Trade and Development Review
Vol. 6, Issue 1-2, 2013, 64 - 67
http://www.tdrju.net

BOOK REVIEW

The Price of Land: Acquisition, Conflict and Consequence

Sanjoy Chakravorty

Oxford University Press, New Delhi (2013)
pp 304, ISBN 9780198089544

Reviewed by

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The book under review takes up an issue which is presently a centre-point of discussion in developing countries like India. Land, being an essential input in any production function, assumes additional dimension since it is non-renewable and immovable. Pricing of such an input poses enormous challenge to a variety of people- economists, geographers, urban planners, industrialists, government as well as NGOs, to name a few. After all, land has given wherewithal to so many from time immemorial that one needs to be extra cautious in dealing with it. In a country like India, as the book depicts vividly, it affects different groups who depend on land for their survival. Hence, the trade-off connected with any alternative use of a piece of productive land is multi-dimensional. The book has

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tried to capture some such dimensions and can be described as inter-disciplinary in character.

The book is divided into three parts- one is the present, the second is the past and the last one is the future. The section on the present has four chapters, namely, conflicts, prices, agents and flashpoints. The chapters have dealt with the present scenario of land fragmentation, laws of acquisition as well as some cases of acquisitions. The conflicts have been identified to be between the large and the small, the state versus the peasants and for the land which has other values attached to it that cannot be marketed. The other chapters have gone into some details about urban and rural land prices, the stakeholders as well as other agents like political parties and civil society and some recent controversial land acquisitions cases like Singur and Nandigram.

The section on the past has chapters which deal with the pre-independence scenario, reforms initiated by the state as well as land acquisition by states for infrastructure projects and for ‘public purpose’. In a sense a vast space is covered in this part and the author has tried his best to highlight the salient features of each section. The history has given ample instances of varying role of state in its dealing with peasants in India. The post independence India has seen a spate of land and tenancy reforms which played a redistributive role as far as land ownership and operation are concerned. On the other hand, land acquisition of state using acts like land acquisition act of 1894 reveals the oppressive nature of state power.

The section on the future appears most stimulating since it deals with the problems, challenges and solutions pertaining to land market and pricing issues. On the one hand, land market in India is imperfect and in some parts may be frozen. Thus, it is difficult to determine the ‘right’ price of land. The author has done painstaking calculation to give an approximation about possible agricultural land price under different scenarios regarding interest rate and inflation rate coupled with a benchmark valuation in terms of 4 times the base income per acre. In the last section, author’s calculation shows that the effective price of land envisaged in the land acquisition, rehabilitation and resettlement bill of 2011 (LARR) is truly meant for capital intensive private projects in isolated rural areas. In other words, LARR would make projects in urban or semi-urban areas unviable although majority of private sector projects will be concentrated in such areas.

The book has done a commendable job in focusing on the right issues connected with pricing of land in the present context of India’s development. The following are some suggestions whose incorporation in future might increase the already rich analysis of the book. Determination of a ‘just’ price of land is made difficult for several reasons. The first is the problem of uncertainty. This uncertainty affects both the buyer and the seller but possibly asymmetrically. For example, the success of a private project depends on a number of parameters- the type of good produced, internal business strategy, its relative exposure in terms of domestic and international markets, government’s tax and incentive policies, macroeconomic issues like interest rate and deficit financing policies etc. On the other hand, the seller parts with a physical asset namely land but usually gets a compensation in terms of money. The problem lies with the way this money is converted into an asset which would minimize risk while optimizing future return which is uncertain. Modelling this two sided uncertainty is crucial in arriving at an ‘optimal’ price of land which would appear ‘just’ to the buyer and the seller.

The second is the role of state in the so called ‘price discovery’ of land market. The land market has several imperfections like small number of buyers, ‘critical’ sellers who can ‘hold-up’ the process, asymmetric information among the buyers and the sellers, non-market valuations etc. Under the circumstances, the solution may show distortions from the ‘first best’. It is well known that government interventions may improve the solutions but the main question is what type of intervention? The literature on markets with imperfect and asymmetric information discusses interventions in terms of tax and subsidy. In case of land markets in a country like India, which has almost all the characteristics of an imperfect market mentioned above, government interventions may be wider involving roles of a facilitator (in whatever sense we define it). It would be interesting to model such issues to project some future scenarios about prices of land.

The third point is an issue the author has brought in several places in his discourse. The state has increasingly moved into the domain of redistributive politics, since its role in production of goods and services has declined significantly over time in India. The state is playing the role of a catalyst for promoting market led private capital in the economy. Thus such issues as rehabilitation and compensatory jobs are mechanisms designed to minimize frictions in the functioning of a competitive market which is well known to be more biased to efficiency than equity. The book hints towards the unsustainable nature of such policies as it might actually inhibit promotion of private capital in the economy. Then what exactly is the way out for a long term sustainable solution? In the book, this issue is amply highlighted, but it has eluded the issue of suggesting a viable solution.

Overall, the author must be congratulated for writing a discourse on such a topic which requires not only painstaking calculations (one should note the large number of appendices in the book) but also an inter-disciplinary bent of mind. The book scores very highly on this count.