

BUNGALOWS FOR ALL
A Critical Assessment of India's Human Habitat

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There is no shortage of land in India. There is, rather, a shortage of urban land.

The country measures over 3 million square kilometers. It is a huge sub-continent. And much of this land is "unowned," in the sense that it is virgin territory. Unfortunately, the socialist Indian State is the default owner of all this unowned land. And the shortage of urban land is caused precisely by this default ownership. As Milton Friedman once said, "if you give the Sahara Desert to the government, there will be a shortage of sand in five years." Indians do not have a decent habitat because of their socialist government and the socialistic deification of collective property, especially land.

There are slums in every Indian metropolis. Even in a totally new city like New Delhi, there are over 900 slum clusters in which the poor, who constitute over half the city's population, live cheek-by-jowl. There are no toilets in these slums – not because of "poverty," for most slum-dwellers own television sets and mobile phones. There are no toilets because these are not "legal" colonies wherein sewage lines can be legally laid. Slum dwellers have no property titles to their homes. Therefore, their properties cannot be leveraged in the capital market: the "mystery of capital" continues to stupefy them. This also means that they have no postal address. In addition, there is filth and disease. Slums are a living hell.

Yet, this only proves that life in an Indian village must be much worse. As praxeologists we need only record the fact that increasing numbers of villagers are preferring urban slums to the idylls of rural life. They are "voting with their feet." This action of preferring by vast hordes can only be indicative of the truth inherent in a remark attributed to Arundhati Roy: "India does not live in her villages; India dies in her villages." Masses are fleeing the rural utopia of the central planners' romantic imagination. Why?

As Madhi Kishwar once noted, "even rag pickers in Delhi send back money to their villages." A rag picker is an urban entrepreneur. Like all entrepreneurs, he must find hidden value in what has been undervalued by the market. The rag picker is an exceptional entrepreneur who finds hidden value in waste – and this is where his profit lies. But this activity cannot be carried out in a village: there are no mounds of garbage to sift through there.

The rag pickers of Delhi are specialized in the urban division of labour. And Adam Smith said that "the division of labour is limited by the size of the market." As there are very big markets in cities, numberless specialized niches can be found in urban markets alone. You cannot be a taxi driver, receptionist, plumber or electrician in a sleepy village. A heart surgeon will get no custom if he sets up his clinic in the high Himalayas. I have never suffered from any ear disease, nor do I know anyone who has. But there is a specialized institute for ear diseases near my residence in New Delhi. There are Thai, Italian and Chinese restaurants in Delhi that employ specialized chefs. These chefs (and the waiters) would be twiddling their thumbs if they returned to their villages.

The laws of catallactics, like those on the division of labour, are the laws of Nature – and we ignore them only at our own peril. For 62 years India's socialist government has been trying to halt rural-urban migration. Cities and urbanization have been totally neglected in the official discourse, and all the money of the commonwealth has been poured into the bottomless pit of "rural development" – with nothing to show for it. Thus, every city and town has collapsed. And things are even worse in the villages. The bitter irony is that the same government that is making much noise about protecting the tiger's habitat has actually destroyed the human habitat – which is the natural urban catallaxy.

Whereas Gandhi dreamt of an India comprising millions of self-governing and self-sufficient village economies, wherein each would spin his own cotton yarn – no division of labour – I have for long been articulating an alternate vision, one based on the natural laws of catallactics: an India comprising thousands and thousands of free trading and self-governing cities and towns. The USA has 350 million people in over 200 cities. India with over 1 billion people has just 5 metropolitan cities – and these 5 cities hold more than 60 per cent of India's

total urban population. It is also rather strange that, while the 2500 mile coastline has few ports and fewer cities, the fastest growing metros of India are land-locked Delhi and Bangalore. Something is very wrong with the minds of India's central planners – but, of course, they want to teach!

Let us return to where we started: the shortage of urban land. And let us look at New Delhi. The ministers all live in the centre of the town in bungalows designed by Sir Edwin Lutyens, each with a lawn of over an acre. Yet, in Gurgaon, 30 kilometres away, middle class people live in high rise apartments. If you go to any top floor balcony in Gurgaon and look out, you will see vacant land stretching from horizon to horizon. Note that in London there are precious few high rises. Because English people prefer to live in homes with gardens, almost every Londoner has such a house. There is enough land around Delhi for every Dilliwallah to own a bungalow just like the ones the ministers live in. Why is the average Londoner the owner of a row house with a small garden at the back? What can Delhi learn from London?

The success of London as a thriving mega-city is based on transportation. The suburbs are all organically linked to the city centre by the London Underground, which began operations in the first decade of the twentieth century, long before the automobile became commonplace. But socialist New Delhi missed both the underground as well as the automobile. In London, just after WW2, the first ribbon housing project came up in Stanmore, very far away from the city centre. But the London Underground's Jubilee Line was immediately extended to Stanmore. This transport connection allowed many to shift there. Property was cheap and affordable in Stanmore. Poor people benefited.

Gurgaon, in stark contrast, has been attracting developers and residents for over 20 years. Only now has a toll expressway been built connecting it to Delhi. And the Delhi Metro railway will still take a few more years to connect to this important satellite town.

Yet, there are probably a hundred or more satellite towns around Delhi – just as there are around all the other 4 big cities. In all these cases, the cities are overcrowding and the satellites are not developing because of poor transport connectivity. If this transport connectivity was attended too, the supply of urban land would increase

many times over. Almost anyone would be able to afford a small row house with a garden miles away from the city. And he would be able to live there because his commute to the city – on which his livelihood depends – would be cheap and fast. The vision of a booming urban India depends entirely on a transportation revolution. The train, the tram, the bus, the car, the highway et. al.

The crux of the argument is that transportation links between a city and its surrounds add to the total supply of urban land. This increased supply brings down overall prices and makes urban land affordable to all. But in India we actually have an Urban Land Ceiling Act! We also have monopolistic government agencies like the Delhi Development Authority (DDA) that are the sole developers of urban land. These agencies also monopolize road development. It is this double whammy of a dual monopoly that has killed the cities. The government monopolist has lowered the supply of developed land and also lowered the supply of roads. He has lowered quality as well. We are thus in a position to appreciate the great observation Peter Bauer made of overcrowding in Indian cities. In his famous essay "Population, Welfare and Development: Gloom Dispelled" Bauer clearly stated the facts:

"In any case, undesirable crowding in large cities [of India] is not a function of their size and growth, much less of the growth of the national population: it is the inevitable consequence of the pricing of housing and transport, unrelated to the scarcity of these resources." ¹

The problem is not overpopulation. The problem is not a shortage of land. The critical problem is the state monopoly over land and roads. The condition of New Delhi, the capital of socialist India, proves this point.

¹ Bauer, P. T. (1984) *Reality and Rhetoric: Studies in the Economics of Development* (Weidenfeld and Nicholson: London), p. 26.

Allow me now to take my reader to another part of India, sunny Goa, where I have been living in a little village for the past three years. Goa is a relatively advanced and prosperous part of India. The tiny state has 11 municipalities. There is widespread urbanization. It has a deep-water port, an airport, and railways. The road network is better than anywhere else in India. Goa therefore has the potential to be an economic powerhouse if India instituted free trade unilaterally – as she should. Over 50 per cent of the population of Goa lives in four coastal talukas, which are all highly urban. The taluka is a sub-division of a district. Goa has 11 talukas. The urban population has grown tremendously over the past 20 years. All this urbanization is entirely on the coast. The hill tracts of Goa are vacant and underpopulated. They mine the hills to export iron ore. They import precious little. This is foreign trade under the planners' disposition. It does not make sense.

Now, the same central government in New Delhi that has single-handedly wrecked the WTO has instituted a policy of allowing Special Economic Zones (SEZs) all over India. In Goa, there have been organized protests against this policy. They fear a loss of land. Let us see how much land is involved, even for this tiny state with a population of less than 1.5 million, and a population density much lower than the all-India average. Indeed, in south Goa, where I live, population density is lower still. All the action here occurs in north Goa.

The total area of Goa is 3701 square kilometers, of which 600 square kilometers are mountainous – and hence unpopulated. If there were transport links to these mountainous areas, these could be developed as real estate. Now, they are all "unreal estate." If there was a road into the hills, bungalows could be built there. If there was a cable car, a casino could come up on a mountain top. If there were fast boats and jetties were built, the riverside backwaters could see real estate development.

In 1991, Goa's urban population was over 50 per cent (census data). It must be much, much higher now; perhaps the highest in India. Urbanites need much less land in order to survive. You can build a small bungalow (like mine) on 300 square metres; as a peasant you would need a few acres to survive. It is further urbanization that will reduce each citizen's need for land. Urbanization must be encouraged. In the little book from which I have gleaned all this information, the writer notes that between 1981 and 1991 the urban population

of Goa increased by 48.53 per cent "much against the policy of stopping the exodus from rural to urban areas." ²

Now, the SEZs are all mired in land acquisition problems. In India, especially in Communist West Bengal, there has been great civil unrest over land being "acquired" from peasants for the sake of "industrialization." Once again, as in our socialistic heydays, the poor must sacrifice their interests for the alleged common cause. Tata Motors is facing severe problems over 1000 acres of land. That is just 4 square kilometers. Indeed, all the SEZ projects put together, according to a report in the *Times of India*, require 92,000 acres of land, which is less than 400 square kilometers. I believe that if each and every SEZ that the central government has sanctioned were to be built entirely in tiny Goa, they could be given 400 square kilometers of unowned land in south Goa itself, which measures about 1900 square kilometres – and this underdeveloped and underpopulated region would become an economic powerhouse instantly. In the process, south Goa would urbanize aggressively, and all residents would have small bungalows to live in, with small gardens, and garages, and quarters for their servants too. I therefore repeat: There is not shortage of land in India.

In my book, if free trade was instituted, there would be a "California Gold Rush" kind of situation in India. Millions would migrate to the coast, where new cities would come up. Almost all the beaches are virgin beaches. Almost all the coast is unpopulated. Particularly the beautiful Konkan coast between Mumbai and Mangalore. In this scenario, land-locked cities like Delhi and Bangalore would depopulate. This would solve their overcrowding problems immediately.

Since the theme of this year's Habitat conference is "harmonious cities," let me now say a few words on social harmony, as India is a huge sub-continent and much of it is in turmoil. Socialism makes life difficult; and a difficult life brutalizes individuals. Yet, there are parts of India where total harmony prevails. This includes Goa and, indeed, the entire Konkan. What are the reasons for this natural harmony?

² Angle, P. S. (2001) *Goa: An Economic Update* (Goa Hindu Association), p. 22.

There is a natural harmony in the Konkan because of a deep rooted commercial culture. The area has seen foreign trade for millennia – and benefited from it. They have seen foreigners, and grown accustomed to trading with them. This culture lies at the root of Goa's success as a tourism destination. Note that the entire Konkan has Hindus, Christians and Muslims living in peace and harmony. The cause of this natural harmony is not the state police, who are predatory; the root cause of this harmony is the commercial culture of the local population.

Indeed, in an urban catallactic order, we all serve strangers and are served by strangers in turn. This is the division of labour. This catallactic order is complex (it cannot be "planned"); it is competitive (there is no "comradeship"); and it is impersonal (there is nothing called "society"). Yet, when the ancient Greeks used the word catallactic, they meant more than just "exchange." There were two other meanings of the word – "to turn from enemy into friend" and "to include in the community." It is by trading with strangers that we turn enemies into friends, that we include strangers in our order – all for our own benefit, rightly understood. Everyone in Goa knows that the more friendly strangers come here and trade with the locals, the better things will be for every Goan. There is no xenophobia in Goa. Thus, in a natural catallaxy like Goa, everyone realizes that the continued success of this natural order depends entirely on adding more and more "friendly strangers" to the overall order. Some local politicians of small minds and smaller imaginations fret and fume at the "loss of Goan culture," but no one seriously wants to turn the clock back. There is a natural harmony only because of the commercial culture and the place it has for all strangers. The crux of the matter is that this commercial culture is urban in character.

It has often been said that harmonious relations between all the peoples of this world depend on the freedom to gainfully trade with each other. They say "where goods do not cross borders, armies will." If we want harmony, we must call for free international trade. This will propel urbanization in the Third World, and a new age of harmonious free trading cities – like the Hanseatic League of old – will dawn. Those who are opposing globalization are also hindering urbanization in the less developed parts of the world. They are taking us all back in time. They are "atavistic" in their thinking.

Indeed, everything that socialism stands for – its core “values” – is atavistic. Their ideas of “community” hark back to primitive tribalism. And their “social justice” asks the tribal chief to share the kill evenly among all the members of the tribe. But there is another and potentially more dangerous atavism that occurs especially among India’s socialists, probably because they are steeped in the Gandhian village vision – and this is the atavism of returning to a simple rural life, in little village communities. Yet, the word atavistic has its root in the Latin *atavus*, which means “great-grandfather’s grandfather.” These atavists of today want to take us back even further than that. In the mathematical language fashionable in our times it can be said that these socialists are all atavists to the power of n , with n tending towards infinity.

Even the ancient Indians had cities. When Mumbai floods up with the first monsoon showers (the world’s most predictable rains) we all seem to forget that the cities of the Indus Valley Civilization like Harappa and Mohenjo-Daro had great systems of drainage, over which archaeologists still marvel. Pataliputra, Taxila, Nalanda – these cities attracted scholars from China in the millennium before Christ.

If we look at Britain, where London has been the primary city always, just as it still is, the processes of capitalism in an earlier age of global markets led to a huge shift of rural farmworkers to the new “industrial” cities and towns, where they preferred to work in factories, even though living conditions were not that great. Yet, Friedrich Hayek’s slim contribution to our understanding of those times, *Capitalism and the Historians*, proves that those who want to turn the clock back on urbanization are wrong-headed to the extreme. We may say that they have the most excellent intentions – but the policy measures they support will never lead to the realization of those intentions. They will make the whole world poorer – when India does not import Harley-Davidsons, America gets poorer – life will get brutalized by poverty, natural social harmony will disappear and wars will become the norm.

There is no need for me to resort to catallactic theory to prove my point. The laws of the division of labour are enough. History can also serve as our guide. The Mediterranean became the hub of civilization only because of the 3 Ts of Prosperity: Trade, Towns and Transportation. The sea itself was small and safe, and it provided the transportation backdrop against which trade could transpire between the coastal cities of north Africa, west Asia

and southern Europe. There were no economists then, thank God! And no customs departments either. The merchants knew nothing more than the principle of "buying in the cheapest markets and selling in the dearest." The common people all lived "between instinct and reason" – as they still do. But they were "civilized." They traded. They did not snatch. There was harmony. Of course, there were interruptions. These interruptions were the tragedies.

In our own time, socialism has been the greatest tragedy ever, the source of the greatest errors that have interrupted the peaceful progress of entire nations and entire peoples – India included. We need to put this horrible past behind us. And embrace the far simpler world of catallactics, natural harmony, cities and towns, prosperity – and civilization, which is a word that has its root in the Latin *civitas*, which means "city." Let us have no more of the romantic but wrong-headed atavism of our times.

Finally, it must be noted that the natural harmony of an urban catallaxy has nothing to do with the state police. It is an inherently natural order, because all the human elements – the individuals – who participate in trade and exchange, are "rule following animals." The basic rule is that possession indicates property. Where this basic law of nature is not the basic law of society (as in socialist India) there cannot be any social harmony. There are no posses of armed policemen required to "maintain order" in any of the world's busiest shopping areas. This order exists on its own. It is not created by government. It is a feature of natural urban society.

These cities will require government just as the ancient City of London still has its Lord Mayor. There were also two elected Sheriffs. Yet, this honest civic corporation till today remains steadfastly a champion of capitalism. In India we have copied the "Westminster-model of democracy." For a natural order of free trading cities and towns based on local self-government we will have to emulate the "London model" of mayorship. Note that the city of Westminster lies outside the borders of the ancient City of London. The city of Westminster did not exist when the first Lord Mayor of London took office in 1181 – well before the Magna Carta. In free India, the atavists promote *panchayati raj* as the model for village self-government. With this ruse befooling the gullible public, the authorities took all civic responsibilities away from civil society in every city and town and empowered bureaucratic agencies instead – like the DDA. We need to take our cities back from the State. Mayors are one

model. So are "gated communities" and even "company towns" wherein local facilities and services are provided for by private businessmen for a fee – a system that requires neither democracy nor bureaucracy.

India as a whole measures over 3 million or 30 lakh square kilometers. There is enough urban land for all. If we fly in India, or take a train, we inevitably see vast, open and empty spaces of land. And as soon as we come into a city or town, we see the space crunch. This destruction of our habitat cannot be allowed to continue. With the right policies, all based on Liberty and the Rule of Law – including "homesteading" – the whole of India can be converted into a great piece of real estate. That is the direction in which we need to proceed. Then, every Indian will have a bungalow to call his own. Even the poor will have modest cottages – as they do in south Goa: my immediate neighbour, with a sweet little cottage, is a bus driver.

To conclude: Adam Smith spoke of "universal opulence." Today, over half the world is urban. This is progress – and it must inform the other half too. In the West, less than 10 per cent of the people are engaged in agriculture. This must happen in the Third World too. If we proceed with the correct ideas and theories, and a proper understanding of history, then what we need first is free trade. This will propel urbanization in poor countries like India. Since Indians are possessed of a deep rooted commercial culture – all the corner shops in London are owned by Indians; we are the shopkeepers to "a nation of shopkeepers" – there will ensue a natural social order and harmony. There will be prosperity. There will be civilization. And people will live well. Life will be comfortable, not brutal. The poor of today require nothing more than this: Trade, Transport and Towns – the 3 Ts of Prosperity. These solutions do not require government. Rather, they require a redrawing of the boundaries between the State and civil society. Universal opulence will surely result. A better life for all – especially the slum dwellers of today. All that stands in our way is atavism to the power of *n*.