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Land Acquisition Effects on Capital Base of Affected Persons

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Abstract:

Structural changes in land-use are incumbently required from long term economic perspective but land supply from traditional and native sector to globally oriented modern sector is not smooth and fast due to sectoral dualism, and to overcome the mismatch an unwarranted insistence is placed on 'eminent domain' of land acquisition and displacement (LAD). The underlying justification for state-assisted provision of requisite land and accompanying resources to industrial and commercial sectors is a value loaded developmental imperative. On the other hand, development caused process of LAD makes drastic changes in the productive base of affected persons, especially the poor ones for whom land happen to be an exclusive source of survival and sustenance. It is because of the inherent limitations of articulation of public interest to the exclusion of affected persons resulting into insufficient and insensitive compensatory entitlements.

Based upon participatory observations, this article provides a critique of monetary compensation as practiced in India and its effects upon the land-losers. Inter alia, it aims at hypothesizing and deducing a theoretical description of capital base meltdown (CBM) of affected persons occurring as a devastating consequence of LAD.

Keywords: Land acquisition and displacement, public interest, monetary compensation, historical valuation, assignment of compensation money, distress decisions, capital base meltdown (CBM), interpersonal comparison

1. Introduction

Land acquisition has been viewed in a variety of ways. First of all there is the 'eminent domain' perspective whereby land belongs to the state as an embedded character of sovereignty (Law Commission of India, 1958). It is the state which has unquestionable powers over the land according to its wisdom. This concept is embodied in the acts and statutes and judicial pronouncements of the courts of justice. The perspective of social justice and economic efficiency prefers to view it as a process of an egalitarian reorganization of land holding pattern and tenancy rights. The Ricardian view looks upon land as a natural resource whose scarcity and unavailability produce economic rent and rise in costs of industrial output, and its scarcity becomes a contributor of creating conditions for arrival of stationary stage of economic production. Sainath (1996) terms the process as 'development caused displacement' (DCD). Cernea (1999) sees it as decapitating and argues for comprehensive and innovative compensatory entitlements.

Present debate on land acquisition and displacement (LAD) in India is centered on two attitudinal dispositions. On the one hand social activists and intellectuals like Arundhati Roy and Medha Patekar and others of their ilk hold the view that it is anti-people and part of primitive accumulation drive (Khan, 2013). While on the other the economists trained in the tradition of Washington Consensus see an opportunity in land for expansion of market and supply side capacity creation. They withhold social-psychological and distributive justice concerns for the sake of unhindered capital accumulation via land acquisition and availability of land to business firms at administered price-costs. It is as if land is abundantly available and land acquisition is not related with poor peoples' subsistence. Moreover this paradigm seemingly obviates and obliterates the facts that land value rises with every increase in population and economic progress, and land cost as a part of project cost always gives *fairer* returns over initial layouts howsoever costlier it might seem in the first instance.

This article is an effort to look into the economic effects of development caused land acquisition and displacement (DCLAD) on the affected people. The subject population does not constitute a homogenous group in terms of social and economic power and asset ownership. Accordingly post-acquisition effects are not the same for all persons. Land is a means of bare subsistence for many. To others it may be an economic commodity. Hence compensation cannot provide same relief to all. The facts that compensation money is assigned differently to different purposes by the land-losers and productive capacity creation is not a component of compensatory mechanism make great sense for reformulation of land acquisition discourse in practices and precepts.

This article is mainly concerned with the effects of land acquisition over the productive capacity of land-losers after the land-loss and receipt of compensatory value as determined and paid by the 'competent' authorities. The discussion is limited to the following critical issues:

1. Compensation and its use i.e. assignment of compensatory value, as and when received by the land-losers, into different purposes;
2. Consequential changes in productive capital base of the land acquisition affected persons (LAPs); and
3. Sources of capital base meltdown (CBM).

However before moving ahead relationship between economic growth and land acquisition is briefly being discussed here. It is via capital stock change and resultant productivity variation that land acquisition and displacements (LAD) enter into the macro-economic production function and become an embodied component of economic growth 'rate' in neoclassical sense. Thus land acquisition and displacement are a policy variable for a neoliberal market economy to manipulate, monitor and fine tune the 'rate' of growth and capital accumulation. The more the extent and intensity of land acquisition the more and the higher, as the prescription implies, will be the growth and the 'rates' of growth there in the given conditions like those of India.

Evading the determination of contributory coefficients we hold that LAD enters into growth process (Gr) via changes in national capital stock (ΔCA) in the following simple way:

$$Gr \equiv \{f(\Delta CA)\} \quad (1)$$

Where ΔCA is a function of land acquisition and displacement (LAD):

$$\Delta CA \equiv \{f(\Delta LAD)\} \quad (2)$$

And changes in LAD with respect to time become a contributory factors to growth:

$$\Delta Gr \equiv \{(\Delta LAD)\} \quad (3)$$

The process of economic growth becomes dependent over continuous incremental additions of LAD incidences for non-traditional purposes by expropriation of traditional occupants and subsistence owner peasant and tribal communities. LAD becomes a necessary component of the process of capital formation and transformation and to that extent it alters the value and character of capital in all conventional models of economic growth and development. Land acquisition and displacements become corollaries of growth narration to make it ensured "that there is no scarce non-augmentable resource like land" (Solow, 1956: 163) and Ricardian fear of sluggishness of capital formation is completely avoided.

2. Compensation and Its Use

The land acquired by the state constitutes a loss to the land-losers and the loss is considered compensated for in monetary terms. It is not difficult to deduce that compensatory mechanism works on the following underlying assumptions:

1. That money is a perfect substitute for land and the losers are as good with money as with land;
2. That the valuation prescribed by law is adequately equivalent of the loss of the LAPs;
3. That the LAPs are a single category in terms of all existential and intermittent variables;
4. That the LAPs are rational enough to assign the compensation cash to different purposes so as they derive at least the same utility from money as from the land lost; and
5. That the post-acquisition welfare level of the LAPs increases or remains at least at the pre-acquisition level.

These assumptions, among others, constitute the substance of compensatory justice. It is however very simple to see that neither of the assumptions is realistic, reliable and valid in its content and context. If we are made to believe in benign character of the impugned pecuniary compensation then we will also have to believe in the derivative argument that land is equal or identical to money and vice-versa. In all certainty such is not the case. Land is much more than the money and exchange valuation. It is a productive asset, a capital stock, a socio-economic security instrument, a way of life and subsistence, all with varying degrees of interpersonal relevance. Money can be an approximation only of exchange value component of land which beyond doubt is driven out by the powers of the eminent domain. Compensatory concept as prevalent does not cover the productivity, capitality, social and economic security and subsistence utility dimensions of incumbently acquired lands. Inadequacy of compensatory equivalence is inbuilt in the methodology of compensatory valuation (LAA, 1894; RFCTLARRA, 2013) which rests upon the following references:

1. Historical valuation based upon stamp duty assessment, sale-deed quotations or presumptive judgment; and
2. Rule of thumb make-up additions of the sort of *ex-gratia* for democratic deficit and certain interest component in lieu of inordinate and unexplained delays.

Compensation money can be put to various uses according to the expenditure preferences of LAPs. It can be utilized for investment and reimbursement of lapsed capital stock or for house construction, jewelry, auto-wheeler and other consumer durables etc. The money can find ways into repayment of accumulated debts and dues. Or simply it may get withered away via immediate consumption compulsions. Poverty itself may work as a 'deficit' and as a 'context' (WDR, 2015: 32-33) to compel the poor ones to take self-annihilating series of decisions.

What shall be the behavior of LAPs regarding the assignment of compensation money which is a liquidated form of land, into consumption and investment activities and forms and its apportionment as well, remains an uncertainty. Depending upon pre-acquisition and post-acquisition capital stocks, wealth status, amount of compensation money and behavioral tendencies some land-losers might have strong preference for investment and reformation of capital stock, while some may be consumption driven. Some ones may be non-specific and settle for both. We make following convenient assumptions for the purpose of our analysis of land-losers' behavior regarding expanse of compensation money M_C :

1. There are three land-losers X, Y and Z or three homogenous categories thereof with preferences for investment I, consumption C and intermediate preferences (C+I).

2. Each one had equal amount of land and has lost all that stock of land receiving same amount of compensation money ($M_{CZ} = M_{CY} = M_{CX}$).
3. Post-acquisition M_C is the only exchange good (budget constraint) they have.
4. They are rational enough to actualize preference maximization.

The observed and hypothetical behavior of affected persons is explained with the help of figure 1 below. On the conventional coordinate plane (shown in figure 1) commodity C (consumption basket) is represented on vertical axis while along horizontal axis commodity I (investment basket) is made to move. We have X, Y and Z land-losers with M_C compensation cash as budget constraint. Since the budget constraint is same and we have axiomatically kept different and distinct preference functions we show the equilibrium of all individuals in the same diagram (with the convenience of corner shaped preference schedules).

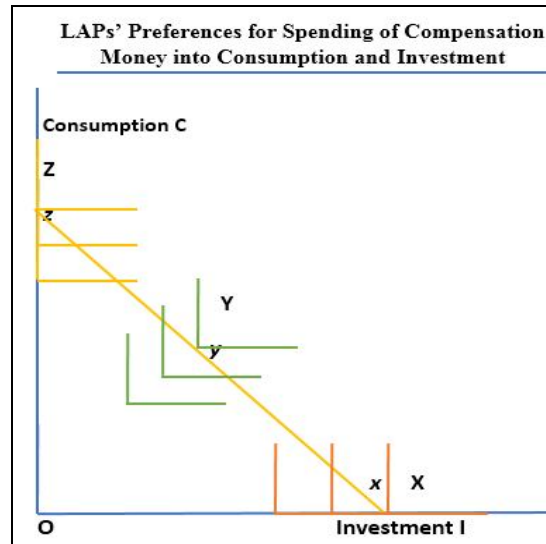


Figure 1

We have deduced that LAP Z spends all money on consumption¹ (Z_C). LAP X uses all money to raise capital stock (X_I). While, LAP Y has it divided into both ($Y_C + Y_I$). Apparently assignment patterns provide us with different scenarios wherein post-acquisition, X becomes striped of capital stock, Z regains maximum possible of the lost stock and Y stays somewhere in between.

Now our task is to come out of axiomatic abstraction. We have to find behavioral basis and evidence to substantiate categorization of LAPs into stock-losers, stock-regainers and loser-gainer-tradeoffs. We have also to look for sources of loser-regainer behavior in land acquisition itself and out of it. If we relax our third and fourth assumptions (i.e. equality of economic assets and loss thereof as well as compensation money being the only budget constraint) then we can find plausible answers to our quests raised herein. Assumed equality of asset and asset loss puts all the burden of behavioral difference in psychological preferences and attitudinal dispositions. No doubt these are important factors. But these are not sufficient to explain all of the preferential distinctiveness of LAPs.

2.1. Capital Base Meltdown (CBM)

Productive use of the compensation amount is the most important variable of our concern. The way land acquisition is practically made in our country makes little sense of and leaves meager scope for productive assignment of the compensatory cash. After a long wait, when the loss of income accentuates, when the number and intensity of needs become manifold, and when the real value of cash actually received becomes drastically reduced due to dynamic and inflationary conditions, what remains there for gainful employment is only a matter of speculation. Income and output generation as well as investment avenues and capital formation opportunities are neither the concern of our land acquisition ideology, law and machinery, nor of the compensatory mechanism.

We shall, therefore, try to see that distribution of compensatory money into consumption and investment components results into a phenomenon of disappearance of productive capital stock. If we assume the lost land as a capital asset and assign to it a unit value of capital say, K , we can have a very interesting micro-economic phenomenon of *capital meltdown* or *capital base meltdown* (CBM) for

¹Almost the entire majority (except a few affluent ones who are rather aberrations) spends away the money as and when received after a long and frustrated wait. Loss of land eliminates productive income opportunities. The losers go on accumulating the burden of penury till long. In the meanwhile, a very long meanwhile, land-losers might have accumulated the unbearable burden of unsatisfied needs. One's daughter might be there to be married. Family might need medical treatment. Accumulated debts might need repaid to the *sahukar*. A *pucca* house is better than a *kutchra* makeshift one. A vehicle is the dream of young ones. Some conveniences and luxuries (like a brand new blanket in the night of *Pus*) in household might be urgently needed. When money is in hands a few jewelry items are also necessary for the house-lady both as social security against penury and old-age, and as gift items for daughters and daughters-in-law. Drunkenness, betting and other inconsistencies might find a windfall in the cash received as compensation. Here lays the zenith of bankruptcy. The land grabbed by the state; the money grabbed by the liquor pubs and casino cafes! (Khan, 2014).

land acquisition affected persons (LAPs), whereby post-acquisition capital base of peasantry, K_I , becomes significantly reduced comparative to pre-acquisition capital holding, K_0 :

$$K_I < K_0 \quad (4)$$

Diminution in capital base occurs via:

1. The shortfall, δv , defined as the degree of inadequacy of exchange equivalence of compensatory amount as and when received; and
2. Assignment of compensation amount into consumption and investment.

Here δv is a real constraint. Though for the purpose of convenience, we put it on hold for some time, unrealistically assuming the compensation as adequately equivalent. Post-acquisition capital base meltdown, therefore, occurs via transfer of the compensatory value of liquidated asset into consumption and investment components:

$$K_0 \Rightarrow M_C \Rightarrow C_{nl} + I_I \quad (5)$$

And resultant capital base, K_I , stays identical to investment part of expenditure, I_I , out of compensation money M_C :

$$K_I \Rightarrow I_I \quad (6)$$

The difference between K_0 and K_I or the quantum of capital short fall is:

$$[K_0 - K_I] \equiv [C_{nl}] \quad (7)$$

Resultant capital stock comparative to the initial one is:

$$[K_I] \equiv [K_0 - C_{nl}] \quad (8)$$

It means that the more the component of consumption out of compensatory windfall the less will be the resultantly occurring capital base of LAPs. So what has been observed and what is here to be concerned about is the incidence of reduction in capital-capacity at micro-economic level related to LAPs along with simultaneous increase in the macro-economic capital aggregates. The hypothesis of *capital base meltdown* effect to be meaningful needs further categorized with respect to large and small land holders (small and large being mutually relative categories).

2.2. Interpersonal Comparison

In the diagram 5 above we had deduced an idealized form of land-losers' spending preferences with three categories thereof. We had shown distinct patterns of assignment whereby compensation money exhausted either in consumption or investment, or in both. Now we will try to find the behavioral reasons behind our act of idealization.

It is our observation that almost the entire compensation amount in case of poor land-losers (land acquisition affected small and poor persons, LAPPs) finds its way into consumption and non-capital avenues. It means that the capital base of LAPPs, K_{OR} , liquidates almost by the degree of land-loss:

$$[(K_{OR}) \Rightarrow (I \times C_{nl}) + (0 \times I_I) \Rightarrow (K_{IR}) \equiv (0)] \quad (9)$$

It is futile to repeat that in the absence of simultaneously emerging compensatory income avenues land acquisition is a powerful contributory factor in the pauperization of land acquisition affected small tenure holding poor persons (LAPPs).

Apart from consumption urgency and imperative debility other plausible reasons for greater observance of *capital base meltdown* of poor land-losers (LAPPs), relative to rich ones (LARPs), can be found in socio-psychological factors of agrarian economy. The poorest farmers are inefficient, relative to rich ones, for differences of motivation, skill and information (Hill, 1986: 359).

Also, land acquisition comes as social-psychological and economic strain bringing in decisional break-down for those confronted by survival constraints. There is heavy burden of cognitive taxation which leads to non-capacitating use of deadly debilitating compensation amount. Land acquisition, to borrow a parable from World Development Report (WDR, 2015: 32), like poverty is both "a deficit in material resources" and "a context in which decisions are made". To the extent of poverty inducements land acquisition, too, "can impose a cognitive burden on individuals that makes it especially difficult for them to think deliberatively (Mullainathan and Shafir 2013)." (ibid: 32). Land acquisition brings in poverty-identical scenarios. To that extent it also generates a mental frame through which the poor land-losers see themselves and their future. It dulls their capacity to look forward and imagine a better life. Poor LAPs cannot be expected to behave in a manner as prescribed by standard economic rationality and act deliberately to strengthen their production capacity base and skills, more particularly in the absence of physical and psychological rehabilitation.

In the case of land acquisition affected large and rich persons (LARPs) the observed scenario might be a different one. Keeping all other things constant assignment of compensation value, into consumption and investment, for rich land-losers (LARPs) tends to be more investment oriented and less consumption directed. Following may be the plausible reasons for the difference:

- i. The LARPs have less urgency for consumption assignment because of already occurred need fulfillment. They are relatively on a higher level of need satisfaction in terms of Maslow's (1986) need hierarchy, while the poor land-losers find it difficult to meet bare physical and biological needs. Hence the rich have other better motivations also to pursue.
- ii. LARPs are better equipped to search for and find investment opportunities in landed and non-landed commercial prospects.
- iii. When the compensatory quantum is relatively large it leaves a big chunk for investment and capital formation even after accounting for immediate consumption needs.
- iv. The investment options require economic wisdom and remain to be indivisible from the point of view of poor land-losers. Hence the rich ones are more likely to look for and materialize investment opportunities.

In case of our relatively rich land-losers (LARPs), capital base dynamics may become like the following:

$$K_{OR} \Rightarrow C_{nIR} + I_{IR} \tag{10}$$

Where, the consumption coefficient tends towards 0, ($C_{nIR} \approx 0$) and investment proportion seems to assume unit value 1, ($I_{IR} \approx 1$).

Assuming adequate compensation and exchange equivalence, the post-acquisition capital stock of LARPs, K_{IR} , might be identical to their pre-acquisition base, K_{OR} :

$$K_{IR} = K_{OR} \tag{11}$$

However, the resultant capital base of rich losers can also diminish by the shortfall in adequacy of compensation amount δv , or the deficiency of exchange equivalence:

$$K_{IR} < K_{OR} \tag{12}$$

[Where, $K_{OR} - K_{IR} \equiv$ compensation deficiency δv].

But there is one exclusive possibility of gain for the rich losers, as it is for all non-affected rich ones. The shrinkage of capital base and widening of survival dependence for the LARPs provides the rich ones opportunities for appropriation of more value out of employment of that labor whose number has increased post-acquisition, deriving wage rates slide downwards. Incorporating this wage-rate slide-down into the capital base of rich ones, the LARPs, we might have a situation where post-acquisition their capital base, physically as well as in terms of income stream, outgrows the initial one:

$$K_{IR} > K_{OR} \tag{13}$$

Our hypothesis of compensatory value assignment into consumption and investment components is a very naïve and simple one. Yet it gives us powerful insights for incorporation of safe-guards to avoid *capital base meltdown* and resultant pauperization of poor land-losers (LARPs). On the other hand it leads to one startling fact of great importance from the point of view of equity and distributive justice. It makes an inference that the liquidating effects of a land acquisition incidence are not the same for rich and poor losers. These are serious and fatal for the poor ones. While for the rich ones liquidation effects are not serious or so serious; they might not be there in some instances. It is to reiterate that land acquisition affects the poor losers badly; but not so badly the rich ones. In brief acquisition of small and poor tenure holders' land yields a worse outcome than that in case of large and rich land-owners.

The scenario boils down to macro-economic policy objectives. If the aim of the economic policy is to facilitate a created enhancement of de-capitalized and de-linked wage labor, at cheap rates, to the industrial and commercial sector then large scale land acquisition and displacement of poor people can be a very handy tool in the arsenal of policy agents of neo-liberal market; and ditto with the advocates of "rate" of growth ideology. If it happens, as seems to be more likely at present, it will be nothing but the repetition of European 'enclosures' at the eve of industrial revolution. There and here!

On the other hand if the wish of the nation is to have a better and idealized scenario, where social and economic justice flourishes well, then there is an urgent need for changes in both the quantity and quality of land acquisition incidents. We need lesser paced land acquisition incidents, and land acquisition mechanisms which ensure non-liquidation, rather augmentation, of capital and subsistence base of the peasantry and folklore LARPs.

Our interpretation of capital base meltdown (CBM) brought about by land acquisition via more consumption imperative and less investment assignment consideration seems to come from physical and cognitive burden imposed by, or aggravated by, land acquisition itself. We have attempted to show that consumption elasticity of compensation amount e_c , and also that of investment e_i , move relative to existent capital base of LARPs. For poor people $e_{cp} \rightarrow \infty$ and $e_{ip} \rightarrow 0$; while for the rich ones these values are likely to fall within narrow bands $0 \leq e_{cr} < 1$ and $0 \leq e_{ir} \leq 1 \rightarrow 1$. Spending preferences of land-losers as shown in figure 1 above can logically provide us with three distinct kinds of demand curves for consumption basket, investment outlay and a mix of both out of consumption money. In the following figure2 we will try to show these distinct spending pattern curves with one caveat that the actual levels of demarcation have to be tested against the empirical data which is expected to meet with our observations.

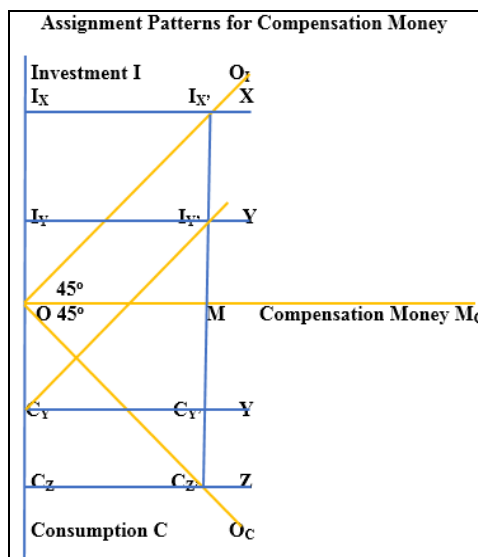


Figure 2

Figure 2 attempts to juxtapose three distinct patterns in a single frame. O M is the compensation amount in hand of each land-loser. By construction: LAP X has an investment outlay equal to compensation amount ($I_X I_X' = O M \equiv I_X O = I_X \cdot M$) along O O₁ guideline. LAP Z behaves in just an opposite way. Her consumption is exclusive of investment options and it is also equal to the compensation money ($C_Z C_Z' = O M \equiv C_Z O = C_Z \cdot M$) along O O_c guide path, while LAP Y behaves moderately. She consumes some part and invests a part out of compensatory value ($O M = O C_Y + O I_Y$) along C_Y I_Y.

As far as the logical basis of distinct spending patterns is concerned we have explained above that the reasons for behavioral differences lie in the relative income position of the LAPs. If we relax our assumption of total loss of previously held equal land-stocks then we can have plausible answers. The persons who had relatively big land-holdings pre-acquisition and the persons who have larger holdings remaining post-acquisition have different perspective and distinct perception about capital stock accumulation and consumption spending. Thus the subsistence owner Z, for example, who lost all her land stock would be striped of income and employment opportunities. When she receives the cash she will be almost obliged to fulfill the pressing needs of bare survival. Her behavior will be diagrammatically opposite to LAP X who, to hold it that way, has larger economic base and does not need M_C for consumption and so goes for capital reimbursement. LAP Y is a normal comfort case who has got to care for both the present and future and can do so.

In figure 3 below an attempt has been made to arrive at a deductive representation of assignment of M_C where total demand equals the amount of compensation received in lieu of land lost [$T = (C + I) = (M_C)$] and where positive values of investment I, occur only above a threshold of earlier capital base C_p, approximated via compensation amount. Herein, too, the spending pattern is shown by two eclectic functions based upon underlying relative economic status. C C' curve is based on the assumption of consumption being the main obsession of poor land-losers [$C = f(P)$]. The poor farmers' capital asset (the land foregone) disappears via consumption or non-productive expenses. It is only after a certain threshold amount of compensation, which is an approximation of erstwhile and present capital base of the land-losers, that investment decisions can be made. Up to C_p all money goes into non-productive stream. After C_p money makes way for capital formation. So C_p is our line of divide between rich and poor for possession of strong preferences for investment and consumption respectively. The (poor) person receiving up to C_p amount of compensation does not realize re-capitalization. However the (rich) person getting I_R amount of compensatory cash not only makes but also realizes investment decisions. Due to her relatively rich base she can enjoy I I_M investment along function [$I = f(R)$]. She may use some part of cash for consumption. Or she may invest it in total, thus re-forming a capital base I_R I_M monetarily equivalent to I I_M.

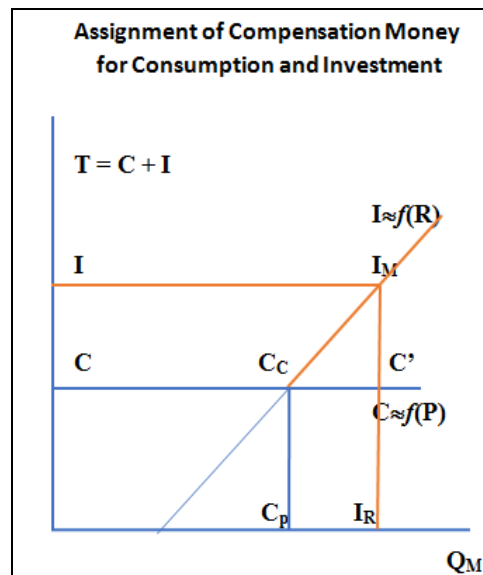


Figure 3

The hypothesis, it might seem, examines and understands capital base in terms of productive property in land alone. However this is not our case. There can be, and are, many alternatives to land as a productive capital asset. People may go for alternate economic activities and engagements in and around the region and even in distant areas provided these are available and provided that the standard 'rationality' functions. However, as we discussed above, economic rationality might get subsumed by the cognitive burden imposed by acquisition circumstances.

3. Other Sources of Capital Base Meltdown

Sources of capital base diminution also come via the route of dynamic interventions occurring in between the points of legal expropriation of land and actual receipt of compensation cash. This time gap, including the intervening changes, is usually longer and larger, enough to be taken as non-negligible. In the meantime income stream for LAPs from productive activities on concerned land ceases to accrue. The value of money, yet to be received, goes on diminishing due to inflationary and other factors. The whole period remains besieged by uncertainty and vulnerability. The behavior of acquisition authorities always remains an unpredictable variable.

Land-losers cannot plan and form decisions due to lack of certainty regarding their actualization capacity. Their decisional ambiguity remains dependent and moves in tandem with the embedded uncertainty in executive behavior. This phenomenon leads to 'distress decisions' as and when the compensation amount reaches the land-losers.

'Distress decision' syndrome is aggravated by incumbent expediency brought about by sudden surge of liquid cash (instant purchasing power) because almost all LAPs receive the amount within a little period of time. It is also coupled with already diminished availability of land within social and economic proximity of the project affected or resettlement region. Two things may occur simultaneously: *demand-surge* and *availability-deficit* regarding land. Plausibly assuming strong preference of the peasantry for landed capital, and external sources of demand as well, there will be a tremendous rise in the price of the marketable land assets in the area of influence. Hence when the compensation money is actually received and wholly attempted to be invested in land the area so purchased will, in all certainty, be far less in physical terms relative to the area foregone (however the price rise in assets may not actually enter into output streams). Thus even after assuming unit elasticity of compensation amount for investment in land ($e_l \rightarrow 1$) the resultant physical capital base K_1 , and also the income stream, will be less than those before acquisition incidence. See the figures 4 and 5 ahead:

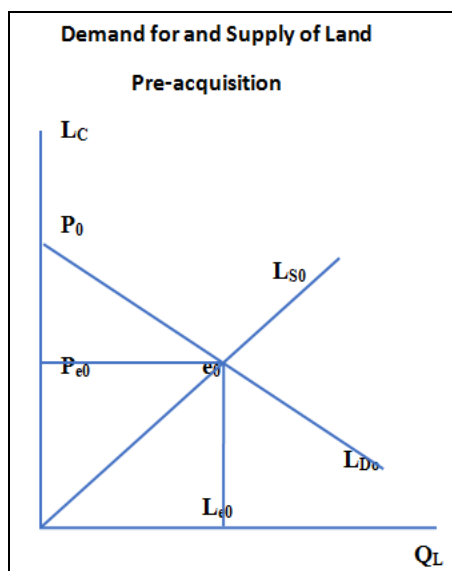


Figure 4

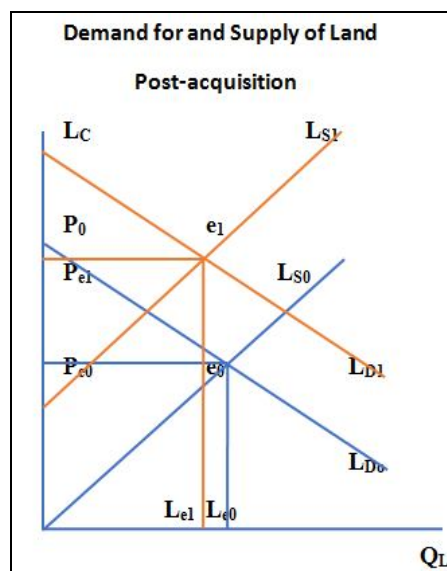


Figure 5

Assuming the presence of efficient market conditions in neoclassical sense, these figures describe the pre and post-acquisition scenarios respectively. In figure 4 e_0 is the pre-acquisition equilibrium point in our supposed area. Market clears at P_{e0} price and land availability L_{e0} . [For the national economy and also for concerned area land supply is fixed; but for market transaction purposes supply of exchangeable lands may response to price stimuli.] Figure 5 depicts post-acquisition scenario. Land acquisition results in an absolute decrease in private and marketable land. It will cause an upward or leftward shift of exchangeable supply of land curve L_S . L_{S0} shifts to L_{S1} . Compensation cash, on the other hand, induces a right ward shift in land demand schedule L_{D1} in the area. L_{D0} shifts to L_{D1} . Equilibrium occurs at e_1 , lying North West of e_0 , with a higher price P_{e1} and lower quantity available and transacted L_{e1} . It is equivalent to say that compensation money fails to exchange in the same amount of land as lost, and capital base depreciates accordingly.

The 'capital base meltdown' hypothesis provides us with the prediction that capital base of land-losers decreases in every case. Even after assuming total assignment of compensation amount for land re-purchases, it comes down. It also provides the reasons for the same.

It is also worth conceding that we have a certain plausible time gap with price and preference changes between pre and post-acquisition points. Decrease in real value of money will effectively reduce the physical purchases of capital assets corresponding to the period of wait. We hold for a moment that the land prices soar by 100 percent. The land-loser via re-purchase can at best have 50 percent of her foregone land area. So there is a real loss of capital (and also consumption) value of the acquired lands. [In case of Bareilly Bada Bypass, land value around the region soared by many times within a few months. There was a distress-rush. Those farmers who had received the compensation at the earliest would, if they actually preferred to, exchange in only a fraction ($1/10^{\text{th}}$ to $1/5^{\text{th}}$) of their erstwhile land area, for the total amount received as compensation in lieu thereof. Late receivers could not get even that. Consequently none opted or could go for land purchases, save a few rich ones.]

Indivisibility of investment decisions, as also discussed above, assumes greater importance for land purchase in post-acquisition scenario for the poor losers (LAPPs). The most plausible reasons might be the inadequacy and insufficiency of compensation money to purchase land after soaring price rises, and also non-availability and non-suitability of feasible but small land pieces for the purposes of peasant and tribal economy.

4. Conclusion

In a generalized way a typical land acquisition project in India unleashes forces that cause, among others, the following effects:

- i. A debilitating permanent loss to subsistence land-losers;
- ii. Provision of instant consumption expenditure and investment outlays out of compensation money paid to land-losers;
- iii. Redundancy of human capital and labour previously engaged on the lands;
- iv. Destruction of productive capacity to the extent of the structures, infrastructures and other facilities tied in acquired lands;
- v. Creation of productive capacity to the extent of the tune of expenses on structures, infrastructures and other facilities;
- vi. Output, employment and income opportunities lost for the land-losers;
- vii. Output, employment and income opportunities generated for the economy; and
- viii. Benefit streams in cash or kind from the public goods or private facilities so created to different categories of institutions and people.

Distribution aspect of 'acquisition' effects sans probabilities in terms of equity and equality. Most of the positive effects and beneficial outcomes accrue to the persons and organizations external to the land-loser group. While negative fallout, like effacement of productive base and subsistence, rests with the poor LAPs. Addition to national capital stock occurs. But how much out of the benefits of this capital formation goes to the affected persons is a question which has perplexing and inconvenient answers. If anything comes to the project affected persons (PAPs) as utility or value enhancement then it too is to be examined against efficacy criterion to ascertain whether the PAPs have received adequate benefits to make up for the loss in any meaningful proportions. Locational advantage and net spread effects of the project have lots to do with the losers depending upon the distribution of these effects. The incumbent project serves the national interest well if and only if the positive internalities and externalities of the project can meaningfully entangle the PAPs. If not so then the project fails to be a socially desirable one.

When land is the only means to supply the survival, and the survival is ascertained only in bare terms because of the nature and environment of the land holding then land acquisition for all practical purposes can validly be held to imply, nay, actualize *acquisition of subsistence* and to that extent land acquisition be held as subsistence acquisition. The theory of pecuniary compensation more or less works for economic land holdings and non-subsistence land possessions. It breaks down in the cases of 'subsistence acquisition' and 'subsistence displacement'. Compensation money fails to be or to provide any substitute to subsistence until and unless supplemented or substantiated by alternate means of subsistence comprised of asset, exchange and socio-economic security components.

The law of land acquisition assumes a legal one size fits all rule of thumb. It fails to factor in the components of positive affirmation and differential treatment action in both the incidence of acquisition and the compensatory entitlements. As a result land acquisition in India happens to be a welfare reducing intervention in terms of Pareto optimality. *It fails in the first instance to make the nation better off without making any one (badly) worse off.* Mostly the incident of LAD pushes the life of affected people towards 'Ricardian curse'.

5. Abbreviations

CA: Capital Accumulation; CBM: Capital Base Meltdown.

DCLAD: Development Caused Land Acquisition and Displacement;

LA: Land Acquisition; LAA: Land Acquisition Act, 1984;

LAD: Land Acquisition and Displacement;

LADAP: Land Acquisition and Displacement Affected Person;

LAP: Land Acquisition Affected Person;

LAPP: Land Acquisition Affected Poor Person;

LARP: Land Acquisition Affected Rich Person; PAP: Project Affected Person;

RFCTLARRA: The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.

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