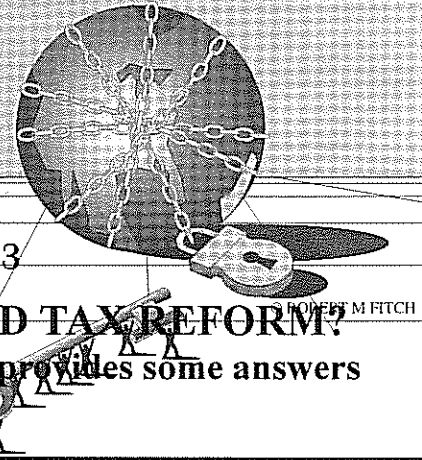


# GROUND SWELL

A BI-MONTHLY PUBLICATION OF  
COMMON GROUND-USA



MAY-JUNE 2011 / \$3.00

VOLUME 24, No. 3

## WILL INDIA LEAD THE WAY IN URBAN LAND TAX REFORM? A Mission Director from the Indian Ministry of Housing provides some answers By Scott Baker, New York, NY

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*[I first met Dr. Mohanty through a personal friend. As we talked it became clear he was well versed in Georgist economics, and even better, was in a great position to do something about it.]*

*Dr. Mohanty graciously agreed to a written interview, and then a follow-up during late May-early June 2011. Here is the result. I plan to follow-up this intriguing opportunity in the future. It is the author's belief that Georgism will come soonest to those communities and countries who perceive themselves as most in need of fundamental reform, like India, and not, unfortunately for most Americans, the United States. Dr. Mohanty reminds us that his views are personal and not official.]*

**Scott Baker:** Dr. Mohanty, could you please describe your current position in the Indian Ministry, how long you have held this position and what your duties are?

**P. K. Mohanty:** I belong to India's apex civil service, called the Indian Administrative Service. Currently I am working as the Mission Director, Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and Additional Secretary in the Ministry of Housing & Urban Poverty Alleviation in the Government of India, New Delhi. JNNURM is the national urban mission of India launched in 2005. It involves a Government of India grant support of about \$17 billion to aid infrastructure development in cities along with provision of housing and basic amenities to the urban poor in partnership with States and cities. It contemplates wide-ranging reforms for sustainable urban development and financing. I deal with the implementation of the Mission throughout the country, including scrutiny of project proposals from cities/states regarding housing, slum development and provision of basic amenities to the urban poor such as water supply, sewerage, drainage, roads, education, health, social security, etc., release of Government of India grants, review of physical and financial progress of projects and guidance to cities in the execution of urban sector reforms, including reforms for better municipal management and finance. Currently, the Mission is supporting about 900 cities with about 1500 projects relating to housing and basic services to the poor alone. In addition, there are many city-wide infrastructure projects being financed. I have been holding the position since August 2006

**SB:** I understand you studied in America prior to starting your position. Could you briefly describe that training?

**PKM:** I did my Masters in Political Economy from Boston University, Doctorate in Urban Economics from Boston University (with one of the advisors from MIT) and Post-doctorate in Economics from Harvard University. I came on sabbatical and returned back to my job in the civil service after

completing studies between 1987 and 1993. Since then I have held jobs like chief executive of the metropolitan city of Hyderabad, Director of Urban development in Government of India, Director General, Centre for Good Governance and Mission Director (JNNURM), etc. My research has helped me in applying theory to practice.

**SB:** And when did you first study Henry George? What was your impression of his Single Tax solution?

**PKM:** I read about Henry George in connection with my PhD which touched upon issues of migration and local public finance. There is a famous paper by Richard Arnott and Joseph Stiglitz which mathematically derives the Henry George Theorem stating that under certain conditions, aggregate rent based on land value (land rent) would suffice aggregate spending by government. George made a lot of sense to me given my knowledge of Indian cities. George was very modern for his time. The assumptions are important as they are the ones on which the Henry George results are based. We have to interpret George in the present day context. Taxation of urban land value makes a lot of sense for cities in developing countries like India where urban land values are soaring and public investment and spatial planning are key factors leading to such rise in land values. The collection of a rent/tax based on land values to help defray the public expenditures that lead to (the) creation (of higher) land values is very sensible and would generate a spiraling process of self-financed urban development. Taxation of land values can be an important way of financing city-wide and regional infrastructure and guiding city development, creating and tapping land value in developing countries like India. George's Single Tax solution needs to be interpreted not in letters but in its spirit. George has an important message for city development on self-financing basis in the case of growing cities of developing countries. First, good taxes like land value taxation need to be tapped first. It is a pity that governments/local bodies in most developing countries are yet to exploit land as a resource.

**SB:** I understand you know the works of both Mason Gaffney and Fred Harrison, both prominent Georgist economists. Have you been able to incorporate their ideas in your own presentations?

**PKM:** I have not met them. But I have read about their seminal works. Again their works make a lot of sense for developing countries which are creating land values in cities through planned development including infrastructure. In India we have adopted the strategy of inclusive growth in our current Five Year Plan (11<sup>th</sup> Plan) realizing that growth would not automatically percolate to the poorest (cont'd on p. 13)