The Cost of Avoiding Crime: The Case of Bogota

Working Paper No. 508 Keep in mind
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We use hedonic price models to estimate the value households are willing to pay to avoid violent crime in the city of Bogotá. We find that households living in the highest socioeconomic level (stratum 6) pay up to 7.2% of their house values in order to prevent average homicide rates from increasing in one standard deviation. Households in stratum 5 pay up to 2.4% of their house values to prevent homicide rates from increasing. The results indicate the willingness to pay for security by households in Bogotá, and additionally, reveal that a pure public good like security, ends up creating urban private markets that auction security. These markets imply different levels of access to public goods among the population, and actually, the exclusion of the poorest. We find as well evidence of negative capitalization of the rate of attacks against life, and positive capitalization of the presence of police authority.

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Fuente: https://www.banrep.gov.co/en/borrador-508