Infrastructure and land value: Who benefits from state investment?

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ABSTRACT:

In his 2018 Public Account, Chilean President Sebastián Piñera announced the expansion of Santiago’s Metro system towards Bajos de Mena, one of the most isolated - and stigmatized - neighborhoods of the city. After the initial thrill of connecting the area to the metropolitan transport system, critical voices addressed a key issue: such a considerable investment has an impact on the value of land. Two potentially dramatic scenarios thus unfold: on the one hand, the State investment generates surplus value to private entities; on the other, the escalation of land value ends up displacing those citizens whom this infrastructure sought to favor.

What should be done at this crossroads? Are these inevitable consequences or can something actually be done? For this issue on infrastructure, we are interested in knowing whether the effect that State-built infrastructure has on land value is important, or if it’s an irrelevant externality when it comes to evaluating these projects.

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