



Mining in India equals selling the family gold

Issues: Intergenerational Equity, Circular economy, Sustainable production and consumption (GS 3)

The principle that the economy must be “sustainable” — we cannot compromise the ability of future generations to meet their needs — is beyond question. Climate change and high levels of consumption already threaten to rob future generations of a planet that is liveable. The principle of Intergenerational Equity would make it imperative for us to ensure future generations inherit at least as much as we did. To consume what we have inherited without a thought for generations to come will leave the whole world poorer; like an addict selling the family gold.

The Inheritance of Loss

1. India's National Mineral Policy 2019 states: “natural resources, including minerals, are a shared inheritance where the state is the trustee on behalf of the people to ensure that future generations receive the benefit of inheritance.”
2. The primary objective of a trustee/manager is to maintain the corpus of the trust, the shared inheritance of natural resources.
3. Unfortunately, governments everywhere treat the mineral sale proceeds as revenue or income, a crucial error which hides the real transaction — a sale of inherited wealth.
4. This results in governments selling minerals at prices significantly lower than what they are worth, driven by lobbying, political donations and corruption.
5. Worse still, the trifles received by the government are treated as “revenue” and happily spent, leaving neither the minerals nor their value for future generations to inherit. This is just not sustainable.

Losses, error in accounting

1. Losses in mineral value drive many of the other problems with mining. In effect, the people and future generations of Goa have sold mineral wealth worth ₹100 for ₹5, a loss of ₹95.
2. Naturally, the extractors are keen to extract as quickly as possible and move on. More mining would make a bad situation significantly worse.
3. Trees, tigers and tribals are labelled as anti-development or anti-national.
4. It is essential that as a nation we change our paradigm to understand minerals as a “shared inheritance”, not a source of “windfall revenue”.



Way Forward

1. Since minerals are a shared inheritance held in trust for the people and future generations, our foremost duty is to maintain the value of our children's inheritance by avoiding theft, loss, waste or consumption. Leaving the minerals undisturbed fulfils our duty.
2. Therefore, if we extract and sell our mineral wealth, the explicit objective must be to achieve zero loss in value. Any loss is a loss to all of us and our future generations, and makes some rich; that is patently unfair.
3. India's National Mineral Policy 2019 says: "State Governments will endeavour to ensure that the full value of the extracted minerals is received by the State."
4. Like Norway, the entire mineral sale proceeds must be saved in a Future Generations Fund. The Future Generations Fund could be passively invested through the National Pension Scheme framework.
5. Setting a global judicial precedent, in 2014 the Supreme Court ordered the creation of a Goa Iron Ore Permanent Fund, which already has a corpus of around ₹500 crores.

On fair mining

For the Indian economy, this is sustainable — capital (resources) has been maintained; the savings rate (through Future Generation Funds) would rise, making available more long-term domestic capital; it diversifies risk while likely improving returns — it is nearly impossible to outperform the market rate of return; the dividend is in effect a Universal Basic Income; lower inequality leads to higher economic performance, and as budgets no longer have easy mining money, public investment, and tax administration will become more effective and efficient. This is a six-fold economic boost.