

Calcutta Notebook

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Rural development minister Jairam Ramesh has de-fended the Government policy of acquiring farmer's lands for private uses on administratively determined prices. He has said that the Government must have a role in land acquisition as faster industrialization and urbanization were desirable. "Private firms serve only private interest is not my belief," he said. He has a point. Some indirect impacts of land acquisition are indeed positive. However, that only underscores the need to make a comprehensive assessment of all indirect impacts. It is unacceptable to work on the assumption that there are only positive impacts. It has to be shown that the positive impacts are greater than the negative impacts. The Government has failed to make such an assessment and is persisting with administrative pricing which smacks of arbitrariness, if not corruption.

At the root of the problem is valuation of natural resources. The problem is common to the sale of 2G Spectrum, allotment of coal blocks and land acquisition. Businesses want to buy these resources at low prices that are determined administratively. UPA Government is much inclined to oblige them. Critics argue that the real value of these resources is much greater and the Government has caused a national loss by selling them cheap.

2G Spectrum was sold to mobile phone companies at a price that was set administratively by the Telecom Ministry. Companies were willing to pay a higher price as evinced by later auctions. This would be the commercial price i.e., price at which commercial operations of the purchaser were admittedly profitable. The economic price of spectrum would be yet higher. Less frequency would be left for alternate uses such as internet and remote. Spectrum is required for defense communications, research, etc. Price of these alternate uses will increase and that burden will fall on the consumers. The economic price of spectrum would factor in the cost to the country due to increase in price of these alternate uses. Social price of spectrum is yet greater. Control of selected companies on spectrum can lead to monopolistic pricing of mobile phone services. It can stifle small ventures seeking to enter this space. The social price would account for these aspects as well.

Price of spectrum can be reckoned at four levels. Lowest is the administrative price at which the Government sold it. Second is the commercial price which is the price that purchasers are willing to pay. Third is the economic price at which the economic impact on other competing activities is factored in. Last is the social price that takes into account the holistic impact on various facets of the society. The Government sold spectrum at administrative price and it was, therefore, rightly criticized for having ignored the higher commercial, economic and social price and thereby imposing a huge loss on the country.

The situation in allocation of forest blocks for coal mining is similar. The Government collects value of timber that is lost from the purchasers. The value of timber is determined administratively albeit under a formula approved by the Supreme Court. Purchasers would be willing to pay a much higher price for the forest blocks. That would be the commercial price. The forests provide many services in addition to timber. These include carbon sequestration, flood control, air purification, conservation of biodiversity, aesthetic value, etc. These services can be valued in monetary terms. That would produce the economic value of the forests. Then there are social aspects. Tribals living in the forests face 'loss of soul'. Inequality increases in the society. Problems such as that of alcoholism increase among the people receiving monetary compensation. The price arrived at after factoring in these social aspects would be the social price of the forests.

Government's position on land acquisition follows the same trajectory. The Land Acquisition Officer determines the price of land to be acquired. This price is fixed administratively irrespective of the factors considered. Manufacturing companies such as Tata at Singur or the builders of Greater Noida are willing to pay a higher price as they have done after the Court judgments. This is the commercial price. Conversion of agricultural or barren land into habitation imposes certain environmental costs on the society. These include recharge of groundwater, flood control, food security, etc. Factoring in these costs would provide economic price of land. Then there are social aspects. Inequality increases, recipients indulge in alcoholism and social relations become bitter. The social price of land would take these factors into account.

The UPA Government wants to continue with the practice of selling national resources at administrative prices. At most, the Government is willing to consider sale at commercial price through auctions. But there is a huge resistance to incorporating the impact on other economic activities and environment in making these sales. Social aspects do not even enter the Government's radar. □□□