Seeing Mumbai Through Its Hinterland: Entangled Agrarian-Urban Land Markets in Regional Mumbai

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SEEING MUMBAI THROUGH ITS HINTERLAND: ENTANGLED AGRARIAN-URBAN LAND MARKETS IN REGIONAL MUMBAI

Sai Balakrishnan
Assistant Professor in Urban Planning, Harvard University

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Abstract

The “money in the city, votes in the countryside” dynamic meant that in the past, agrarian propertied classes wielded enough power to draw capital and resources from cities into the rural hinterland. However, as cities cease to be mere sites of extraction, agrarian elites have sought new terms of inclusion in contemporary India’s market-oriented urban growth, most visible in the endeavour of the political class to facilitate the entry of the “sugar constituency” into Mumbai’s real estate markets.
Scholars often pose a puzzle of Indian cities: why do some of the richest cities in the country suffer from crumbling water pipes and potholed roads (Varshney 2011, Bjorkman 2015)? If India’s cities generate nearly 85 percent of the country’s GDP, why are these urban revenues not invested in better urban public services? To some political scientists, the answer lies in India’s political-economic paradox: economic power is concentrated in cities but political power resides in villages (Varshney 1995). The agrarian countryside may contribute less than 15 percent of the GDP but it is also home to a populous 80-85 percent of the electorate. Politicians cannot afford to ignore agrarian interests without grave negative losses at the ballot boxes. It is this configuration of political-economic power that explains why “for politicians, the city has primarily become a site of extraction, and the countryside is predominantly a site of legitimacy and power” (Varshney 2011).

The electoral power of the agrarian countryside is evident in the relationship of Mumbai to its hinterland. India is the second largest exporter of sugar in the world and more than 40 percent of India’s sugar exports come from the western Maharashtra region. Sugar production in the region is organized in the form of cooperatives. These sugar cooperatives are heavily subsidized by the state: 90 percent of sugar cooperative finances came from debts from the cooperative banks with state guarantees; over three-quarters of the 10 percent equity was a direct handout from the state budget (Baviskar 1980, Attwood 1992, Jadhav 2008). It was Mumbai’s thriving industrial economy that was the source of sugar subsidies. Mumbai’s industrial classes tolerated the diversion of capital from the city to countryside as they understood that the state government legislators relied on the numerically strong peasants for their votes and that capital diversion was the price to be paid for the political stability derived from subsidized agrarian prosperity.

With the 1991 economic liberalization reforms, the state’s development priorities have shifted from a state-controlled agrarian economy to a market-oriented urban one. In a clear departure from earlier agricultural development programs like land reforms and the Green Revolution, the Central
Government’s ongoing development policies have a strong market- and urban thrust. The national government has launched flagship urban renewal programs including the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and the Smart Cities Mission. It is investing in massive economic corridors that are envisioned to be the spines for these new globally competitive cities. Economic reforms are opening up sectors like land to new market relations with post-liberalization sources of private capital emerging as key financiers of urban development. As old regulations that governed an agrarian economy are now being dismantled to make way for urban growth, new actors and coalitions are stepping into the institutional void (Hajer 2003) to make new rules that are most favorable to them. In this moment of fast-paced regulatory change, key works have shed light on the making of new real estate markets in liberalizing and urbanizing India (Benjamin 2008, Sud 2012, Chakravorty 2013, Searle 2016). In the context of Mumbai, researchers have cast a spotlight on development mafias (Weinstein 2008), squatter-developers and private developers (Mukhija 2000, Chattaraj 2012), evicted ‘slum’ residents (Doshi 2013) and urban middle class associations (Zérah 2007, Kamath and Vijayabaskar 2013) as the new entrants and exclusions in liberalizing real estate markets. Notable amongst this rich profusion of urban scholarship is Venkatramani’s (2017) work which sheds light on the classificatory politics of a traditional fishing community – the artisanal Koli fishing settlements - in Mumbai’s liberalizing coastal development zones. In a related vein, my article asks what new narratives emerge when social groups who are generally outside the purview of urban political economy because of the methodological limits of city-centrism (Brenner and Schmid 2015) become key protagonists in the production of urban real estate markets.

I argue that to understand the complexity of urban real estate markets in liberalizing India, we must bring in the agrarian propertied classes and their embedded caste-based alliances. In the past, agrarian elites with their regional rural-based political parties had the political power to draw capital and resources to the countryside. In a market-oriented urbanizing economy, these elites continue to
influence the making of urban real estate markets by flexing their regulatory muscle. The price of a plot of land increases when it is well connected to roads and transport networks, when it has uninterrupted water supply, when it can go high into the air to maximize development rights. Politicians control these road, water and air resources, and in a context of where local governments are not yet fully empowered as decision-makers, state-level politicians wield immense control over resources that get capitalized into the price of land. To unpack the role of agrarian elites in urban politics, this article focuses on two cases: Lavasa Lake City and Adarsh Housing Society.

Lavasa Lake City is India’s first private city, located in the ecologically sensitive Western Ghats forest land. It has been in the eye of the storm with activists accusing the urban promoter of fraudulent land transactions that have deprived forest dependents of their occupied land. Lavasa Lake City represents the movement of urban firms into the hinterland in search of new real estate profits. In contrast, the Adarsh Housing Society is located in the prime neighborhood of Colaba in the middle of the megacity of Mumbai. The real estate ‘scam’ involves a 31-story residential complex built on defense land that was meant for the war heroes and war widows in the 1999 India-Pakistan armed conflict, the Kargil War, but that was diverted to politicians. This ‘scam’ represents the movement of former sugar elites into the hot real estate markets of a megacity. In both these cases, I track how agrarian elites exerted their influence on the flow of resources both to produce appreciating land price and to capture these windfall land increments for themselves or those favorable to them. To label these developments as ‘corruption’ is not enough; instead, we need to connect these seemingly disconnected cases of regulatory abuse to deeper political-economic shifts of politically powerful agrarian elites seeking new terms of inclusion in contemporary India’s market-oriented urban growth story.
LAVASA LAKE CITY

Lavasa Lake City is representative of the new real estate developments coming up on formerly agricultural and forest lands. Located on the forest lands of the Western Ghat mountain range, the lake city spans 25,000 acres and is approximately one-fifth the land area of the Municipal Corporation of Greater Mumbai. The promoter, Ajit Gulabchand - the CEO of the prominent Mumbai-based firm, Hindustan Construction Company (HCC) – sees Lavasa Lake City as a bold response to the demands of accelerated urbanization: “[Lavasa] is a grand project… It actually looks at the needs of India's urbanization - an estimated 400 million people will move to urban centers in the next 30-40 years. So, we really need to consider our urbanization needs and this project couldn't have come at a better time to create a kind of replicable model of a new city. The speed with which we will have to build these urban centers or enhance existing ones would need some kind of public-private partnership” (Kalbag 2012). Lavasa Lake City is an experiment in the making of a “private city” (Parikh 2015). Unlike earlier new towns, including the ambitious plan to build 120 steel towns in the early decades of industrial modernization in the 1950s, Lavasa Lake City is a unique experiment in urban finance. The public sector steel towns, for instance, relied heavily on foreign aid for construction and on the steel companies for maintenance (Sivaramakrishnan 1976-77). Lavasa Lake City, on the other hand, is setting a precedent by tapping into India’s newly liberalized equity markets. Lavasa Corporation Limited (LCL), the promoter company that is a subsidiary of HCC, has regulatory approval to raise capital for the ₹33,000 million ($492 million) project from public equity, including foreign institutional investors (FIIs) (Lavasa Corporation Limited 2014).

Though Lavasa is gearing itself towards domestic and foreign investors, the early financiers of the lake city included Sharad Pawar’s daughter (Lavasa Corporation Limited 2014). Pawar, the founding leader of the political party, the Nationalist Congress Party (NCP), is an influential sugar elite from western Maharashtra. In 2003, Supriya and Sadanand Sule, the daughter and son-in-law of
Sharad Pawar, became early promoters of the lake city by merging their company, Yashomala Leasing and Finance Private Limited, with HCC. The Sules exited LCL in 2004 but their brief financial involvement in the lake city also coincided with water (mis)allocations to the private city. As a new city that aspires to be built entirely from private capital, the Lavasa Lake City promoters knew that they would be competing with other privately financed cities from around the world. Developing a strong brand image for new cities then becomes a way of differentiating one city from the other. The lake city brochures draw attention to its reliable 24/7 water and power supply, an elusive dream for the urban middle classes in a country that suffers from acute water shortage and power outage. In short, real estate developers like HCC can appropriate new forest and agricultural lands but the value of these lands derives from resources like water supply. The Lavasa Lake City has benefited from state government water policies that have reallocated water from earlier agricultural uses to new urban uses.

Water allocation from the various river basins in the state of Maharashtra are under the regulatory control of the Water Resources Department (WRD). The WRD granted Lavasa Lake City a new water entitlement, i.e. the reallocation of water from existing irrigation uses to new non-irrigation uses, in other words, from agricultural to urban use. What is the procedure by which water reallocations are made, and most importantly, who makes these decisions (Wagle, Warghade and Sathe 2012)? The state-level Irrigation Department, set up in 1960, was restructured as the WRD in 1999. The organizational restructuring of the water agency is based on the premise that “urbanization is now inevitable” and the water allocations of an agrarian past have to be modified to meet the demands of an urban present (Maharashtra Water Resources Regulatory Authority 2005). The procedure for the reallocation is as follows: when a new urban development, say Lavasa Lake City, wants water, the promoter submits an application to the WRD seeking new water entitlements or permissions. The WRD makes its decision based on the priority of water use. Of the three categories of water uses - domestic or drinking water, irrigation and industrial – domestic water is given the highest priority. The
WRD also factors in “tail-to-head” equity, i.e. water should be allocated in a way that the uses/users at the head of the canal do not deprive downstream users of their fair share of water. Despite these social equity considerations, the water-intensive Lavasa Lake City exerts a negative toll on downstream users. The lake city draws its water supply from the Khadakwasla dam complex, which supplies irrigation waters to around 45,000 hectares of agricultural fields and drinking water to cities including Pune. Any water reallocation in the Khadakwasla dam complex then has ripple effects for entire downstream regions.

To get a sense of the new water entitlements, I filed a Right-to-Information (RTI) petition in 2012 to the WRD. The WRD water entitlements for the Khadakwasla dam complex reveal a clear political bias. Of the 209 applications for water reallocation received by the WRD for the reallocation of water in the Khadakwasla dam from irrigation to non-irrigation uses, 90 of them are for large-scale projects, each of which will divert water away from more than 10,000 hectares of currently irrigated land. Lavasa Lake City is one of these 90 projects. The other projects include Venkateshwara Hatcheries, Venkateshwara Research and Breeding Farm, and other firms belonging to the V.H.Group of Companies, whose chairperson, Anuradha Desai, was one of the earliest equity members of Lavasa Lake City. New agro-industrial firms also received water entitlements, including the Four Seasons Winery Roti and the Baramati Agro Limited, both located in Sharad Pawar’s home constituency of Baramati. The new water entitlements privilege real estate and agro-industrial promoters with privileged access to Sharad Pawar. Also, the earlier Irrigation Department and the current WRD have always remained under the control of sugar elites. Since its setting up in 1999 to the present, Sharad Pawar’s nephew, Ajit Pawar, has been the state government minister in charge of the WRD.

As new private cities like Lavasa Lake City get 24/7 water supply, these water reallocations deprive downstream regions of essential water for basic uses. Farmers’ organizations and politicians from the downstream Solapur district have filed petitions with the state government questioning these
water reallocations. These farmers argue that the inequitable allocation of the Khadakwasla dam complex to water-intensive upstream uses is leading to drought and distress migration in the downstream districts. The brand value of new private cities like Lavasa Lake City increases only with the promise of continuous and reliable water supply. But the transformation of a basic public good like water into a city branding strategy is nothing short of the privatization of a public resource. However, to see these water (mis)allocations as driven only by the greed of sugar elites is to miss the wider electoral reconfigurations in an era of economic liberalization, a point further clarified through the Adarsh case.

**ADARSH COOPERATIVE HOUSING SOCIETY**

If Lavasa represents urban elites (Mumbai-based firms) moving into the hinterland, the Adarsh scam represents agrarian elites moving into the city. Adarsh Housing Society is a 31-story residential complex in Mumbai’s affluent Colaba neighborhood in the southern tip of the island city. The complex was built as housing for the war heroes and war widows in the 1999 India-Pakistan armed conflict, the Kargil War. But hardly any of the final beneficiaries of the complex were war heroes and war widows, and the housing instead was appropriated by politicians. The Comptroller Auditor General (CAG) - India’s Supreme Audit Institution that ensures accountability, transparency and efficiency of public administration – harshly indicted Adarsh society in its 2010 report as an episode of “how a group of select officials, placed in key posts, could subvert rules and regulations in order to grab prime government land- a public property- for personal benefit” (Comptroller and Auditor General of India 2011, ii). Adarsh Housing Society is a clear-cut case of land misappropriation. However, I contend that the Adarsh case is just not about a collusive nexus amongst corrupt individuals. As development and infrastructural priorities shift in a liberalizing economy, ‘scams’ like
Adarsh are a symptom of the political class experimenting with new legal exceptions to facilitate the entry of the sugar constituency into Mumbai’s real estate market.

The Adarsh development started in 2000, when a bureaucrat in the Defense Estates Office (DEO) Mumbai, in the capacity of the promoter of Adarsh Cooperative Housing Society, wrote a letter to the Chief Minister for allotting 3854 square meters of land in Back Bay for the construction of a residential building (Comptroller and Auditor General of India 2011). The ownership of this plot of land is contested: it is unclear which public agency - the armed forces, the state government of Maharashtra or Mumbai local government – owns the land. Overlooking the ambiguity in land titles, the Chief Minister approved the plan. The initial plan in 2000 was to build 40 housing units, all of them for defense personnel. The number of beneficiaries, however, kept on expanding until in 2010, the total number had shot up to 102, of which only 37 were defense personnel. This expanded membership meant more built-up area, and herein started the legal artifice over Floor Space Index (FSI).

The housing society wrote to the Chief Minister exhorting him to increase the permissible FSI for the site “to accommodate and reward our Heroes of Kargil operation who bravely fought at Kargil to protect our Motherland” (Comptroller and Auditor General of India 2011, 3). For the additional FSI, the housing society requested the Urban Development Department (UDD) to allot land from the adjoining plot (Comptroller and Auditor General of India 2011, 17-20). Abutting the west site of the Adarsh plot is a bus depot owned by the public utilities company, the Brihan-Mumbai Electric Supply & Transport Undertaking (BEST). Since 1976, the BEST buses have been using a strip of land adjacent to the Adarsh site as their approach road into the depot; it was the FSI from this approach road that the housing society requested be transferred to their site. Again, as with the Adarsh site, the ownership of this approach road strip of land was also contested: BEST had been using the land for plying its buses but the state government claimed that it owned the land.
The FSI proposal faced roadblocks. For one, it was not permitted by Mumbai’s land-use and zoning regulations. Mumbai has a Transfer of Development Rights (TDR) program where unused development rights can be delinked from a plot of land and can be transferred across space to another plot of land. However, Mumbai’s Development Control Regulations (DCR) of 1991 explicitly prohibit the utilization of TDRs in the southern neighborhoods of the island city, which is where the Adarsh site is located. In addition to the regulatory roadblock, the housing society also faced opposition from the BEST officials who were wary of the TDR program, fearing that the housing society would first gain control over the development rights above the approach road and then gain control over the road itself. To overcome the BEST resistance, the state government resorted to a coercive tactic. The UDD bureaucrat at the state government level informed BEST that the approach land belonged to the state government and that, if the land were allotted to them, BEST would be required to pay the cost of land at the then market rate. Asking a public utility to pay the market price of land is an arm-twisting tactic, leaving the utility with no choice but to agree to the transfer of development rights in exchange for continued use of the approach road. Also, the UDD chose to overlook the contested title of the Adarsh site while raking up the contested ownership of the BEST approach road. By 2005, the state government of Maharashtra had, in violation of the DCR, granted additional FSI to the housing society in order to accommodate the additional beneficiaries.

Who then were the non-defense beneficiaries for whom this elaborate legal artifice over FSI had to be staged? The CAG report has a list of the final 102 beneficiaries. A survey of the improper allotments, as per the CAG report, reveals that some of the non-defense beneficiaries have privileged access to state-level politicians of sugar origins. One of the beneficiaries is the nephew of a sugar elite who controls a cooperative complex in Sangli and who held a state cabinet portfolio at the time of the Adarsh regulations. Media reports have claimed that some of the “ineligible” allottees in the CAG report are close associates of political elites of sugar origins (NDTV n.d., Hindustan Times 2010);
some of these alleged politicians have since been given a “clean chit” by the Central Bureau of Investigation (The Hindu 2013). The intent of this article is not to identify specific individuals alleged of corruption (a task well taken up by investigative journalists and on-the-ground activists) but to discern some wider political-economic trends from the housing ‘scam.’ And a trend that emerges is as follows: family members and close associates of state-level politicians were allotted flats. Many of these politicians are sugar elites, and by that, I mean that they do not just own one or two sugar cooperatives in their regions of political influence; instead, they preside over massive cooperative complexes that includes wineries, private universities and district cooperative banks. In short, land is the new sugar and sugar elites are making a foray into the real estate markets of Mumbai to stake their claims on the windfall profits from land liberalization.

**INDIA’S AGRARIAN-URBAN QUESTION**

In India’s postcolonial development history, debates on urban-rural linkages have figured prominently. The country’s unique sequencing of development – of having achieved universal suffrage before it industrialized – required its own analytical frameworks and, in the decades between universal suffrage and economic liberalization, scholars have highlighted how the agrarian propertied class became a key actor within the post-Independence balance of powers (Bardhan 1984, Vanaik 1990, Varshney, 1995). Some refer to this agrarian class/caste group as the agrarian bourgeoisie (Vanaik 1990); others eschew the term bourgeoisie which derives from a specific Western trajectory of development and instead refer to them as the bullock-capitalists (Rudolph and Rudolph 1987) or the provincial propertied class (Balagopal and Haragopal 1988); yet others call them the dominant caste (Srinivas 1987) or the intermediate caste (Jaffrelot 2003) to foreground the intertwining of caste and class hierarchies in the making of this constituency.
Here, it is helpful to briefly bring in a comparison of western Maharashtra with Andhra Pradesh to emphasize regional variations in urban-rural politics. In his work on the then undivided state of Andhra Pradesh, K.Balagopal shows how the intermediate-caste Kammas invested their agrarian surpluses in industrial clusters and film: “the pride of place is taken by the twin symbols of Coastal Andhra: cinema halls that look like rice-mills and rice-mills that look like cinema halls, give or take a chimney stack… all the surplus that is generated by the [Krishna-Godavari] delta agriculture goes in exactly two directions: agro-based industry and trade, and film production, distribution and exhibition” (Balagopal 1984, 1901). The landed Kammas were able to invest their agrarian surpluses in the urban film industry of Hyderabad. This contrasts with the agrarian-industrial political economy of western Maharashtra where the industrial classes that controlled Mumbai (including the Bohras and Khojas) were ethnically distinct from the Maratha agrarian propertied classes. It is this difference, argues Balagopal, that explains the geography of the new farmers’ movements of the 1980s (as opposed to earlier peasants movements): these movements with price-based demands took root in regions like western Maharashtra where the agrarian propertied class were blocked from entering the industrial economy of Mumbai but not in regions like Andhra Pradesh where agrarian surplus had an unobstructed entry into the industrial economy of Hyderabad (Balagopal and Haragopal 1988). In short, the precise workings of the “money in the city, votes in the countryside” dynamic introduced at the start of the article expressed itself in regionally specific ways, depending on the regional configuration of agrarian caste/class interests and their relationship with industrial capitalists.

Keeping in mind the varied agrarian regions in India and the diverse urban-rural linkages of the past, what generalized insights can the specific case of western Maharashtra shed on India’s contemporary urban-rural politics. A central insight is the new sources of private capital now available for urban growth in the post-liberalization era. Before economic liberalization, the condition of capital scarcity made agricultural-industrial linkages central to national economic development. National
policies were concerned with how the terms of trade between agriculture and industry would affect national economic growth and how agricultural surplus could spur industrial growth. Now, with liberalization, new non-agrarian and non-industrial sources of capital are churning land markets into booming real estate developments. New real estate regulations now allowed bank credit and foreign capital to enter land development, thus transforming land from being one of the least fungible commodities to an emergent transnational real estate market (Nagaraj 2013, Searle 2016). Lavasa Lake City represents this new trend of ‘cities as I.P.Os.’ As new circuits of capital enter city, forest and agricultural lands, agrarian elites are deploying their regulatory control over land-use and resource allocation to forge new pathways for the entry of their agrarian propertied constituents into these booming real estate market.

In this context, agrarian elites like the landed sugar-rich Marathas adjust regulations to make space for themselves in an urbanizing economy. But their control over capital flows in a post-liberalization era has diminished. In an earlier state-controlled agrarian economy, state-level politicians exercised control over the allocation of both capital (by extracting urban land rents for financing rural development and poverty alleviation programs) and resources (like water and development rights). Now, post-1991, state governments are in territorial competition with one another to attract firms and investment to their regions, thus undermining their ability to direct capital flows. In other words, state-level politicians still control the allocation of resources that are needed to valorize land markets but have limited or little control over the geographies of these uneven markets. This explains why political elites of sugar origins can adjust land regulations to accommodate the interests of their sugar constituency but are unable to direct capital flows to economically distressed districts.

Left behind in the new political economy of land and development, then, are small and marginal Maratha and Kunbi landowners, particularly the landowning youth, who are increasingly finding themselves “trapped between agrarian distress and the future of nowhere” (Deshpande 2006).
Urban-based nativist political parties like the Shiv Sena are mobilizing the alienated Maratha youth by fanning a rhetoric of chauvinism that casts all non-Marathi speaking residents as outsiders. If the Shiv Sena and the BJP are fueling a politics of exclusion, the state is also seeing other political trends of a very different nature. As new politicians like Jignesh Mewani seem set to enter Maharashtra politics, it could open up new alliances amongst the economically left-out Maratha and Kunbi constituents with Dalits and Adivasis, leading possibly and hopefully to a redistributive agenda of land reforms in an era of intensified land commodification.

What we see in western Maharashtra with the liberalization of land markets is the unraveling of the carefully constructed Maratha-Kunbi political constituency of a state-controlled agrarian era. In its place is a reconfigured electoral politics of new coalitions and conflicts that transgress the agrarian-urban divide: of older agrarian institutions (like the cartel politics over water) being reworked to meet urban demands and desires, of agrarian elites as key players and promoters in urban real estate markets, and of urban-based political parties appealing to left-out agrarian constituencies. As agrarian elites enter city real estate markets and city-based firms enter agricultural land markets, the murky land deals in these blurred geographies of the urbanizing countryside are the symptoms of a new political economy of urbanization that subsumes within it processes of agrarian change. The dictum of “money in the city, votes in the countryside” collapses in these entangled agrarian-urban land markets. Needed now are new frontiers of analysis that breaks out of the existing silos of agrarian studies and urban studies and that tackles the agrarian-urban question by shifting our gaze of urbanization beyond the limits of the city to bring in the hinterland.
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