist governments in Kerala and West Bengal, were strongly reformist and effective in redistributing land. Other governments, especially Congress governments, were, at best, ineffective. At worst, these laws had regressive or unintended effects: making land transactions difficult and opaque; unleashing litigation, fraud, and land fragmentation; and allowing landowners to push tenants around, while very little redistribution took place.

In addition to laws and policies, there were massive demographic changes. India's population has more than tripled after independence. And this increasing population pressure has led to increasingly fragmented landholdings. Today, marginal landholders, averaging less than one acre per holding, comprise two-thirds of the country's landowning population.

But in other significant ways the new normal was not very different from the old normal. The state still took land it deemed necessary for development using the language of public purpose—for defence, dams, irrigation, factories, townships, power, roads, rails, and so on—this time in national interest, as opposed to the colonizer's interest. As before, the state, that is, the acquirer, set the price of land.

This ability of the state to take land at a price of its choosing had three major advantages for it. First, it lowered the direct cost to itself. Second, it was able to lower transaction costs, which are the costs associated with making a market exchange. And third, it was able to lower opportunity costs, which, for industry, are the costs of lost time and output lost during it.

Let me explain. The process of creating a large contiguous land parcel of several hundred or several thousand acres by buying many small adjacent pieces can be very expensive and time consuming if done through a regular land market. But the same thing done through the fiat of the state eliminates the problem of holdouts (unwilling sellers), litigation (often arising from disputes over land titles), and negotiations with each individual seller. Hence, the buyer (the state acting on its own behalf or for private interests) has the best of all worlds—low direct costs (because it sets the
price) and low transaction and opportunity costs (because it can simply take the land it wants and transfer the title to itself).

In other words, the asymmetries of power and information that had characterized colonial land takings persisted, virtually unchanged. Scholars have estimated that in the first 60 years after independence, between 20 and 60 million people were affected by land takings for development projects. We do not know exactly how many because the state has not counted or tracked them in any systematic way. Most landowners were paid little (for instance, Rs 50 to 200 per acre for the Hirakud dam project, commissioned in 1957 in Odisha); many were never paid. People who did not own land but were dependent on it for livelihood were, as a matter of course, paid nothing; neither were non-owners who used what are known as common property resources (CPRs)—that is, land that is not privately owned—the forests and water bodies typically used by Adivasis that belonged to no private individual. A significant majority of the affected population was never resettled or provided alternative livelihoods; many thousands lost land more than once, when a resettlement area was taken over for another project. It is possible that around 50 million acres of land were converted. It is likely that more than 90 per cent of all the land converted after independence was taken by the state to undertake state infrastructure projects—in water (dams and irrigation) above all, followed by transportation.

The independent Indian state’s policies on land were, therefore, fundamentally contradictory. It gave (or redistributed) land with one hand, and took (or acquired) land with the other. It took more than it gave, and the giving stopped long ago, whereas the taking has intensified in recent years. Just as important, populations that got the development benefits of land takings were very different from the populations whose lands were taken. The groups most disproportionately affected by the takings were India’s most marginalized, especially Adivasis (and to a lesser extent, Dalits). These marginalized and other land-losing and livelihood-losing communities frequently faced wipeouts. Their losses effectively subsidized India’s development, or, to be more accurate, its winners, that is, the populations that got power, roads, and water—*bijli,*
sadak, pani. This regressive redistribution system lasted well into the 2000s. It was politically sustainable for many reasons, not least because the direct winners outnumbered and were more politically powerful than the direct losers. Even if the worst accounts of land takings are exaggerated, even if the highest numbers of affected people are overblown, this has to be considered a deeply inequitable and significant state failure by today’s standards.

Now

Therein is one of the keys to understanding this current history: today’s standards did not exist in the first five decades after independence. What is taken as normal today is not what was considered normal then. The desires were different, the language of development was different, there were far fewer actors or agents in the development process, and the state had more power and information and every other entity had less. Therein is the second key to understanding this current history: all actors in the land acquisition process today have more information than they did during earlier decades, and this is especially true of potential land-losers.

How did this happen? The state did not suddenly become generous and offer new information and rights. In fact, the state did the opposite. It assumed that the ‘old normal’ had not changed, and based on that presumption promulgated what was very likely the trigger for this transition: the Special Economic Zone (SEZ) Act of 2005, designed to quickly convert large quantities of agricultural land to non-agricultural uses to meet the rapidly rising demand generated by India’s rapidly growing economy. A lot of new land was needed for new mines, factories, information technology parks, housing, and above all, for infrastructure, especially in transportation and energy. The land was needed quickly because lakhs of crores of rupees were lining up for investment on the ground. This demand for more land by a growing urban-industrial economy was paired with demand for more land by agriculturalists whose numbers were also growing and, as a result, whose landholdings were getting increasingly fragmented. But there was no more new land to be had.
It was a perfect storm. Because, as the demand for land was growing for both urban–industrial and rural–agricultural interests, the information asymmetries of the past were being dissolved by the arrival of new information agents, first in the form of civil society organizations, and later by political parties. The growth of civil society has been a potent and visible form of India's deepening democracy. This growth was catalysed by the Narmada Bachao Andolan, a protracted struggle over land and livelihood rights. The Andolan itself failed to achieve most of its direct objectives, but it enabled a new discourse on development, created a cadre of workers against displacement, and generated valuable lessons on information dissemination and organizing resistance. This learning has borne fruit in the resistance to land acquisition today. The growth of civil society is a sign also of the growing mistrust in both the state and big business; there is an increasingly vocal civil society movement that is opposed to 'neoliberal globalization'. In the land acquisition arena, there are now thousands of grassroots organizations (most formed to resist or negotiate specific land acquisition projects), hundreds of regional organizations, and several national and international organizations that network and share information.

Sometimes, usually in the cases that become notorious, these organizations are supported by political parties. Not a single political party has a consistent position on land acquisition; each is selective and populist and opportunistic—generally a party is in favour of land acquisition where it is in power and against it where it is not. But they can be and have been very effective. One chief minister (Mamata Banerjee in West Bengal) has come to power riding the tiger of land agitation. Others, like Rahul Gandhi in Uttar Pradesh and Odisha and the BJP–Shiv Sena combine in Maharashtra and Goa, hope to do the same.

As a result, there are many more agents active in agricultural land transactions, and their activities provide landowners with more information about prices and rights. Some agricultural land markets, especially in prosperous farming regions, are now very active with known and high prices. Generally, agricultural landowners get prices today that are five to ten times higher than
what they would have gotten as recently as a decade ago. And perhaps most important, landowners now know that they have the right of refusal, and in some cases go further and argue that their land is priceless, that it cannot be had at any price.

This is an idealized account, of course. The process is far from seamless. There have been and continue to be outbreaks of violence in some high-profile projects. Many people have been killed resisting land acquisition projects over the past five years; dozens, possibly hundreds. Large swaths of Adivasi lands are now ‘no go’ regions under virtual Maoist control where the state’s writ is openly defied and land acquisition is out of the question. In addition to good information there is misinformation, motivated information, and unrealistic price estimates.

Different state governments (which, working through district-level administrations, are typically the executors of land acquisition projects) have responded differently based on their own local situations and limited/varied understanding of the forces at play. Some states (like Haryana, Gujarat, and Tamil Nadu) have been more successful than others (like West Bengal and Odisha) to comprehend and react to the changed situation. One state government (Goa) has abandoned the SEZ policy, while others (like Himachal Pradesh) are formulating new policies.

The central government too has recognized the magnitude of the change. The SEZ policy is being rolled back, slowly, and may be allowed to die on the vine; many SEZ promoters have simply backed off. The financial rights of people living on land that contains mineral ores are being transformed; ongoing discussions suggest a 26 per cent stake for affected people in profits from mining activities. But it is difficult to be certain about the knowledge and intent of the state. As this book was being written, the prime minister announced a new initiative—a National Investment and Manufacturing Zone (NIMZ) policy—which appears to be an amped-up Chinese-style SEZ policy that will demand a 100,000 acres or more for each new NIMZ. We are reminded again that there are many competing interests in the Indian polity and land is a critical resource for most of them. The demand to convert large quantities of agricultural land to other uses is not about to dissipate any time soon.
Many influential people have publicly stated that land acquisition is the ‘biggest problem’ in India’s development path. Most informed people agree that the existing law (the 1894 Land Acquisition Act) is at fault and a new law must replace it. Almost no one who believes in and knows something about economic growth and development doubts that this can happen without converting some agricultural land to new uses. Therefore, few question the need for some sort of land acquisition law, because without one it may be impossible to purchase large areas that are fragmented into many small units. Negotiating with hundreds or thousands of owners and dealing with litigation and holdouts and local land ceiling acts may take years, maybe decades—enough time to kill almost all large projects. As a result, the new Land Acquisition, Rehabilitation and Resettlement Bill has been formulated and is currently progressing through the legislative system.

This bill is not going to be easy to pass and in my analysis it should not. The solution chosen by the framers of the bill is overpayment. It is based on the principle that all land in India has the same market conditions; if all rural ‘market prices’ are quadrupled and urban prices doubled, then the farmer’s reservation price will be reached and the problems with acquisition will simply go away. The reality is that all rural land market conditions are not the same. In many regions prices are increasing, high, and known. Meanwhile, the price of urban land has increased fivefold in the last decade. The most troubling aspect of the bill is the possibility that the new payment system will increase the price of the land most likely to be converted to different uses—that is, land close to metropolitan regions and therefore logical targets for conversion—by a factor of five or more. This is on top of a fivefold increase that has taken place in the last decade because of changes in the Indian economy and society.

Rural land, some of which could have been taken (unjustly) for under Rs 1 lakh per acre a decade ago, is likely to effectively cost Rs 25 lakh per acre in the lowest-price settings, closer to Rs 50 lakh per acre in many realistic situations, and well more than a crore per acre in states like Punjab, Haryana, Kerala, and Tamil Nadu. Land on the urban edge will cost several crore rupees per acre.
This has serious implications for many aspects of India’s future development, especially for industrialization, urbanization, and public goods provision. The regressive redistribution system of the past—in which land-losers bore the brunt and were often wiped out—is likely to turn into a social tax system in which landowners become windfall winners and critically needed land becomes unaffordable for development.

THE REST OF THE BOOK

The rest of the book details these and many nested ideas that have not been mentioned in this brief account, plus evidence to support them. The material is divided into three parts—the Present, the Past, and the Future.

Part 1 covers The Present. It is a status report—journalistic and light in style—on conflicts, prices, and agents in contemporary land acquisition processes. The principal purpose here is to provide solid empirical information on current conditions. There are separate chapters on conflict situations (including well-known and unknown ones), prices (from a wide variety of settings, from the core of south Mumbai to the mining lands of Odisha and Jharkhand), agents (buyers, sellers, political parties, and civil society), and detailed accounts of four flashpoints (Nandigram, Singur, Maha Mumbai, and Vedanta).

Part 2 is on The Past. The four chapters in this part cover transformations in India’s land market through the different state systems—from the Mughals and the British to nationalist development and liberalization. There is some basic information on the pre-colonial period, more information on the colonial period, and substantial detail on the post-independence period. The emphasis is on the fundamentally contradictory impulses of the state in independent India: land reform and redistribution, on the one hand, versus large-scale land takings on the other. These are discussed at length in two key chapters on the ‘giving state’ and the ‘taking state’.

Part 3 is on The Future. This is where most of the theoretical analysis is placed. There are two major areas of analysis. The first focuses on urban and rural land markets and prices. I show how
land scarcity and the growth of income, credit, and inequality are shaping contemporary land markets and prices. The final chapter evaluates the consequences of emerging land markets, primarily by using the emerging legal and policy approach as a framework for analysis.

I end this overview on a personal note. I began thinking about the ‘land problem’ in the monsoon of 2008, during the well-known standoff at Singur in West Bengal between a section of landowners (and their political backers, the Trinamool Congress Party) and the Left Front government (acting on behalf of Tata Motors). I remember being aghast at the stubborn drama being played out and dismayed that the much-desired industrial rebirth of the state was turning into a stillbirth. Almost everyone I spoke to in Kolkata and Delhi during those weeks felt much the same. This was the ‘land is the biggest problem’ perspective that begins Chapter 1, a perspective that is shared by much of urban India and perhaps all of elite India.

But as I dug deeper into the information and misinformation around Singur first, then other large land acquisition projects spread throughout the country, I recognized my initial reaction for what it was—a routine and habitual response of most people of my class and location, which, like most readers of this book, is comfortably urban. My class and location have not changed, and from that same perspective I now suggest that the conflicts of today are not the ‘biggest problem’ but a harbinger of the ‘best solution’.

If the new India believes in democracy, as it appears to, and if our elites believe in market solutions, as they profess to, then they should see the emergence of a market for land based on better information and enlarged rights with pleasure. These are signs of a better functioning democracy and market, and both are deeply desirable. It is clear that the political class now ‘gets it’, but it is not so clear that the capital-owning class does.

It is also clear that in this emerging and evolving market, land already costs a lot more than it used to, and will cost even more as the pressures of scarcity and demand increase. But it is not so clear that the state has a good sense of how to enable this transition. The approach being offered by the state will solve one big problem
(wipeouts) but create another big one (windfalls). Regardless of the new approach that is finally adopted, the new land market will have rippling consequences for everything—from the price of onions and cars and electricity to the development prospects of rich and poor regions and people. It is necessary to foresee and understand these consequences in order to anticipate problems and devise creative and progressive solutions. I hope this book helps in thinking in that direction.

NOTES

1. Information asymmetry’ is a condition in a transaction in which one party has more and better information than the other party. Information asymmetries exist in many situations, from insurance and labour markets to marriage and housing markets. Joseph Stiglitz (2000), among others, has written extensively about the problems created by information asymmetries, including adverse selection (in which inferior products are selected over superior ones) and moral hazard (in which the costs of risk are borne by those who are not taking the risk). At the extreme, information asymmetry can lead to market failure. Asymmetric information also goes hand in hand with asymmetric power.

2. Land is the most important source of livelihood for about half the Indian labour force—the farmers. Million others spend their lifetime looking for land and housing, either simply for shelter, or in the case of the more fortunate individuals, to own. The Indian middle class generally invests its lifetime savings in land and housing. The emerging proto upper class—professionals and entrepreneurs with very high incomes who did not inherit much in the way of assets—is also obsessed with land and tends to invest in land and housing more than in any other arena (including the stock market and gold).

3. Colonialism is considered worse than homegrown empires because the surplus, the visible excess, was invested elsewhere, in the colonizer’s homeland—the world got more Buckingham Palaces instead of Taj Mahals—not because the Indian peasantry was any worse off. In fact, a case can be made that the Indian peasantry was actually better off under British colonialism than Mughal imperialism.