

Land Acquisition

Bhaskar Dutta

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- “We are a humane government, and so we will not acquire land for private industry”

Rationale for state intervention

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- Both reasons warrant active government intervention in the land market.
- Federal structure makes the case more compelling.

- Transaction costs

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- Holdup problems

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- “Humane ” government more likely to be able to extract better terms for small farmers, other stakeholders from entrepreneurs.

Implications of federal structure

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- States will still compete in dimensions generating positive externalities.

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- Ethical issue arises even when land is acquired for infrastructural project - roads, power plant, etc

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- Example of Cochin airport.

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- Long-run option: make low productivity agricultural lands more attractive.