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TOWARDS A SAFER LATIN AMERICA: A NEW PERSPECTIVE FOR CRIME PREVENTION AND CONTROL

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P R O C E E D I N G S

MR. TALVI: Okay, good morning. Welcome to Brookings and thank you very much for coming, for being here today. I would also like to thank CAF, the Development Bank of Latin America, very very specially, to Daniel Ortega who is here with us and Pablo Sanguinetti, who actually gave us an enormous amount of support in putting up this conference. I would like to thank Ernesto Schargrodsky and Gino Costa, our panelists who came from very far away to be here with us today, from Peru and from Argentina. And Vanda Felbab-Brown -- Vanda is here with us at Brookings and she's a world-wide authority in the topic of crime.

We are here today to discuss what I think is a very exhaustive, intelligent and fascinating report on the number one concern for Latin American citizens. We are concerned about our personal security and that of our families. Violence is somehow undermining trust on public institutions and even undermining state legitimacy in many cases. So this topic is probably one of the most important if not the most important topics we should be dealing with. And one of the reasons I think it's the most important -- it is because of something I think of a great merit the report has, Daniel leads, the fact that it avoids the quick and easy fixes, the one item solutions. And the fact that you understand very clearly and put forth very clear the nuisances on this problem that involves the family, involves the school, involves the community, involves the neighborhood, involves urban infrastructure, the regulation of drug markets, the police, the justice system and the rehabilitation system and prisons. So without further ado, I would like to start the discussion of this fascinating report by asking Daniel Ortega, who is the Director of the Impact Evaluation and Policy Learning Unit at CAF, to present the report. And then Ernesto and Gino will be doing some initial comments. Thank you.

MR. ORTEGA: Okay, well thank you very much to all of you for being here. Thank you to Brookings, Ernesto, Christine and everyone who made this possible,

especially of course to Gino and Ernesto who came from far to comment on this report, which as usual, a report of this nature attempts to bring the best available evidence and scientific research to bear in a relevant policy discussion in the region. So we do not attempt to have definitive answers to the big questions, but we do try to bring forth some information that we believe will help in providing a more fruitful discussion in terms of policy in the region.

So just to begin to motivate things, there were 126,000 homicides in 2010 in Latin America. Now this number translates into a homicide rate of 28 per hundred thousand. Which thanks to research done by Manuel Eisner at the University of Cambridge, we can compare to long term trends in some places in Europe in developed countries. And as you can see here, countries such as England, Italy, Germany, haven't seen rates this high for two hundred, three hundred, four hundred years. So one way to synthesize our problem or the scale of this problem is to say -- well some people say that Latin America lags behind developed countries by about 50 years when you look at GDP per capita. But if we were using homicide rates as our measure of development, we would be lagging behind more like three hundred or four hundred years. So this is one way to interpret this.

Latin America is the only region that has not seen its violence rates decline over the past ten to fifteen years. Not surprisingly insecurity shows up as the top concern. This is from our own survey that we do in 18 cities in Latin America. But other sources confirm this same pattern. Of course Latin America is a very diverse region, and so we have countries that have homicide rates that are similar to those observed in developed nations, such as Chile, Argentina. And we also have the other end of the spectrum, the most violent countries in the world, Honduras, El Salvador and now Venezuela also. But, so what explains this increase that we observe region wide over the past ten to fifteen years? Well its mostly explained by what's been going on in the

northern parts of South America and Central America, where you see countries like Costa Rica, like Panama that have been traditionally fairly low violence countries that have doubled their homicide rates. In the Dominican Republic, Venezuela is already a fairly violent country and has seen significant increase against the early 2000's.

So how can we begin to have an informed discussion about what to do about this? Because clearly there are varying experiences, Colombia has seen a fifty percent drop over this period. So what we think is that we need to begin from a conceptual framework that focuses first of all on the criminal event as the basic unit of analysis. So the criminal event is essentially the combination of a given individual, or individuals interacting in particular environments at a given point in time. So that's the situation. Individuals have a certain propensity to commit crime and they are exposed to certain criminogenic environments and situations throughout their lifetime. And so individuals bring their own history, their experience to their interaction with other people. And they interact in certain situations that might be more conducive to a criminal event occurring. And so the physical space and social environment plays a role, the existence and prevalence of illegal markets, and of course the functioning of the criminal justice system.

So the first thing that we want to emphasize regarding the individual is that people's personal history conditions the probability that they will commit a crime. This sounds sort of obvious, but it does go to the very fundamental idea that social economic conditions are a significant determinant of what people's opportunities are in terms of education, labor markets, and of course also criminal involvement. One of the key determinants of a person's characteristics in terms of their probability of engaging in crime, turns out to be their age. So studies, longitudinal studies done in the U.K. and the U.S. show that people's criminal activity peaks at around the age of 21 and then decreases over their lifespan. We don't have that kind of data for Latin America. We

don't have this kind of research done for Latin America, so what we did was we asked people what they estimated the age of their assailant was, people that we victimized in the past year -- what age they thought their assailant was. And this is basically the answer. And it suggests something that's really important and that is that there is really no such thing, or there are very few people who actually engage in crime early in their life and then go onto to have a lifetime of crime. So lifetime criminals, those who are committed to a life of crime throughout their lifespan represent about 2.5 percent of the population in the longitudinal studies that I just cited from the U.S. and the U.K. So this suggests that crime is really not, or being a criminal is not something permanent. It is something that can change -- that age conditions significantly over time.

So what this means is that if we can think about a person's history and try to think about what can we do at different points in a person's life to change the potential trajectory of criminal involvement. So if we take a young adult, about the age of 21 who is at his peak of criminal activity, well this person -- if he has -- it's more likely to be a he than a she, has a very high probability, proclivity, to commit crime, this person probably had problems of undernourishment, lack of early stimulation, potentially domestic violence, abusive treatment during childhood, drug and alcohol abuse and other situations that make his life more criminogenic, so to speak. If we were able to change these things, we'd probably be able to change the trajectory that this person follows throughout his lifecycle. And what we do in the report is in fact document a number of interventions at different stages in a person's life that have been shown, rigorously evaluated, experimentally evaluated, that have been shown to reduce an individual's probability of committing crime according to different measures.

So you can imagine from this -- you can already see from this graph that early -- interventions that are early on in life, parent training and childrearing styled and health best practices have a significant effect on the probability of being arrested by age

19. And there are other interventions that are early on in life, having very significant impacts later on in life. But it's never too late to intervene, even if you have someone who has had a very difficult personal history and you actually get to them when they are already 20 or 18, 19, 21, 25 and they are engaged in criminal activity this does not mean that you cannot do anything, it's too late. It's never really too late to do something, as has been shown by interventions helping youths to find better job opportunities and that leading to a reduction in the probability of arrest.

So the overarching message around this is that individual histories matter significantly and it's never too late to do something. The situation is composed of these things as I said before. And the first is a physical space and our main message regarding the physical space and social environment is that crime is highly concentrated in time and space. What this means -- or this comes from the fact that criminal opportunities are not uniformly distributed over the geographical space. Criminal opportunities are unequally distributed and this leads to an unequal distribution of actual crime occurrence. So I'm going to show you a couple of examples of this.

The first comes from the City of Bogota. This here is a picture of an area in the center of the City of Bogota, called like a pucina, and each spot, each of these little circles is a what we call a theft hot spot, that using data from the last reported thefts from the last three years. And just to illustrate one particular -- well, the first point here is that the fraction of theft that is concentrated in these spots represented here is much more than what you would expect if you just took crime and threw it randomly on the space. So crime is more concentrated than what you would expect by just random assignment to street segments. In particular this red spot over here helps us illustrate an additional point which is that statistical data, high quality data is very important for understanding these crime patterns. And why do I say this? Because you might say this point right here concentrates 25 percent of all thefts occurring in the last three years in this orange area.

So what's so special about that place? I can show you a picture of this place and for anyone who's actually been in the center of Bogota, you can see that this corner really doesn't look any different from other corners around this area. So just from looking at it, we wouldn't know that this is such a bad hotspot. So the point here is that it's not enough to just have intuition and casual observation of places that we believe are dangerous, statistical analysis is really important and high quality geo-referenced data is key in order to do this properly.

Another example comes from the city of Caracas, where I'm from. This here is an aerial picture of the eastern part of the city, the area outlined in red is the municipality of Sucre, the second largest in the city and home to one of the largest slums in -- I would say even in Latin America. The circles are homicide hotspots. These hotspots -- if you count the number of street segments that exist within this whole area, one hundred percent of all homicides occurred in the past three years occurred in only nine percent of these street segments.

And so, well you can see that, okay, the western part of this municipality seems fairly safe and then this other area over here seems fairly safe as well. The bad part is the densely populated area in the middle, the stronghold of a shantytown. That's right there in the middle, so we should maybe target that area as a general area. And the point of this graph here is to suggest that we need to look at more than this. It's not enough to look at broad areas. We need to look at micro spaces. So this is why the analysis is done at the street segment level, and even in an area like this, where there's very high level of social disorganization and urban informality is enormous, you can see right here that there's one street segment that is a hotspot, classified as a hot spot, and that's right next to two other street segments marked in yellow that have had no homicides over the past three years.

So what this means is that the geographical concentration of crime idea

occurs at very very small geographical areas. What's the implication of this? Well of course, you could say what we need to do then is to target these areas with more police. And that's exactly the logic of hotspots policing. And there have been a number of studies especially here in the U.S., also in the U.K., that have been experimentally shown that hotspots policing is actually effective in reducing the incidents of crime. And that sounds very good. Do we have evidence for Latin America?

Well the slide that I showed you before from the municipality of Sucre, came from a hotspot experiment that we were trying to implement in this area but that I am sad to report broke down for institutional reasons, so I can't report that we had a randomized trial in Caracas and that we were able to identify an impact so I can't say that -- sorry. But Larry Sherman recently completed a study in Trinidad which is not published where, with the police force there they actually implemented a hotspots randomized trial and showed that homicides could be reduced by about 40 percent in a period of five months. And currently we are working with Daniel Mujia on the national police in Colombia in implementing what I think is the largest hotspots -- well I know it's the largest hotspots experiment in Latin America, it's one very large for international standards as well. In Medellin, and that's just rolling out right now, so within a few months we'll be able to have really good solid evidence for Latin America.

But in any case, hotspots policing is an obvious consequence of this crime concentration, and there is suggestive evidence -- and some good evidence, scientific evidence to implicate, to suggest that it will be effective. But it shouldn't be just policing. We can also think of interventions over the quality of public spaces, street lighting, public parks. And there is also evidence to support that these kinds of interventions targeted in problem areas can be effective in reducing crime.

One question that always arises around this issue is the question of displacement. So if you target this particular area over here, then crime is just -- the

criminals are just going to move a couple blocks over there and then it's going to continue to have crime there. So let me just say that first, the reason why crime is highly concentrated is because criminal opportunities are not equally distributed. So by construction, if you believe that, then it's not as easy to move crime from one place to the other because there was something specific to that place which was not the lack of police, that made crime more likely to occur at that place. So that's one logic argument, and then the best evidence that we have thanks to David Weisburd who won the Stockholm prize in Criminology for his research on this exact question, is that he showed that crime in these experiments -- crime does not displace to adjacent areas, moreover there seems to be a diffusion of benefits. Now this doesn't mean that crime cannot -- geographical crime patterns cannot change over time, this just says that it doesn't happen very quickly. So within a few months, within a short period of time you will not see crime displaced. This doesn't mean that these other criminal opportunities can't arise elsewhere, so you need to update your analysis of the geographical distribution.

Illegal markets is another big one and sometimes conscientious, in the region, is sensitive politically, but we decided to put it up front in the discussion in the region because sometimes it gets sidetracked. So our main message is of course that illegal markets are key to the incidents of crime and violence in Latin America. So many of you have heard this, you know this, and there are many channels through which drugs specifically can effect violence. One is the pharmacological channel, people consume drugs, their ability to think rationally is hampered, so they are more likely to commit crime. The economic channel, people finance their addiction by committing crime. And then the last channel, the systemic channel is the one that we think is the most important and we want to emphasize, which is the one that suggests that because drug markets are illegal, conflicts over contracts or disputes over contracts have to be resolved through violence, and because you can't resort to the legal justice system. So one key thing here is that,

how do non-violent illegal markets then exist? The key point here that we make is that it's not enough that a market is illegal. There have to be significant economic rents involved as well. So when you have high barriers to entry in a given illegal market, then disputes over the rents generated by these barriers will generate violence. So it has a lot to do with the industrial organization of the particular market.

Just to give you a sense of how big this problem is in Latin America, a study by Mejia and Pascual Restrepo showed that if the drug, cocaine production had not increased the way it did between 1994 and 2008 in Colombia, homicide rates would not have been 36 per hundred thousand, but would have been 27 per hundred thousand. So 25 percent of the observed violence is attributable to the increase in cocaine production in Colombia. So it's clear that this has a very sizeable, a very significant effect in violence. There are fewer -- it's not as easy to come across with estimates of this sort, but there are people working right now on explaining the increase in violence in Venezuela for example -- linked to the balloon effect of the Colombian drug trade moving to Venezuela from -- thanks to the Plan Colombian and other interventions that have been going on there.

So what is the -- if it's true that it's the interaction of illegality and high economic rents that generate the violence and you want to decrease violence, then the strategy should be to selectively intervene the chain links that have the highest rents. This is what has actually been done in Colombia and it's actually part of the explanation for its large decrease in drug related violence.

So finally the criminal justice system, our main message here is that it is better to deter than to punish. This is actually almost exactly like a quote from Cesare Beccaria, in I think the seventeenth century. So the criminal justice system is made up of the police, prosecution, courts, and prison, who jointly affect the certainty and severity of punishment. They have therefore a deterrence and incapacitation effect that in principal

reduces crime -- and in theory at least, prisons should have a rehabilitation effect as well.

So if we begin by thinking about the police, there is good evidence, the best evidence out there has estimated in different contexts actually, an elasticity of crime to increase police presence of about 0.3. So and this is after you take care of the fact where there's more crime, you're more likely to put more police and so researchers have taken care of this carefully -- Ernesto is one that has written a good paper on this. And so police in principle, does reduce crime, this is a first principle, and seems to be through a deterrence channel and not so much through an incapacitation channel. So it's through the crimes that you prevent instead of the crimes that -- so that instead of the crimes that are also prevented because you arrest people. So the question is how much police do we have, what's our situation and whether that's enough. So clearly first, police is not enough. You need to have -- prosecutors and courts are very important. One statistic that we have in the report is that of every hundred crimes in Latin America, there are only four sentences versus nine in North America and fifteen in Europe, so the system as a whole doesn't really work very well. And when you look at the sheer number of police and you count them right, we actually have a very large number of police per hundred thousand inhabitants in many of our countries, much more than the U.S.

One of the main problems however, and we could go on and on talking about this but I don't have much time, I just wanted to point out that the key challenge regarding the provision of policing services is a problem of legitimacy. Four out of every five Latin Americans does not trust the police. So this is actually not only very important for the provision of policing services, of effective policing services, but it's also very important for the legitimacy of the state as Ernesto was mentioning earlier, as the state has actually been replaced in the provision, not only of security, but also of other services in many places in Latin America.

So this is a main challenge. When you look at prisons, certainly no

country will, at any time soon at least reach the U.S. in prison rates. However because of high increased demands for tougher penalties and sentences in Latin America imprisonment rates have increased significantly over the past twenty years. And this is, in theory, has an incapacitation effect because it takes people out of circulation. Many of you may have heard of anecdotes of criminals working from within prisons. So not even this effect necessarily works all that well. And the scientific evidence, the best evidence out there suggests that more severe sentences are not as effective as deterrent mechanisms.

Now this is not a closed -- I don't want to sound like this is the final dictum of the scientific evidence says this. This is really much an open question, so as far as we have gotten right now in terms of the best available evidence out there, this is sort of where it's leaning, but it may, you know, someone may write a paper sometime soon suggesting that, that severe, more severe sentences have a very significant deterrent effect then we'd have to think this in a different way. What has definitely happened is that occupancy rates in prisons have risen significantly and so you have over populated prisons almost everywhere with the exception of Argentina. Every country has very highly overpopulated prisons. And this is from a report done by the UNDP recently, 64 percent of inmates feel less safe in prison than outside. Very few of them participate in educational activities, so this leads us to think; well maybe we need to bring to the discussion alternative mechanisms to imprisonment. A paper by Ernesto Schargrodsky and Rafael Di Tella showed that when using electronic monitoring for a group of offenders, their reoffending rates were 48 percent lower than those of the guys who were sent to prison. So it's not to say that this is going to be the silver bullet, of course not, but it's something that we need to bring to the table and to look carefully at and see whether it can help us deal with some of these criminogenic effects of imprisonment.

So what we're saying here just to -- this is just to close. We're saying that we need to implement policies in a wide range of directions. What we do believe -- so you need to do all sorts of things. Though that's not very specific concrete policy recommendation, but we need to be sincere about the fact that we really can't give a specific policy recommendation that will fit everyone because it will depend on each county's diagnosis. We do think that there are critical areas common to most of our countries. Police legitimacy, so that's one critical area that we believe needs to be addressed in the region -- public officials with high technical capacity and a higher ability to relate to the community and to generate build trust with the community is important. Programs designed to strengthen cognitive and non-cognitive abilities of youth at risk, youth employment programs and specially targeted interventions for urban upgrading, social cohesion and policing services. These are four broad areas, mind you that we believe should be critical and are probably common to all of our countries and that need to be addressed.

A finance minister, a friend of ours recently asked us, how would you rank these things, how do you prioritize these interventions? Thinking about the budget -- how do we prioritize? And our answer was, we really don't know and so what we can do is provide you a rough sketch of what to expect when you do one kind of intervention or another. Some of these interventions may have a very large effect, early stimulation, but they will take a long time to materialize. Effective police presence can actually be very good for reducing crime in the short term and then sustain a crime reducing effect and so on and so forth. Of course if there are implementation problems, the effects are going to take longer to materialize and if, of course, in the case of police legitimacy certainly you may have increased the number of police or do things with the police. But if they're not legitimate their crime reduction effect is going to be minimal.

So let me just go back to the number that we started with, the idea that

we have with this report is to, as I said before, bring together a body of scientific evidence and experience that will help countries think more carefully and in more detail about their own diagnosis and their own strategies for reducing crime and eventually, well reducing this number and helping Latin Americans be happier. Thank you.

(applause)

MS. FELBAB-BROWN: Thank you Daniel very much for the fascinating very detailed and very useful report. It's very encouraging to hear that in many ways it confirms a lot of knowledge from criminology that we have. Very early interventions to early interventions make a great deal. But we also know that the content of the intervention method, what kind of intervention specifically are as important as the age of the target group, though by and large we're really talking about targeting kids at the age of five and six, much earlier than in teenage years.

We also know that deterrence is key, that is really what makes for effective policing and suppression of crime. But how does deterrence emerge? What is legitimacy? Severity does make a difference in crime, we for example know that very low criminal offenses might be effective in discouraging drug use, but will not be effective in discouraging wildlife traffickers. At some points severity begins to kick in. But we also know that it levels off, and at some point whether the punishment for a homicide is like fifteen or twenty years doesn't seem to be making any practical difference, partially because it has to do with the age of criminals. Moreover one of the things that we see consistently is that what is crucial for police forces, state forces to have deterrence capacity is the frequency and swiftness and certainty of punishment. That is often by far more important than the size of punishment, but that also implies that if you have very extensive crime rates, it's extraordinarily difficult for police to get any effective percentage of effective prosecution to start decreasing criminal rates. And focusing police forces helps and perhaps the displacement effects are more complicated than was suggested in

some of the presented studies and we can talk about that, and I look forward to that on the panel.

But the last thing I want to raise before handing the panel over to Ernesto, Ernesto Schargrodsky, is to bring up the large issues of the vastly different crime patterns between Latin America and the rest of the world, and more importantly Asia, where we see the same amount of production in trafficking and drugs -- probably higher consumption rates, but the criminal violence rates that are on par with Western Europe, one to three per hundred thousand. And yet here you have the same illegal market with the same size of rents, with the same barriers or lack of to entry, and yet vastly different patterns of how drug trafficking groups interact with the state, with each other, and with citizens. And understanding that difference, is crucial for developing effective policies. And so perhaps we can take the discussion into the rest of the world a bit in the following questions and answer period. But before that, I am delighted to invite to the podium Ernesto Schargrodsky who is currently the President of the Universidad Torcuato Di Tella in Buenos Aires, Argentina, and who previously was also the Dean of the business school there, is also an economist having studied many problems of how economic policies interact with social effects, and we are looking forward to you sharing with us your insights on the crime issues as well.

MR. SCHARGRODSKY: Thank you very much for the introduction and to Brookings Institution and I'd like to thank you for the invitation. And thank you Daniel for your presentation and all the work in it. This extremely valuable report by CAF, their main problem today in Latin America in terms of, for example, the concern of population, which is that we have as mentioned, record world levels of crime. And there seems to be no reduction for example in the last twenty years. So there is a big misbalance in the region between the high levels of crime and how little we know about the crime determinants, how the lack of data that we have, and the low efficiency of our public

safety policies. For example unemployment is of course a big problem, or a relevant problem in Latin America. When you go to our regular household surveys, in each of the Latin American countries, there are about 12 to 15 questions specifically targeted to measure unemployment. So it's very detailed because there is a lot of informal work how to measure unemployment. There are I think, only one or two countries in Latin America in which the regular household surveys has one question on victimization. So we know very little and of course without victimization surveys, we need to use data from the announcements of the crimes and we know that the rate -- there are high levels of unreported crime.

So the combination of little knowledge, bad data means that the public discussion on safety policies in Latin America is not based on science, and it's not based on evidence, but based on arguments, on prejudice. I always say that inside every Latin American there is a coach of a national soccer team, because we all feel it could be better if we make that decision for the World Cup for example, and a minister of security. So we talk to anybody -- people wouldn't make comments about how to treat a patient. People are afraid of that, you are embarrassed, you know that you need to study to make a comment on how to treat a patient. But we have no problem on how the crime problem should be addressed and the quality of the discussion is quite low.

So this is a very -- that's one of the reasons why this report is very useful. There is an inventory of policies applied in the region. There is an inventory of academic research which is quite little, there is also an inventory of research from other areas, from other regions but aware at the same time that there might be problems of course of external volatility particularly on this issue, so important recommendations. We need to do that carefully because the context on how political decisions are made, behavior, cultural issues might be different. And there is new invaluable data.

I want to make four comments in which I -- in some case, I want to

emphasize some results from the report. I also have some comments because I think the report overemphasizes some results. The first thing I want to emphasize and I think it's extremely important, I think perhaps the table from the paper. The graph that shocked me the most is this one. It is in Spanish because it is taken from the report, but here you can see in the first column for Europe and then for North America, and then for Latin America, the number of people arrested, prosecuted and sentenced from every crime and from homicides. So something that you can see is that the proportion of crimes that get solved and end up in arrests, prosecution and eventually in a sentence is very low.

So this is something just mentioned that the one problem is that for example in terms of the (inaudible) seminal model of crime deterrence in Latin America, the probability of being sentenced if you commit a crime is very low. Sentences are not short, but the probability of being caught is very low. This is not because, like Daniel was showing, it's not because our police, the levels of police staff are low -- and this is not a particular problem in police or in criminal justice specifically. In Latin America unfortunately the efficiency, the probability of the public sector, is usually very low and the criminal justice system is not an exception.

So we have low productivity, and that low productivity also translates in the sector in that. Although our police levels are not particularly low, the probability of solving and ending up sentencing a criminal is quite low. The previous graph was for Latin America -- I am sorry -- for the Americas with -- here you can see the same for the rest of the world. So there is problem of productivity. I think the report overemphasized, and I agree that it's better to deter than to punish. We all like that, but incapacitation typically involves deterrence. Of course if the probability of getting caught is high, then before that, that adds a deterrence effect.

I don't think that in some countries at least that the criminal population is that large in Latin America, but probably because the probability of getting caught is so

low, there is a population that commits many crimes a week, a day, a year. A big question that we don't know is how many criminals do we have in our Latin American countries. But I wouldn't overemphasize the report that incapacitation is not -- I have only two minutes, is not that important. When you look at some experiences like Sao Paulo, or in Brazil or the U.S. there seems to be, although always under discussion that incapacitation plays a relevant role. One problem in Latin America is that our operations are horrible, and there are several violations, strong frequent violation of human rights in prisons. That is also a relevant part of the problem because many judges resist sending criminals to prison when they know that there are so frequent violations of human rights. And that's why perhaps other technologies like electronic monitoring that we study, it's something worth exploring. Also of course investing and improving in our prison I think it should be a significant part of the policy response, reducing overcrowding.

I agree with the literature showing that it is very important to intervene in hotspots. Again, I think the report perhaps overemphasized the lack of displacement effects. There is international displacement, for example the successful intervention of drug policies in Colombia, probably meant bad news for Mexico. And for example, this is from a paper on Argentina, viewed in a crime wave where the crime used to suffer mainly by the rich. When crime rates got higher we found in the paper that the rich, I mean the upper half of the income distribution, protect themselves through several private security measures. And then crime spills over to the poor. And today for example in Argentina, crime is a more a problem a war from the poor onto the poor. And I think we need to be careful before this mission displacement.

The paper then has I think, very briefly, a very interesting chapter of a key point, which is why there are not enough political incentive in Latin America to fight crime. We have democratic countries, but those incentives are weak. I am being told that I don't have enough time. Perhaps we can leave that for the discussion. But I think

that's very valuable and the report shows that at the local level there seems to be. Not at the local level -- when it is easy to attribute what is the level, which normal level has a possibility on security, there seems to be some effect of the crime situation on electoral results providing political incentives. But this is also a main link to solve this problem which is not working in Latin America.

To summarize, and I totally said to Vanda before, this is a really great contribution. We've done so many questions, opens new ones and it's a big step forward to understand and to solve this problem in the region. Thank you very much.

(applause)

MS. FELBAB-BROWN: Ernesto thank you for your very perceptive comments and interaction with the report, issue of displacement and its reverse correlation contagion effects. And so perhaps we can talk about all that on the panel as well. But right now we are very fortunate to have also Gino Costa join us, who will bring not only his wealth of perspective as an academic, as a public commentator but also crucially as a Former Minister and Vice Minister of Interior in Peru, where he has dealt with many of these issues including issues of the correction systems in Peru. So please.

MR. COSTA: Thank you Vanda. I am grateful to Brookings and especially to Daniel Ortega for this invitation and for the chance of being here. I must start by saying that I am and enthusiastic reader and student of this report. And I have written a few things on the commentary side of things. I think this is a remarkable report and a very useful report for policy makers and for practitioners. As you can by now tell, this is not a report on crime in Latin America, although it provides us with a lot of information and analysis of what's going on in Latin America. It is not an analysis of public security policies and why they are failing, although the report provides us with elements to arrive to that conclusion. It is basically a report that provides us with a conceptual framework to understand crime. And I think that's a most important

contribution of that report. It allows us to understand crime.

There have been lots of reports written in the last few years, but none has been able to provide this contribution to the discussion of this subject. I think this is the most important reason why this is such an important report. The concept of framework has presented by Daniel and I am not going to deal with it any further. It is very simple, the individual, a place, and a context, physical context and social context affected by illegal markets and by the effectiveness of the criminal justice system. I mean that's it. But it was not there before. I had not seen it before, and I find it extremely useful to understand all the elements that have to be taken into consideration in order to allow us to understand in a comprehensive way, crime. And of course all the elements to be taken into account in order to respond to crime, to prevent and control crime, more effectively than we have been doing in the region.

One of the things that make this report remarkable is the comprehensive approach to all crimes. All the elements are there. Usually we'll discuss whether we have been putting too much emphasis on repression rather than prevention. And there are those that prefer prevention and those that prefer (inaudible) policies. The Latin American public in general prefers strong repressive policies. What the report provides us with is an understanding that we have to do good preventive work, good intelligent preventive work, and we have also to apply to the law properly. So it provides us with a very comprehensive approach as to how to deal with crime.

One of its strengths has to do with the fact that it is very strong in the evidence provided, as to what works and what doesn't work. It's an evidence based report, very rich, it includes all the Latin American literature on the subject, which is not a lot. But there are good enough works already being produced, and it also combines that with basically Anglo-Saxon literature on the subject. That has not been at the disposal of the Latin American public before. I think that's another important contribution of the

report. The report is also a new original and progressive in a number of ways. It understands security as a human right, that's important. Today in Latin America most of our publics favor violations of human rights in order to deal with our security problems. That report is very clearly in stating that the citizens' security is a human right, for all of our citizens. It's a human right also for the victims and it is also a human right for the victimaries. I think this is a strong language which given the context in which this report is being produced. The approach of CAF also is one in favor of citizen security rather than in favor of public security. So this idea of having a more balanced approach towards policy is not only a matter of applying the law and persecuting criminals and being tough with them. It's a matter of being intelligent in the silent policies that allow us to prevent people from becoming criminals. It also provides a good and balanced discussion on illegal markets, this is also an issue discussed today in Latin America, widely discussed and beginning to be the discussed in the United States as well. The report takes sides, doesn't take sides actually, but presents the dilemmas facing our country -- the problems with prohibition and the problems of corruption and violence that's a company prohibition, and the advantages that our policy could regulate illegal markets as drugs could provide us. And I think that is done in a very smart and intelligent way.

It also provides an interesting discussion in the last chapter of the interrelationship between political leadership which is key to good public policy but which is absent in many cases and widely to substance. That is a good discussion. Bureaucracy's capabilities, in many cases, politicians offer things that are unable to provide because they don't have the wherewithal to produce. They don't have the bureaucracy; they don't have the police, the capacity of the criminal justice system both to persecute and to prevent crime. So this is another challenge. One is, how do we create the political leadership that is not there. That's discussed in a very intelligent way. And how do we build the bureaucracies we need in order to be able to provide? And

lastly, the role of the citizens, if citizens distrust security policies and security institutions, that has an effect on politicians and has an effect ultimately on the capacity of the state to respond adequately.

In addition, it's a very well written report and lastly I would say it is a report that sets the theoretical and empirical basis for the development of citizen security as a scientific discipline in Latin America, and some serious public policy. I think we haven't yet had all the elements to conclude that we have developed in the region, a scientific discipline to deal with this problem. I think the report sets the basis for allowing us to develop that scientific discipline.

Two final comments. The report also provides us with an idea of some of the challenges ahead. One has to do with further research. Two minutes. Further research.

One -- and there the challenge would be I think considering the importance of organized crime in the region. My feeling is that this conceptual approach plays well with street crime. And all the evidence to support this conceptual approach is provided by studies of street crime. And the street crime is a very important problem in the region, and it affects perceptions, perhaps more than organized crime.

But organized crime is also a very important issue regarding democracy and the viability of many of our states. So I think it's a challenge for CAF to see, I would like to see CAF trying to use this conceptual framework in order to allow us to understand problems like organized crime -- drug trafficking for example, or many of the other forms of organized crimes that are discussed in the report.

And secondly, it's very clear that for our countries to be able to embark on serious and professional public policies of cities and securities following the proposal made by CAF. We would need to develop that capacity. Many of our countries, we do not have good criminal data. In Peru thirteen percent of the crimes are put forward to the

police. So the police is working only with thirteen percent of the criminal universe. I wonder if with thirteen percent of all the data you can define clearly the problem you are facing and how to deal with it.

So we have lots of work to do to build capacity regarding information, regarding analysis, regarding crime analysis, regarding monitoring and evaluation, et cetera, et cetera, et cetera. And the question is for CAF, of course, for Daniel, what's the Bank going to do? There's a huge challenge. There are other international institutions, all the Banks that have been dealing with the issue for a number of years. It'll be interesting to know from Daniel what the Bank is willing to do to contribute to this very important effort. Thank you.

(applause)

MS. FELBAB-BROWN: Thank you very much. While we are getting settled, let me make a comment and pose it to the panel, and then just after this one comment, questions, let's engage the audience that's been very patient and I'm sure it's burning with question. And let me pick up the issue of displacement, and perhaps we need to get further nuance about what displacement means.

So there seems to be first of all a fairly substantial difference between predatory crimes and transactional crimes. And the displacement of non-predatory crime seems to be much smaller incidence, or happens much less frequently than the displacement of predatory crimes. So that would be the first difference.

The other difference that seems to be quite significant is the manner in which hotspot policing reacts. So for example one of the big recent examples of very promising policy that nonetheless is in real hot waters, not in a good hotspot, but in real trouble is the (inaudible) policy in Brazil which focused on some of the key favelas in the Rio De Janeiro, partially focused as a result of the notion of hotspot policing, partially functioned as a result of limited resources. But we saw significant displacement of, first

of all leaders to the southern parts of Rio, and ultimately or in the medium term displacement of criminality to different favelas. But ultimately, even fairly substantial deterioration of the accomplishments in the favelas that were targeted. And so that generated the question of not just focusing, but focusing how, what actually has to happen in the place. So with these comments, predatory versus transactional crimes, rapes, homicides versus trafficking versus extortions, and then the nature of what is beyond focusing on the region, what content this holds for policing has to take. Let me hand it over to all of you in whatever way you want to reflect and engage on that. Maybe first with you Daniel.

MR. ORTEGA: Well this is actually something about which in Latin America we know very little about. So the experience of the upepes in Rio, we do have some anecdotal evidence of some of the criminal organizations moving towards favelas in the further outskirts of the city. But overall I think that the evaluation still of the best quantitative evaluation that I know of at least is also done by Claudio Ferraz from PUC Rio suggests that the overall crime reduction affects are significant.

So I think that what we need is to not say -- not take the evidence as it is right now from developed countries for granted. There may be some displacement and there may be different types of displacement towards different victims potentially. International displacement, the famous balloon effect has been recorded in Latin America many times from Colombia to Bolivia to Peru. And then back to Columbia and now to Mexico and to Venezuela, so international displacement certainly appears to be a major issue. So I don't think that we're going to be able to give a definitive answer as to whether displacement is more or less likely unless we have more evidence from the region. I think that this is exactly what we're trying to do in Medellin right now, where we're running a large scale randomized trial and one of the things that we are going to measure is the displacement by different types of crime. Because crime, the police

intervention right now is focused on an aggregate index of crime which is basically an index of what criminologists are calling an index of harm.

So what you do is you weigh each type of crime by the length of a sentence that the criminal code gives it. So it creates an index of crime and you target police efforts to reduce overall harm, but that way you can actually look at different types of crime and whether different types of crime displace or not. So I think that what we are doing right now is not taking this for granted and trying to find the evidence in order to get smarter policy.

MS. FELBAB-BROWN: I'll come back to you, but you know you are also calling for evidence; you blend the ministry of the interior, what kind of evidence would be particularly useful for you? Clearly it isn't reporting, as an aspect. But thinking for example about how to allocate the very sparse resources compared to areas. How in designing hotspots policing and thinking about displacement, what kind of data would you want to see CAF and others produce?

MR. COSTA: Well as I said before, I think the main problem we would be facing in Peru is that the police deal with 13 percent of the overall crime. And there's a bias in favor of certain types of crimes that require police certification in order for you to get your money back from the, como se dice -- insurance. So I mean it's not a good account of what's going on. So I wonder with that kind of data you can produce good enough results, so the challenge is for our governments to recover the trust lost by the people in our institutions and that's not very easy to achieve in the short run. Efforts are being made for example to produce complementary information through polls and we have now, for the fifth year on, we have the national statistical institute producing good data to complement our weak police data. So I think you would have to strengthen that kind of information, but the information that provides -- that a poll provides you is not the kind of thing you need to have the approach of hotspots policing that CAF is providing.

So I like the approach, but I think it will have serious limitations in Peru.

In Mexico, the rate is six percent of all crimes are reported. Even worse. And I'm sure that rates of reporting crimes are very low in very many Latin American countries and at this point all I could say is that we have a problem there which we can in a way try to overcome by producing good polls. But they are not always the solutions, especially if you want to have very precise information of where crime is being committed.

MS. FELBAB-BROWN: And of course there is an intimate collection between the perception that police will act and not act to steal more stuff, but actually to act to protect the victim in reporting of crime and ultimate deterrence effect including the frequency of effective prosecution which all feeds back to the issues of deterrents and incapacitation. Ernesto your response.

MR. TALVI: I agree with Daniel that we know little about the displacement because we, we have little research in the region, I agree with you but I know that it depends on -- it's not the same, we shouldn't expect the same levels of displacement for transactional crime than for predatory crime, or for example, it's much easier to displace drug trafficking than drug production. There has been a displacement in drug trafficking, but you need the environmental conditions to produce the drugs.

What I don't believe and I agree with the report that displacement is one hundred percent. With displacement one hundred percent, we shouldn't expect nothing from our policies because crime will just displace. We have a very localized, we have done with the Rafael Di Tella, very localized research on what happens when you introduce, when you place a place a policeman in a block, and there is a large reduction of crime in the block, there seems to be some displacement, but that displacement is partial. On the other hand, in my comments I was arguing a little bit with Daniel because I think we shouldn't overemphasize that there is no displacement. But I expect results

from hotspots policing in the region. Just one brief other comment is that your question, Vanda was pointing us to asking what happens in favelas. I was mentioning three things. I think that the two main geographical specific areas that need policies to be addressed in Latin America are, what do we do with prisons and how to improve the situations in the favelas in Brazil, in Argentina, slums or the name, how do you call those in Peru? Barrieras. Because there is a large absence of the state in those areas.

MS. FELBAB-BROWN: Thank you. Unfortunately we only have two minutes for a very engaged audience. So what I will do is collect four questions, two on this side, and two on that side and then hand it over to Daniel and Ernesto and Gino. Over there.

And please introduce yourself and actually ask a question.

SPEAKER: Hi my name is Sarah Thompson and I'm a consultant at the World Bank. As a criminologist I really appreciated Mr. Ortega's presentation, so thank you so much for that. I find it very interesting that somebody is actually taking some of these criminological case studies and applying them in developing countries. I think this is an extremely important move for several reasons. It's very important also to touch on just introductorily, to touch on the fact that one dollar of prevention is worth ten dollars of spending in the criminal justice system. It is very very important to focus on prevention. The reliance on the criminal justice system I think is a little overblown in the sense that you look at in the states, the rate of incarceration is completely out of control. The state of California has practically been bankrupt because they've incarcerated too many people and they are now looking at ways to reintroduce these criminals back into society. So I think that those sorts of techniques to rely on hotspot policing and relying on GIS crimes spatial data is extremely important. But I also think it's important to really understand the facilitating mechanisms that are causing the criminal activity. So you have a hotspot, so if you introduce police and you introduce new lighting, that's great. But so I think that

there are other sorts of techniques that you can approach as it relates to the approaching criminal activity in the city.

Also, just really quickly on just on that on Asian and Latin American, and the Asian and Latin American comparison on organized crime. I think organized crime is a very very all incorporating label, in the sense that you have criminal networks and then you have, on one hand of the spectrum, and on the other hand you have an organized criminal network that operates like a mafia. So I think in Asia you actually have a sort of mafia like very sophisticated organized criminal network, whereas in Latin America, sure maybe Mexico, Columbia, they are a little bit more organized than just a criminal network.

MS. FELBAB-BROWN: Is there a question? We can continue the conversation, but we have very little time. I want to give chance to others. Do you have any question or just these comments?

SPEAKER: Well, I mean I guess it was more of just comments.

MS. FELBAB-BROWN: Okay, thank you very much, the panel will be able to respond. This gentleman, and please really make it a question.

SPEAKER: Very quickly, my name is Ben Raderstorf, with the Inter-American dialogue. I was wondering if you could touch on a little further on Professor Schargrodsky, your final point, on the issue of politics and corruption, particularly right now in this moment of widespread corruption scandals. Is this just an obstacle to effective policy making around insecurity, or is it perhaps a related and interlinked problem? Thank you.

MS. FELBAB-BROWN: Thank you. And this gentleman here.

SPEAKER: Guillermo Agorta, I am an independent consultant. My concern, in general everybody talks about the evidence and certainly the evidence is not necessarily there because all the data that we are missing is a lot, especially in terms of criminology, and these kinds of issues of safety. But something that Mr. Daniel Ortega

has emphasized is the illegal markets. In that dimension of illegal markets I want to, my first question, on the first dimension of the question is, how will we ever distinguish illegal markets from informalities, because informality is a huge event in our countries, and becomes extremely significant when we are talking about markets.

And the second dimension of informality is that part that you were mentioning, Mr. Ortega in terms of the rents. In terms of the rents, certainly black markets pay the most. Black markets give you a big mark up and it's almost unbeatable for the rest of the markets of the structural economy to grow, provide those levels of profit or margins in the business that they run. Among the rest, among the other markets that are illegal, what do you think will be the deterrent for insecurity, for illegal transactions and what kind of sectors are more relevant to fight that illegal big markups markets?

MS. FELBAB-BROWN: Okay, thank you, last question goes to Ernesto, and perhaps you will be able to button-hole our panelists after, we will need to get out of here sharply at noon. Ernesto please.

SPEAKER: Daniel talked about lack of legitimacy of the police and Ernesto talked about the low productivity of the police. The conventional wisdom, for non-experts is that police wages are very low, and in fact might be behind the lack of productivity and the lack of legitimacy. Is that the case or is more complicated than that?

MS. FELBAB-BROWN: Daniel, can we go to you first in the responses?

MR. ORTEGA: Well there is so much, I wanted to briefly mention on Gino's point about the data. We definitely, there are some initiatives like Disca Dinunzia in Brazil which is basically an anonymous tip line where you basically report crimes without stating your name and that has much higher reporting rates and that kind of thing can be -- now we're seeing that developed in apps for your phones and you can geo-code that as well. So definitely we need, if the official data generating system doesn't work, we need to maybe use technology better to do it.

I also agree that the industrial organization structure of organized crime is very important in determining the levels of violence that ensue. So I agree completely with you. I don't really know the structure in Asia versus Latin America and so this is something that might be an avenue for research. Vanda may know a lot about this. I'm not an expert in organized crime, and I agree that the report falls short in analyzing the structure of organized crime and differences that may lead to differences in the levels of violence that ensue. It maybe something to work on later.

With regard to informality versus illegal markets, informal markets are for the most part illegal. This is so -- the thing is that the state chooses not to enforce the laws that are being broken. There's always a fine line. What is a punishable crime, and what do you explicitly state in law -- that is illegal and then how much enforcement do you do? So this is a continuum I think. It is the case that in informal markets where legal goods are traded, there is a higher incidence of violence than in formal trading spaces. So that's one thing as well, so there is a relationship between the level of how much you can resort to legal conflict resolution mechanisms and the level of violence that is involved. Now how to create markets that competes, well this is a huge question. Colombia has at one point I remember, I think it was President Gaviria at some point saying in the New York Times or Wall street Journal, saying if you want to stop Colombia's drug trade, if you want to help fight Colombia's drug trade, buy its flowers. So there's a discussion, I don't know whether that's actually true, if it actually -- if there was any evidence that this was actually a reasonable viable alternative labor market option for people engaged -- for farmers, workers, engaged in this activity. Coffee is also something that has been put forth. My short answer is that I don't know and I don't really think that there is a clear answer to this.

And course, the fact that something is illegal, this is the whole discussion about reform has to do with the fact that illegality creates certain rents that -- this is the

reason why this is on the table. So and whether police wages are low, I think they are, however police wages are not that low as compared to other public sector workers. One big issue here is the nature of the job. There was this famous book by David Wilson on the nature of policing. So the kind of -- so what a bureaucrat, a regular public sector bureaucrat does on a day to day basis involves much less freedom of what to do during the day and less discretion. Whereas a police officer has to have, they have to exercise great discretion, on a minute by minute basis. You need to choose whether you're going to pursue someone who is jay walking versus responding to a domestic abuse call. So these are the decisions a police officer -- a police officer's job is very very different from other public servants, and so this is something that I think that we have not studied in enough depth, and understood the capabilities that we need to provide them and also the incentives that we need and control mechanisms that we need to put in place in order for them to provide effective policing services. We could go on and on talking about all these things but I think we're out of time.

MS. FELBAB-BROWN: Unfortunately we can't because confident services will chase us out, Brookings believes in enforcement of rules, so Ernesto and Gino, I am very sorry, but I can ask you one minute each because we will need to vacate the space.

MR. SCHARGRODSKY: One minute, I don't think in relative terms police wages in Latin America are particularly low relative to other public wages in other public sectors. And I was not about to talk about the relationship between politics and corruption although recently about politics and crime. It is somewhat surprising why there is democracy and this is a big problem -- I guess that it would pay strongly electorally to solve this problem and there are not -- efforts are not that strong. My hypothesis in 30 seconds -- politicians do not know what to do, so they don't want to commit if they do not know what to do. They are frail because they might get personally involved in particularly

if they fight organized crime, and maybe because of influence from the U.S. or I don't know from where, it is more in the right wing agenda to fight crime. And politicians in Latin America and everybody loves to be a publicist. And I think people are not understanding that the main big things are crime are becoming the poor. So if you care about the poor in Latin America, you should care about crime.

MR. ORTEGA: Let me comment on Ernesto's question regarding productivity in Peru, we have the police and we have local governments patrolling the streets because the police do not perform that role. And the productivity of local governments patrolling the streets is much much higher than that of the police. And the wages are much higher in the police than in local governments. I think you have a number of reasons why this is so, but I think that the main reason explaining this distinction between one way of patrolling and the other has to do with accountability. Accountability to local governments and to the people, while the police is largely unaccountable.

MS. FELBAB-BROWN: Well thank you very much, if you want to hear about the differences in drug markets in Asia, Africa, and the America's about have that impacts on crime, and other crime rates and public policies and what it all means for the August 2016 global drug review, come back to Brookings on Thursday at 2 o'clock, we are doing the launch of results from fifteen countries, seventeen case studies, and hope to engage you there. And meanwhile we will give a hand to our audience and Daniel. (applause)

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