

Litigation over Compensation under Eminent Domain

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ABSTRACT

Most instances of land acquisition in India end up before a court of law. Indeed, disputes and litigation over *eminent domain* compensation is an international phenomenon. The empirical literature on the subject shows that the compensation under eminent domain is regressive - Compensation for high-value [low-value] properties is much greater than [less than] their market value. Moreover, the regressive nature of compensation persists, regardless of whether the compensation is received by accepting the official offer or through the litigation process. In this paper, we model the litigation process under symmetric as well as asymmetric information set up. Our model helps us put structure on the incentives structure for the parties involved at every stage of the eminent domain. Using our model, we address the following questions: Why the litigation over compensation amount is rampant? Is the compensation structure by nature regressive? Are there some other forces also at work?