Seminario de Microeconomía Aplicada - The Economic Value of Crime Control: Evidence from a Large Investment in Police Infrastructure

Seminario de Microeconomía Aplicada - The Economic Value of Crime Control: Evidence from a Large Investment in Police Infrastructure

Miguel Morales-Mosquera: is a PhD in Public Policy at The University of Chicago. His current work examines the effect of the police on crime and estimates the welfare effects of police interventions in terms of willingness-to-pay to avoid crime. Miguel received his Bachelor of Science in Economics from the Universidad ICESI and has both a Master in Economics from Universidad de Los Andes and a Master in Finance from the University of Illinois at Urbana-Champaign. Before coming to Chicago, Miguel worked as Economist at the Financial Stability Department of the Banco de la República. This fall, Miguel is joining Cornerstone Research as an Associate in the Chicago office.

Resumen del documento: Research on the effects of police presence tends to focus on the impact such policies have on crime rates. Less is known about how much individuals value place-based policing strategies. This paper fills this gap by estimating the willingness-to-pay (WTP) to avoid crime using housing market data in the three largest cities of Colombia. Specifically, I study the effects of 100 newly constructed police stations on crime and property values using an instrumented difference-in-differences design. I find that police deter violent crime by 12 percent and property crime by 22 percent in the immediate vicinity of the newly constructed police stations, with no crime displacement nearby. Using a hedonic pricing model, I find that the opening of new police stations leads to a 5 percent increase in property values —a gain of $3.5 million for households directly affected. While hedonic regressions identify the effect of crime on housing values for the marginal buyer, I estimate a correlated random coefficients model and show that the welfare effects of crime are homogeneously distributed in the population. I conclude that the average marginal WTP to avoid crime due to the local effects of the intervention is $4,500 per household. These results suggest that cities under-provide policing and target high crime neighborhoods while the benefits are widespread.

Tiempo de exposición: 1:30 p. m. a 2:30 p. m.

Fuente: https://www.banrep.gov.co/es/seminario-microeconomia-aplicada-economic-value-crime-control-evidence-large-investment-police