

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

Alejandro Gaviria

Carlos Medina

Leonardo Morales

Jairo Nuñez

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.

The opinions expressed here are those of the authors and not of the Banco de la República de Colombia nor of its Board.