Can a financial bubble burst if no one hears the pop?
Transparency, debt, and the control of price in the Kathmandu land market

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Abstract: This article concerns the formation of price in Kathmandu’s land market. In Nepal, land has been for generations the bedrock of savings and household finance, an objectification of social status and a subject of intense political debate, up to and including the recent Maoist insurrection. In Kathmandu, however, the meaning of land has begun to change, mostly because of the rapid fluctuations in its monetary value. This article demonstrates how residents have used localized understandings of price and value formation to explain these changes, understandings that take as their reference point historical landlord-tenant relationships and not the machinations of market equilibrium. This article interrogates the notion that the market animates price, instead arguing that price can index a multitude of value formations.

Keywords: economic anthropology, informal economy, land tenure, money, price

In the summer of 2011, I interviewed a man in a town on the northern ridge of the Kathmandu Valley. This man was a young father of two, a local to the area and of the Tamang ethnic group. Like many, he had engaged in land speculation during a recent housing bubble, which had left him with investments he could not sell now that the bubble had collapsed. Yet, unlike many, he had managed to buy land without loans and was in no rush to divest. I asked if he believed the price of his land was lower than it was before the bubble burst. He paused before saying no; his land was still worth exactly what he had paid for it. It was other people’s land—those who had taken loans from the banks and who had to sell to make their payments—that was worth less now.

This article is an attempt to explore the full meaning of this man’s assertion, an assertion he was not alone in making. During numerous conversations with local brokers, homeowners, and developers, I heard this argument repeatedly: that after the bubble collapsed, land prices only fell for those who had loans to banks and thus were forced to sell. This argument dovetailed with another peculiarity I repeatedly came across in interviews with landowners and other residents of Kathmandu: despite being told re-
peatedly by bankers, government regulators, and economists that land prices had fallen significantly after a period of reckless speculation, few individuals outside of these groups seemed to believe that the price of land had decreased at all. Instead, they simply stated that people had stopped buying land, thanks in part to changes in banking regulations. Business had stopped, that much was clear. But land prices had not gone down because, according to these informants, land prices never go down in Kathmandu.

Financial bubbles rest on the assumption of price equilibrium: that in a functioning market, a commodity’s price will naturally trend toward a balancing of supply and demand (e.g., Friedman 1976; Kindleberger and Aliber 1978). A bubble happens when overly available credit temporarily inflates demand for a certain commodity (or set of commodities), supplanting the commodity’s “real” price with a fictitious, overvalued one. A bubble ends when a process of devaluation or “correction” returns the commodity’s price to its equilibrium. From this perspective, these informants’ insistence that land prices had not dropped was simply a matter of denial. As one Nepali economist told me, what I was hearing were “fantasy prices,” with no basis in the real economy. However, in this article I resist taking these informants’ opinions as simply a sign of ignorance. Rather, I argue that their perception of price dynamics reveals a nuanced understanding of land’s economic value in Kathmandu, both in terms of the market’s current structure and in terms of Nepal’s history of land tenure.

This article is based on two years of fieldwork conducted from 2012 to 2016. During this time, I conducted more than 50 interviews with officials at commercial banks, financial companies, and microfinance cooperatives, current and former government regulatory officials, professional property evaluators, individual homeowners, land developers, land brokers, and licensed paralegals who prepare documents for land transfers. I also conducted workplace observation at a finance company that specialized in housing loans, at a commercial bank, and with informal brokers as they negotiated land deals. Though my interviews with banking officials and government officials gave me access to the higher echelons of Kathmandu finance, most of my research was conducted within smaller, more informal markets, ones populated by householders, small-time developers, and brokers.

This article should be taken as suggestive rather than definitive, an attempt to undermine price’s universal economic definition in order to reveal its composite nature (Guyer 2009: 203). First, I outline the recent history of the Kathmandu land bubble, focusing on the involvement of commercial banks. Next, I discuss the current structure of Kathmandu’s land market in relation to recent writings on the performativity of markets. Finally, I present a brief synopsis of Nepal’s history of land tenancy, focusing on how land’s economic value has historically been controlled by a landlord class. This history gives precedent to the relationship between landowners and commercial banks, providing the proper context to the man’s above proclamation about the price of his land. I end by suggesting that equilibrium may not be as universally central to the conceptions of price as is sometimes assumed, while also questioning the future meanings of price in Kathmandu.

The bubble

The story of this housing bubble begins with Nepal’s formal financial institutions. During the 1990s, Nepal followed India’s lead and liberalized its banking policy, relaxing the state’s monopoly on high finance (Khanal et al. 2005). Between 1990 and 2010, the number of government-regulated financial institutions rose from 8 to 263 (Ozaki 2014). Much of this period of financial expansion overlapped with Nepal’s civil war (1996–2006). As the war gutted other industries throughout Nepal, Nepali financial institutions managed to find ample business in less affected sectors, particularly in remittances sent from Nepalis working abroad. When the bubble began to collapse at the end of 2009, remittances...
were 20 percent of Nepal's gross domestic product (GDP) (Gautam 2011: 25) and, according to banking officials I interviewed, accounted for the vast majority of the banks' liquidity.

Thus, when the war's end opened the door to more brazen forms of financial investment, Nepali banks were well positioned to take advantage. The country, however, was still in shambles, with few sectors able to absorb the banks' capital. With nowhere to invest, many people dumped their capital into the Nepali stock market, often buying stock in newly opened financial institutions. This strategy only increased the need for other forms of investment outside of financial institutions.

The solution for many was the real estate market in and around urban areas, particularly in the Kathmandu Valley. Though Nepal's capital city had been expanding quickly since the 1950s (Manandhar and Ranjitkar 1981), it witnessed unprecedented growth during the war years as families fled to the city for security and economic opportunity. Though Kathmandu is estimated to have grown 45 percent between 1995 and 2005, such numbers are probably an underestimate, counting only those who registered their move with the government (Muzzini and Aparicio 2013). This population shift accelerated the transformation of Kathmandu's agricultural areas into residential housing, creating lucrative investment opportunities for the financial sector. According to Nepal's central bank (NRB), the amount of real estate and housing construction loans tripled between 2007 and 2009 (Shrestha 2011). Many of these loans were taken up by large-scale investors, who began to buy up land along the city's periphery, building suburban subdevelopments—complete with reliable infrastructure, clean streets, and manned security entrances—where the upper classes of Kathmandu could retreat. Beyond these high-end investors, less capitalized developers bought up medium to large tracts of land, partitioned them into plots for single-family houses, constructed gravel roads and the most minimal infrastructure (e.g., sewers, poles for electric wires), and sold the plots to families. Since it can take a family years to raise funds to build a house, with many families opting to add floors as they can afford to do so, this form of development was extremely popular. Both these high-end realtors and lower-end plotters also acted as conduits for finance, offering their connections with financial institutions—often the very institution from which they had borrowed—to help arrange loans for the purchasing family, thereby moving their debt to their clients.

The popularity of both these development strategies helped to heat up the land market. Several reports found that from 2006 to 2009 the price of land increased 300 to 400 percent in the areas just outside Kathmandu's urban center (Nelson 2013; Shrestha 2011). Likewise, I heard reports in northern Kathmandu of land prices increasing upward of 10 times their original value, the price of a single aana (roughly 32 square meters) increasing 100,000 NRs (roughly $12,000) every month. Not only did prices increase, so did the frequency of sales. Between the fiscal years 2007/2008 and 2008/2009, the number of recorded land transactions in and around Kathmandu's urban centers almost doubled (Sharma 2009).

As the prices increased, so did the credit options. Rotating credit schemes called dhuktis raised their monthly payments upward of 10 times their original amount so that the monthly recipients could receive payouts large enough to buy land. Individual participants were obliged to pay upward of 200,000 NRs (roughly $24,000) each month, with many individuals “playing” (khelnu) several dhuktis at once. Likewise, microfinancial cooperatives, which are notoriously underregulated in Nepal, also began to invest their own capital in land, either by providing their board members low-risk loans or investing their depositors’ money directly into development schemes, effectively tying up their members’ finances in a speculative market. When the bubble finally collapsed, many of these cooperatives collapsed with it, their members’ deposits vanishing into thin air.

Simply put, many actors began to take on large amounts of debt at high interest rates in
order to leverage themselves into this market in any way they could. Consumption practices flourished. Dance bars, supermarkets, and restaurants became ubiquitous, while the roads became choked with newly purchased motorcyles and cars. As a friend of mine stated, “people were just throwing out [phaalnu] 500, 500, 1,000 [NRs].” This time period also saw the rise of several major pyramid schemes or “network businesses” (Sharma 2010) that promised quick returns on investments. Another friend described attending a network business meeting in southern Kathmandu and of being mobbed by ten different people, each promising him enough capital to buy land if he was willing to invest in the scheme.

In December 2009 the central bank, NRB, fearing a real estate market collapse, put out new regulations on lending in the real estate market. This included a cap on the amount banks invest in the real estate market (25 percent of their portfolio by 2012) and a fixed ceiling on the maximum loan a bank could offer in regard to the market value of the loan’s collateral (66.7 percent of the collateral’s fair market value for private housing, 60 percent for commercial real estate) (Gautam 2011: 20–22). Around this same time, Nepal was also hit by a severe liquidity shortage, further restricting the amounts that banks had to lend. Though the reasons for this liquidity crisis are contested, with many banking and government officials blaming a slowdown in remittances and capital flight after the Maoists won the election (Hilalmedia 2010) while other observers point to banks’ overly high deposit rates and reckless lending (e.g., Khanal 2011: 2–3; Sapkota 2011: 18–20), what is clear is that after the implementation of the NRB’s new regulations, financial institutions quickly curtailed their lending to this sector. In the first year after the NRB’s new regulations, loans to the real estate sector dropped by 34 percent (Gautam 2011: 36). Without credit to fuel investment, potential buyers vanished, leaving investors of all types with unsellable assets and often extreme amounts of debt. The number of land transactions fell by 60 percent, while newspaper articles reported land prices falling 30 percent (Poudel 2010; Sharma 2011). The NRB took over the management of several banks. Half-built housing complexes lay untouched across the city, while people told stories of would-be entrepreneurs hanging themselves over loan payments.

However, these developments seemed to exist in a different world than the smaller informal markets I was observing. The owners of these large developments usually did not reside locally, and their identities were often unknown, let alone the nature of their financial obligations. In daily life, the failure of these developments was marked by a kind of quiet stasis: half cleared and muddy plots of land, with some colonized for corn or vegetable farming. Several informants quietly admitted to having to sell their land in order to make loan payments. Yet these whispers seemed to have little effect on land’s price, or at least on what local informants believed the price of land to be. Things were not desperate; they were quiet. Simply put, no one was buying.

In the years since, normality has returned to the market. Before Nepal’s large earthquake in 2015, one banker told me that the Kathmandu land market was where it was in 2007, when the bubble was just starting. Since the earthquake, land prices have doubled, as residents in congested areas move to more open areas and new regulations require larger housing plots. Yet when talking to house owners, informal brokers, and other actors in the market, this “recovery” was not preceded by devaluation. Rather, for a period of time, land transactions simply stopped. That was all that changed.

How land is price

Did the price of land fall during the Kathmandu real estate crisis of 2010? To answer this question, one must discuss how land is priced in Kathmandu. Despite the high market values, much of Kathmandu’s land market remains informal, the majority of sales arranged through
networks of local, unlicensed brokers (dalaal), who are usually paid on commission. Because these brokers have no legal claim to their payment, they must be careful to keep themselves central to the transaction, often not allowing buyers and sellers to meet until late in the negotiation. Much of the negotiation over price happens between brokers themselves on behalf of their clients, adding a layer of mediation that can often obscure the price of an individual plot. Furthermore, brokers can often increase their payment through price manipulations. Though commission is the most common form of payment (usually 2 to 5 percent, paid by the seller), brokers can also take “margin,” either by reporting a higher price to the buyer and pocketing the difference, or by placing an advance on the land for a certain period of time (usually one to three months) and finding a buyer willing to pay more than the price negotiated in the advance. During the bubble, profiting on margin became quite popular. I heard stories of brokers putting advances on the land and then letting other brokers put an advance on their advance, the second broker then searching for another party (sometimes another broker as well) willing to pay even more.

In other words, brokers’ success often depends on their ability to control interactions between buyers, sellers, and other brokers, making themselves essential while often hiding their own strategies. Indeed, though the literature on middlemen often emphasizes how a broker’s work bridges the gap between the embedded economies and larger capitalist structures (e.g., Sud 2014: 609), few have discussed how brokers are often invested in keeping that bridge as long as possible.

For any observer wanting to track land prices, this system presents a problem. One can ask brokers for the general prices of areas, but these general prices are exactly those “fantasy prices” that have not fallen. If one wants to know what land is actually selling for, one must push through these networks of brokers, a process that is infeasible on a large scale. The other option is to examine land transaction papers, but here one is stymied by weak documentation. When a land sale is finalized and registered with the government, buyer and seller are required to write down the sales price. However, since the government charges a tax based on the amount written, these reported prices end up being much lower than the actual sales price. The Nepal government maintains its own land price index, which records the minimum price one is allowed to report for any area, yet during the bubble these prices were often just a fraction of the going market rate. Consequently, people opted to only report the government’s price. Indeed, numerous individuals told me that the government taxes were so high that, for families rich in land and little else, they would be disastrous if paid in full.

Thus, pricing land is a laborious process that favors those with local knowledge. For economists, bankers, and government regulators, this means that universal changes in the market can be difficult to render transparent. In particular, it is almost impossible to create a price index that could record fluctuations across the Kathmandu Valley. In 2013 I talked to a young Nepali man working for a financial consultancy firm who attempted to create exactly this type of index but gave up after encountering the problems listed above.

According to the Nepali economist mentioned above, the land market’s opacity has kept people from realizing that the land prices have dropped. The Kathmandu land market lacks the economic infrastructure to communicate price changes to economic agents efficiently. Not only are homeowners in denial about falling prices, but the land market’s structure impedes the circulation of information necessary to grasp shifts in price.

This equivalence between price and information is a foundational notion in market-oriented economics, dating back to Friedrich Hayek’s work, and his famous comparison between price and the dials on a gauge (1944: 56). Yet many scholars have questioned the extent to which transparency in general, and price equilibrium in particular, can exist outside of the mediating
technologies that allow for it. As Kregg Hetherington (2011) argues, transparency is the rendering of text without context, a feat that depends heavily on a complex and ideological semiotic infrastructure that must be constantly hidden from view. Likewise, recent work on the performativity of economic systems has highlighted how economic models help to produce their own predictions, while simultaneously obscuring their own involvement (Callon 1998, 2007; Holm 2007; MacKenzie 2006). As Janet Roitman states in *Anti-Crisis*, “It is best to think of financial models, instruments, and methods as devices for formatting and creating contexts, as opposed to assuming that they operate in a given context” (2013: 76). Text and context are coproduced.

This complicates the usual narrative of financial bubbles, which emphasizes emergent pricing and equilibrium. Our ability to “see” a financial bubble depends on an infrastructure that can transform assets into debts and rational profit seeking into irrational euphoria (Roitman 2013: 49). From this perspective, price must be seen as a composite of multiple transactions and institutional actions, of standardization techniques and legal practices, and of informal brokerage and interpersonal dealings. Jane Guyer has argued along these lines, showing how a price incorporates a history of actions and transactions behind its thin veneer of singularity (2009: 219). Price has not a universal meaning but an idiosyncratic one that may or may not include price equilibrium. To return to the Tamang man’s claim that the price of his land had not fallen because he had no loans, implicit in this claim is that what constitutes the price of his property is different than what constitutes the price of land for other landowners who owe money to formal creditors. By having no loans to commercial banks, this man is not tied to the devaluation they helped precipitate. That market fluctuation is simply not part of his price.

Indeed, commercial banks in Nepal, in conjunction with the state, are deeply invested in building a market with a discoverable equilibrium. In order to assess the value of properties that their debtors are buying or have put up for collateral, banks will send formally independent evaluators who calculate the land’s market value according to a number of factors, including access to roads, water, and other resources, as well as the market price of surrounding properties. This latter data point, essential to valuation, requires a certain amount of connoisseurship on the part of the evaluator. In conversation, most evaluators made reference to their “experience” helping them discern land’s true monetary worth, experience that then gets transformed into valuation reports that are in turn key to determining the size of the loan. In other words, though rigorous to a point, evaluators do rely on interpretation to discover price.

Furthermore, this interpretation is not totally within the evaluator’s control. If a bank is unhappy with its evaluator’s work, it can delist the evaluator and find another it prefers. A crucial factor is whether the evaluator’s price is competitive with that of other evaluators from other banks. If another evaluator reports a higher market value then that evaluator’s bank can offer a larger loan, and the bank with the lower evaluation will lose the business. Thus, evaluators have had a reason to inflate their price of land, particularly between 2006 and 2009 when land prices were skyrocketing. Likewise, in the aftermath of the bubble, evaluators were under pressure to make sure their valuations accounted for the drop in price. Here banks have a tool of influence as well. The NRB allows banks to “blacklist” evaluators if the bank was unable to collect their outstanding debts after foreclosing on a property. This is serious legal punishment, one that freezes the blacklisted person’s bank accounts and suspends them from doing any business with banks in the future. Though rare, and meant mainly to discourage evaluators from taking bribes, the threat of such a punishment still acts as a deterrent to optimistic valuations and gives banks leverage to depress valuations.

Beyond influencing the evaluator, banks can influence land prices through their own calculation of fair market value (FMV). FMV is the price the land should bring on an open market
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if sold by an unpressured buyer, and it is on a land’s FMV that banks determine the size of a loan. Generally, banks calculate this by creating a proportional price using both the land’s market price and its government price. Before 2010, many banks weighted land’s FMV values heavily toward its market value (e.g., 90 percent market value and 10 percent government value), but after the collapse, most banks began calculating the FMV as weighted more toward an even split between market and government values (e.g., 60 percent market price and 40 percent government price), reducing the amount borrowers could receive for investing in land.

In other words, banks retain the power to influence the valuation of collateral, which in turn gives them power over how the market is perceived. Academic writing on the recent global land grab tells a similar story. Tania Murray Li has shown how private investment funds distributed a slew of graphs, tables, and pamphlets to “conjure a perfect storm in which food prices and land values can only rise,” thus creating “a spectacle that grabs the investor’s imagination,” one that in turn inspired the land grab (2014: 595–596). Oane Visser likewise has shown how, in Russia and Eastern Europe, investors focused on soil fertility at the expense of other concerns (e.g., irrigation) in order to transform land into a valuable asset whose price would rise. In other words, investors were able to create a market event through a complicated production of documents meant to render these informal agricultural land markets transparent. When these investments started to fail, land became less assetlike, reverting back to its more localized, idiosyncratic form (2016: 11–12).

To be clear, the Kathmandu land market is well established and has not vanished in the aftermath of the bubble. Nevertheless, these articles demonstrate how financial elites can produce markets built around their own biases for how price should behave. Such productions are not easy, however. If the financial infrastructure is weak, elite valuations of price can be effectively challenged, creating a heterodoxic market in which contradictory prices can coexist and the power dynamics of valuation can be readily seen. By reducing their loans to the real estate sector, while also lowering the fair market value on land collateralized after the bubble, banks and the NRB put effective downward pressure on the land prices within their own sector of influence, in essence performing the devaluation a postbubble crunch predicted. Outside of their sector, this pressure was not as effective. Rather than appearing as a natural correction toward equilibrium, this devaluation could be seen as an attempt by elites to exert control over the value of others’ land. This power dynamic, I argue, was not lost on individual landowners, in part because it had historical precedent.

A history of valuation

Beginning with Nepal’s unification under the Gorkha King or “Shah,” continuing through the Shah’s absolute monarchy (1768–1846) and then through the subsequent rule of the Rana prime ministers (1846–1951), Nepal has had a “landlord class” composed principally of Nepal’s rulers and their relations, state bureaucrats, and an appointed aristocracy who held enormous sway over determining the economic value of land. In much the same way that the current elite have been able to affect the land’s price through credit and valuation, so too did this class manage to manipulate land’s economic value through rents and taxation. By “economic value,” I mean land’s ability to satisfy economic wants (Polanyi 1977: 20). This can include land’s market value but does not have to. In Nepal, land was not a commodity until the late nineteenth century, so no market value existed. Even before the creation of a land market, however, land’s economic value was deeply influenced by the actions of these elites, the hierarchical relationship between the landlord class and the tenant class firmly established through tenancy laws enacted soon after Nepal’s unification (1768).

Until 1951—when Nepal’s Rana regime was overthrown and the country began a program of “modernization” that continues today—both
the state and its appointed landlords utilized tenancy laws to extract wealth from the peasantry. According to this system, though the state retained mastery over the nation's territory, it would routinely suspend certain privileges in order to give selected groups and individuals access to the wealth this land provided (Stiller 1973: 279–282). Such tenancy agreements were made for a variety of reasons, including the appeasement of certain conquered communities, encouraging the cultivation of forested land, and out of deference to religious institutions. For the sake of this article, I focus on land that was controlled directly by the state (called raikar land) and those agreements made with the intention of handing over the rights of extraction to those loyal to the state, the two most common forms being birta and jagir land grants. Birta land grants were usually given in recognition of past service and could be held in perpetuity by the grantee, even passed down from one generation to the next assuming the state did not withdraw its largesse. Jagir lands were granted to state officials only for the period of their employment, the wealth they could extract from the peasantry acting as a form of salary. During Nepal's early history—when the state was still governed by the Shah monarch—these tenancy agreements helped to solidify a rapidly expanding empire, creating both a loyal aristocracy that could help consolidate its power across vast territory and expediently rewarding military and bureaucratic personnel without the aid of a developed state infrastructure (Burghart 1981: 103–104; Stiller 1973: 279–282). After Prime Minister Jung Bahadur Rana effectively overthrew the state in 1846, reducing the Shah king to a mere figurehead, these tenancy arrangements were used to increase the personal wealth of both Rana families and their allies (Liechty 1997).

Key to these tenancy arrangements was the power to valuate its economic value through rents. Though supposedly conforming to the land's inherent agricultural productivity, rent rates in fact varied wildly across the country depending on the dictates of landlords, tax collectors, and the state (Regmi 1978b: 68–69). On raikar land (for which the tenant was officially defined as a tenant of the state), rates changed greatly as the state strove to develop a system of valuation that would more efficiently and predictably provide revenue to its coffers, efforts that ultimately divorced rents from underlying agricultural realities. In the first decades after the unification of Nepal in 1768, rents in the central hills, which include Kathmandu, were calculated as 50 percent of the peasant's harvest in what was called the adhiya system (53–54). However, beginning in the 1820s, this system was slowly replaced with the kut system, which calculated rent levels according to harvest estimates the state developed, and could be paid either in kind or in cash. By the 1830s, the rates on these taxes were between 50 percent and 66 percent of the harvest's total yield and were calculated beforehand, so if a peasant suffered a crop failure, they were generally still liable to pay (Regmi 1978a: 63–64). Local tax collectors and other bureaucratic functionaries also held sway over the determination of these rents and would manipulate their estimates to extract personal wealth (136–140, 166–167). On birta and jagir lands, tax rates were often calculated in reference to the government's rates. In the case of birta land grants (granted in perpetuity to families in recognition of past service), landlords were given free rein to charge what rents they felt appropriate, but because they had to compete with the government for tenants (who were in limited supply), their rents would often conform to the government's (73). Jagir landlords (usually state officials given land as payment for a set period of time) were formally restricted to collecting the same rents that the government collected on raikar land (land controlled directly by the state). By the 1830s, jagir land holdings were often reduced to just “the mere assignment of rents,” with landlords being issued certificates from the government, based on government rates, that they could then use to collect rents from their assigned lands (43).

Two facts emerge from the history of Nepal's pre-1951 history of land tenure: (1) rents were usually extremely burdensome for peasants and
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(2) these rents were calculated by a landlord class, often absentee, and often in reference to government estimations that were abstracted from material realities, which in turn allowed landlords to manipulate rents to their benefit (Regmi 1976: 195). Within this exploitative relationship, the only recourse peasants maintained was to run away from their tenancy. This seems to have been particularly prevalent in the southern plains of Nepal, where labor was always in short supply. Historian Bernardo A. Michael has written how peasants in the south would routinely move across the border to British-controlled India to escape such exploitation (2007: 319). In the hills too such movement was fairly common. As the historian Mahesh Regmi writes, “The nineteenth century witnessed a large-scale emigration of people from the hill areas of Nepal to Bengal, Assam, Burma and elsewhere” (1978b: 152).

Most peasants, however, did not run away, and in the hill regions where cultivable land was scarcer, their bargaining position was often weaker than in the Terai (68). Given this situation, it is not surprising that peasants were frequently forced to take out loans in order to make ends meet. Such indebtedness could happen in several ways. If, for example, a peasant’s crop was too small to provide both for the peasant’s subsistence needs and to pay rent, the peasant was forced to borrow either from local moneylenders or from their own landlords (141). Likewise, as the state shifted rent payments from in kind to cash by the end of the nineteenth century, peasants in cash-strapped areas were forced to borrow from moneylenders, who were usually the only ones with adequate cash reserves in local economies. On jagir land, landlords would often require that their rents be paid before the harvest, effectively forcing peasants to give them an advance for which peasants would need to borrow. Though peasants could legally charge interest on this advance, the interest rate was capped at 5 percent, far below the interest rates of moneylenders (143).

Once in debt, it was incredibly difficult for peasants to free themselves, their indebtedness sometimes resulting in them becoming bonded labor for their moneylenders. In this arrangement, debts were never paid off but rather the debtor’s labor was taken in lieu of interest (144). Consequently, debt became a lifelong affliction, with even the debtor’s children continuing as bonded labor. Katherine Rankin writes how indebted tenants and bonded laborers in the Kathmandu Valley were often exchanged as part of a landlord’s dowry during the Rana era (2004: 181). In the late nineteenth and early twentieth centuries, when raikar land became at least informally alienable (Regmi 1976: 170–196), moneylenders would take peasant lands as collateral for even small debts, either charging regular interest or taking control of the collateral immediately and appointing the borrower as a tenant, then stripping the tenant of his holdings when the latter defaulted (Rankin 2004: 107–115; Regmi 1978b: 146–148). In this way, moneylenders would use their financial prowess to establish themselves as members of the landlord class. As Regmi writes, “The main consequence of agrarian indebtedness in nineteenth century Nepal … was the emergence of a class of moneylender-cum-landlords in the village” (1978b: 153).

The point to highlight here is the tight relationship between tenancy, debt, valuation, and exploitation throughout Nepal’s pre-1951 history. Rents were determined according to an opaque system designed by the state and then manipulated by a landlord elite in order to exploit a tenant class. Moneylenders then exploited these tenants’ desperation to either capture them as bonded laborers or to strip them of their landholdings, ultimately propelling the moneylender himself into the landlord class if he was not part of it already. For the moneylender too valuation was key, as the debts were based on equivalencies that were always in the creditor’s favor. Thus, a day of work was seen as equal only to the interest of a debt, or collateralized land as equal to the principle of a debt regardless of how small that principle actually was. In other words, in regard to both rents and loan payments, valuation worked in favor of
an elite class, their calculations skewed in ways meant to dispossess and subjugate a peasantry class.

It is dangerous to draw too straight a line from this history to the attitudes of contemporary Kathmandu residents. This period ended in 1951 and was followed by a series of land reform acts designed to ameliorate exactly these forms of exploitation. By the 1960s, both birta and jagir tenancy had been abolished, and raikar land had been formally converted into private property. The historic Land Reform Act of 1964 set ceilings for how much land one could own, gave legal rights to tenants over the land they had tilled, and set a maximum rent at 50 percent of the land's product (Adhikari 2011: 23). Yet, by most accounts these reform acts have not fundamentally altered the exploitative structure at the heart of Nepali land tenure, in part because they were never fully implemented (Adhikari 2011: 22–24; Bhandari 2006: 116–122; Regmi 1976: 202).

Thus, given its continued relevancy, it is not farfetched to suppose this legacy of land tenure continues to influence how price and value are understood in Kathmandu's contemporary land market. As stated, when asked why prices increased the way they did, very few informants discussed price equilibrium or mass euphoria or overvaluation as the central cause. Rather, many of these same informants argued that the increase was the product of conspiracies and endemic corruption, ones often linked to political and economic elites. One reoccurring theory was that, after the civil war, Maoist cadres used the Kathmandu land market to launder money they had stolen during the conflict. I have not met an economist or government regulator who believes this was a major factor in the bubble, yet the theory persists, not just among householders but also among paralegals, developers, and even bank managers. Other informants blamed politically connected gangsters who used brokers to drive up the price of land and bribed bank evaluators to overvalue land so that they could capture loans. Others blamed large developers—particularly those building large apartment complexes—for using their developments as cover to misappropriate large loans while using their powerful connections to banking officials and politicians to protect their collateral from foreclosure.

The point here is that the notion of a market driven by an emergence of price equilibrium is not necessarily the most compelling analysis in this case. Land and debt markets can also be seen as driven by the shadowy actions and transactions of a political and economic elite, with price ultimately indexing these actions rather than the aggregated transactions of numerous independent actors. It seems only fair to read the Tamang man's statement as a reflection of this logic. While it would be commonplace if he had asserted simply that, unlike other land investors, he was not being forced to sell his lands at a loss, this man went a step further and asserted that the price of his land had not fallen at all. One can see a strange savvy to this claim, an implicit understanding that the crisis of land prices in Kathmandu may be due not to simply a glut of credit but to the elite's ability to enforce a certain form of valuation. Because he had no loans to pay, this man was not only outside the bank's economic grasp but also at the periphery of the market that banks were helping to create. Though he recognized that his land prices had gone up during the bubble, his peripheral position meant he was able to maintain this price even as the economic elite pushed to lower it, removing the postbubble devaluation from the price of his land in a way that demonstrated his “mastery” over that same land's value (Verdery 2004: 145–151).

Conclusion

In this article I have suggested that market equilibrium need not be seen as central to price as it is sometimes argued. In the case presented above, it may be that price equilibrium, and the perpetual crises it creates, is less important to price than the historical legacy of land tenure that continues to inform Nepali perceptions of
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land. Central to this history, and to the market’s current structure, is the process by which land’s economic value is assessed and who then is obligated to follow this assessment. This is not a new point. As Katherine Verdery has persuasively argued, the ability to evaluate the economic worth of land can often trump any formal sense of ownership, and thus to be a true “master” of one’s land means in part being able to resist its devaluation (2004: 145–151). From this perspective, the price of land in Kathmandu may be less an index of supply and demand as it is an index of control.

This, however, may be changing. As both commercial banks and the state work to “modernize” the market, they are helping to build a sturdier infrastructure that could enforce a connection between price and market even for those who are not in debt to the banks. Indeed, while I have been at pains to point out similarities between the “landlord class” of old and the current work of both banks and the Nepali government, it is worth noting an important difference: while landlords of the past did not strive to create general economic valuations for land based on supply and demand—quite the opposite, in fact—the actions of both banks and the state seem aimed toward this goal. Though in the Tamang man’s assertion of control we can briefly see how price equilibrium remains contingent on a vast infrastructure, the question remains at what point in Kathmandu this infrastructure will become strong enough to truly change price’s composite, making such statements seem simply a sign of ignorance.

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Notes

1. Because of the sensitive nature of professional property evaluators, I have not been able to observe their work in the field and have had to rely on interviews.
2. Like other rotating credit schemes found throughout the world (Geertz 1962), Nepali dhukutis are informally arranged money-saving clubs in which each actor gives a certain amount each month, and one actor then takes the pot, with numerous variations on this basic structure.
3. Certain types of cooperatives, called multipurpose, are allowed to invest in sectors of their choosing, though these sectors must get government approval.
4. The number of brokers in a transaction can vary widely but is usually a minimum of two, one for the seller and one for the buyer.
5. The global land grab refers to a period (roughly 2008–2010) when international corporations and investors began to buy massive tracts of farmland in Eastern Europe, Africa, and other less affluent countries in anticipation of a global agricultural land and food shortage.
6. Here I pull mostly from the seminal Nepali historian Mahesh Regmi, whose work on rents, taxes, and land tenancy during this period remains unparalleled.

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