

Infrastructure-induced rent and rent seeking: A case study of Bangkok airport

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Infrastructure development creates economic rent that becomes a target of rent-seeking activities. This has equity and welfare implications, as people with better access to information, power, and resources are able to reap more rent than others. This paper illustrates the issue by examining the land market around Bangkok's Suvarnabhumi Airport, funded mostly by general tax revenues. We focus on the accumulation process and the value of land throughout the planning and construction of the airport and related infrastructure. Our data sources include the Land Department's records on land sales and ownership, the public records on personal assets of politicians, submitted to the National Anti-Corruption Commission, and in-depth interviews with land owners, developers, realtors, and local leaders.

We find that land speculation occurred at each stage of project initiation, planning, and construction, as progress at each stage indicated a reduction in project risks. Buyers with insiders' information started assembling agricultural land where roads would be constructed. Local leaders acted as buyers' agents on behalf of national politicians to purchase land at low prices from farmers with limited information about future infrastructure development. The speculation drove up land prices out of reach of low and middle income groups. The increase in land and housing prices in the area were disproportionately higher than the rest of the metropolitan area, despite its distance from the city center and inferior infrastructure. Moreover, large land parcels were left undeveloped as the costs of land holding did not reflect the opportunity costs. Lacking effective land policy, land assemblers capture infrastructure-induced rent without paying property taxes or development levies. A value capture mechanism is thus necessary to assure fairness in distributing rent from infrastructure development in Thailand.