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The Economics of Arbitrary Amendments

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The recent amendments to the Goa Land Development and Building Construction Regulations (GLDBCR) and the Goa Town and Country Planning Act (TCP Act) have stirred controversy in Goa. Critics argue that these amendments could cause environmental and social harm by allowing development in eco-sensitive zones. Despite these concerns, CREDAI, a real estate interest group, endorsed the amendments, labelling opponents as anti-development and anti-economic growth. I argue that these amendments are more opposed to the theory of economics and capitalism than their opponents. I say they subvert the very free market and economic development ideals that their supporters propose to achieve.

The amendments in question bring changes to the GLDBCR and the TCP Act. The GLDBCR amendments allow intensive uses such as food processing industry, religious structures, and massive 1,000 square meter "farm houses" in Goa's eco-sensitive zones; They also aim to regularize illegal constructions over 500 square meters. The amendments to the TCP Act grant unilateral powers to the Chief Town Planner to change the zoning of eco-sensitive areas to developable land, on claims of "inadvertent errors" without public notice or comment. These changes open the door to ad-hoc rezonings undermining established models and methods used in land use planning.

To understand the implications of the amendments, we need to evaluate them through the lens of economic development and assess their consequences for sustainable development, market equilibrium, and the overall welfare of Goan society.

HOW DO MARKETS INFORM

DEVELOPMENT

The theory of market equilibrium is the fundamental principle of economics. It states that markets play a crucial role in guiding growth. Think of the market as a system where buyers and sellers interact to determine prices and quantities of goods and resources. Prices act as signals that convey important information about the availability of things we need. As noted by economic theorists such as Friedrich Hayek (1945) and Milton Friedman (1953), the price mechanism conveys valuable information about the relative scarcity or abundance of goods and resources. If the market deems something unsustainable, it will discourage investment.

In the domain of planning, land is a finite and valuable resource. The price of land is influenced by the balance between its supply (how much is available) and demand (how much people want it). In a free market, when land becomes scarce, its price goes up. This increase in price discourages excessive investment and encourages efficient use of resources. Currently, the price of settlement land in Goa is exceptionally high, with properties in areas like Taleigao



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and Assagao commanding prices over Rs 30,000 per square meter. Supporters of the amendments argue that the high price indicates a shortage of available land. However, it is important to examine all available data before jumping to conclusions.

In the case of Goa's housing market, a closer look at the figures reveals a significant housing vacancy problem. The 2011 census indicates that 20% of all housing in Goa remain empty. Recent research suggests that this figure may have increased to around 31% in the last three years (Gandhi, 2022). These statistics challenge the idea that there is a shortage of land for housing. Instead, they suggest a disconnect between the high prices of settlement land and the actual demand for developed housing in Goa.

From an economic perspective this mismatch between high land prices and demand for housing is a signal from the market to developers to slow the pace of development until supply and demand align better.

SUBVERTING THE MARKET

Unlike settlement land, eco-sensitive land is affordable and available in Goa. The going rate is approximately Rs 2,000 per square meter. If a developer bought eco-sensitive land at throwaway prices and could subsequently start residential or commercial construction on the property, they can reap windfall profits. But this action directly contradicts the market's signals. In their work, Hayek and Friedman caution against such loopholes and special privileges, as they disrupt the free market and lead to unintended consequences.

The GLDBCR amendments allow for the unprecedented construction inside eco-sensitive land. The TCP Act amendments allow for a case-by-case change of zone from eco-sensitive to settlement. Both amendments are essentially market interventions, providing special privileges to a few intervenors. An initial analysis of the 13 cases cleared under the TCP Act's "correction" clause indicates that 70.4% of the total area converted directly benefited real estate firms; a further 23.9% benefitted individuals listed as directors of real estate companies. In contrast, only 5.7% of the area appears to benefit individuals. This data clearly demonstrates favoritism at the expense of the market's equalizing forces. Friedman would call improper interventions like these "market failures."

CONCLUSION: CAPITALISM

NEEDS PLANNING

Planning and zoning are also market interventions. However, planners need to make compelling justifications for every zoning action, based on statistics, economics and science. The recent amendments are interventions without justification. To take advantage, property owners must merely apply to the state without providing any viability or cost-benefit studies.

Capitalism thrives when markets are allowed to operate efficiently and when forces of supply and demand are balanced. Zoning loopholes, like the amendments, are economically inefficient and disrupt the market equilibrium. They create an unfair advantage for certain groups, distorting the allocation of resources and hindering the overall welfare of society. To uphold the principles of meritocratic capitalism and the free market, it is crucial to rely on holistic land use planning. Not encouraging irresponsible, anti-economic handouts like these amendments.

(The author is an Architect and Urban Planner. He is interested in heritage and environmental conservation and explores tools that can leverage local knowledge to guide sustainable development)

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