



The Quality of Life in Latin American Cities

Javier Santiso

Director and Chief Economist
OECD Development Centre

26 September 2008 – Paris, France

I

Why do we study Quality of Life in LAC now?

II

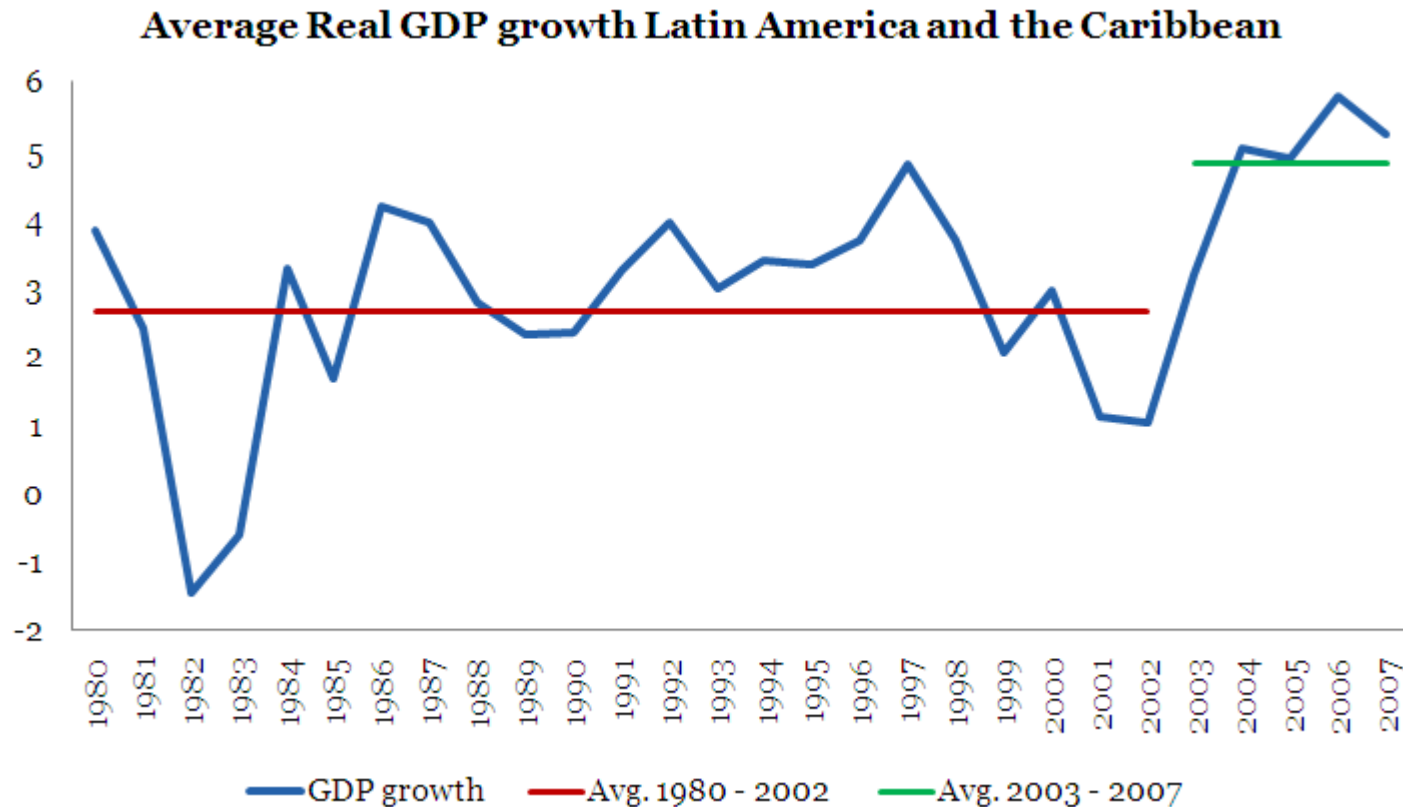
Measuring Happiness and policy issues

III

Some thoughts for future research

Why do we study Quality of Life in LAC *now*?

The region has done well in terms of growth since 2003

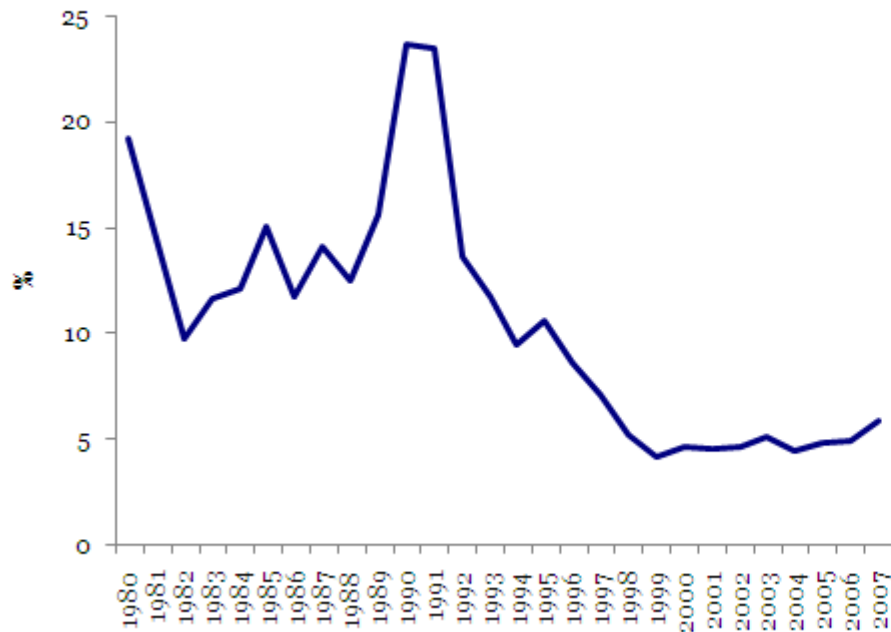


Source: OECD Development Centre, 2008, based on IMF, WEO 2008

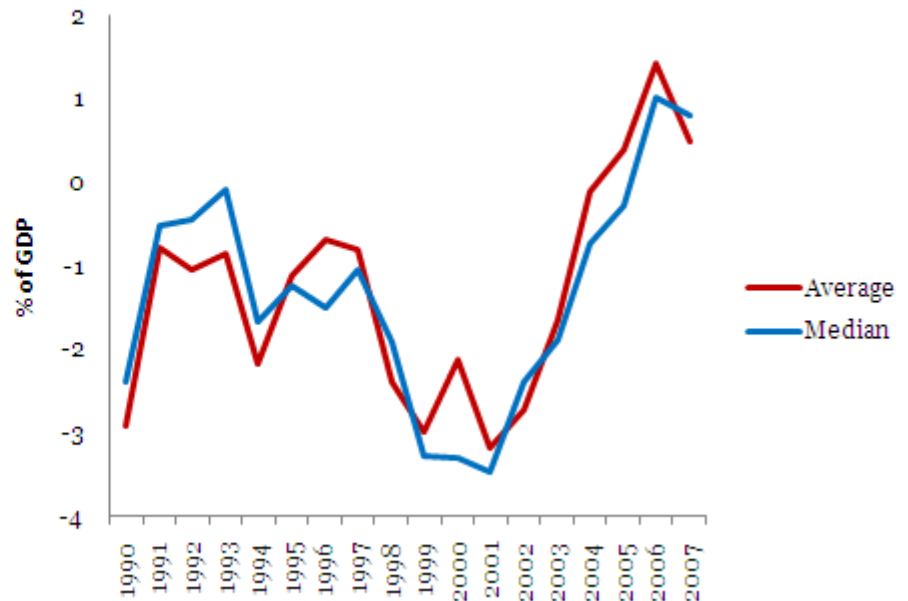
Why do we study Quality of Life in LAC *now*?

Entrenchment of macroeconomic stability

Median CPI Inflation in Latin America and the Caribbean

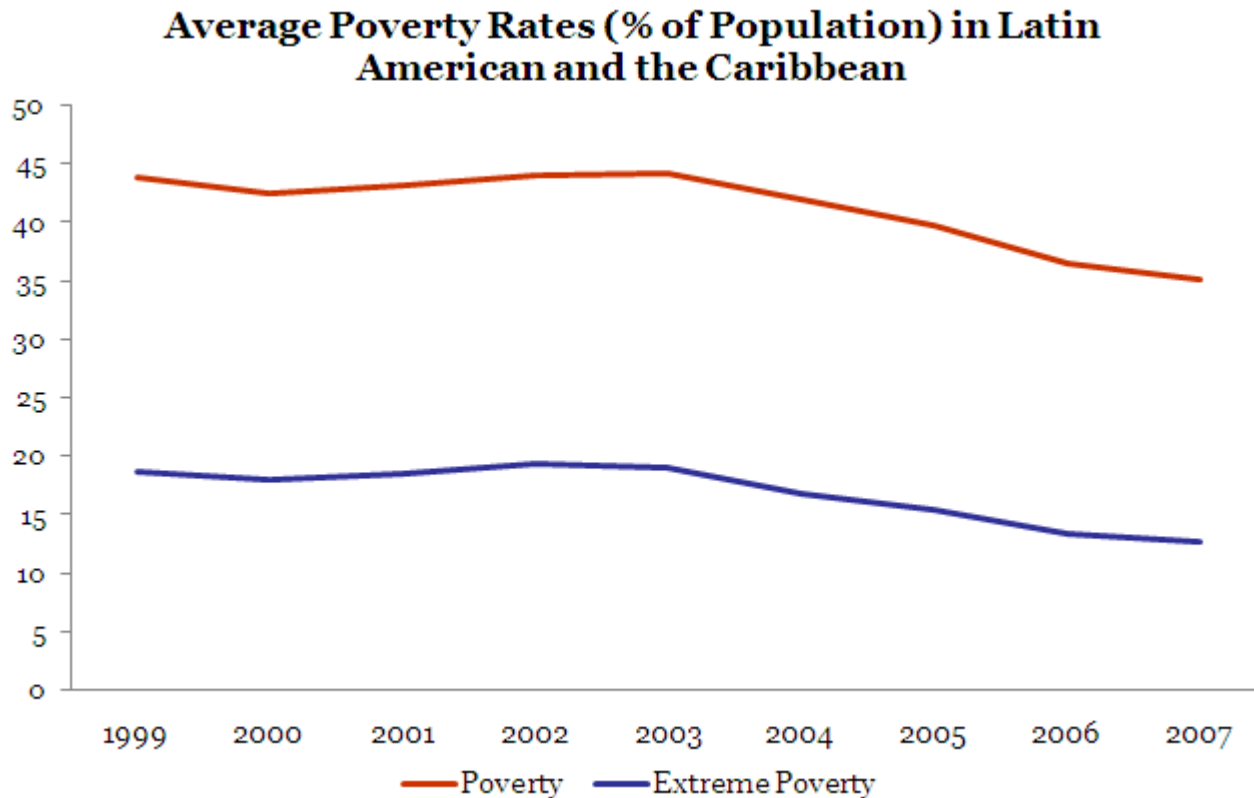


Non-Financial Public Sector Budget Balance (% of GDP) in Latin America and the Caribbean



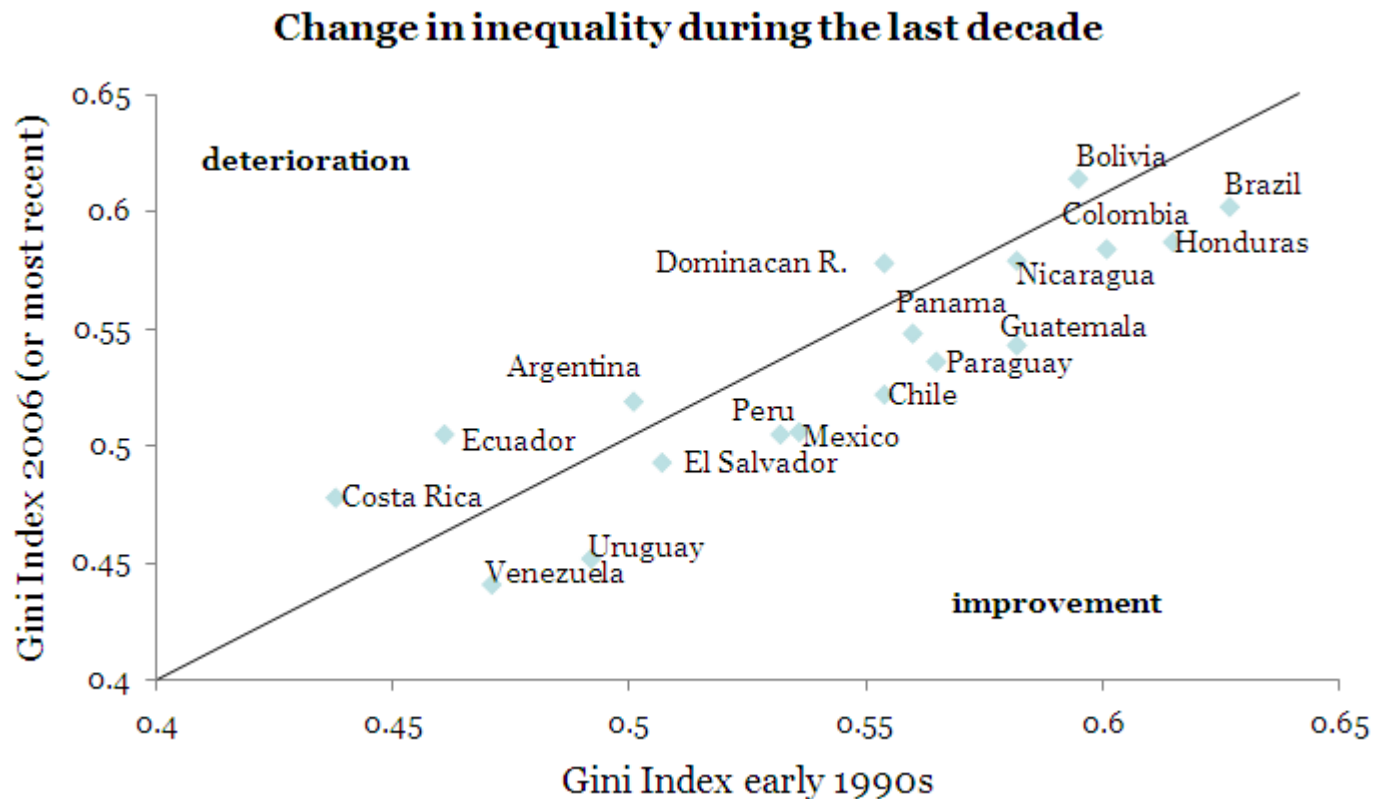
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Poverty has been falling in most countries in the region



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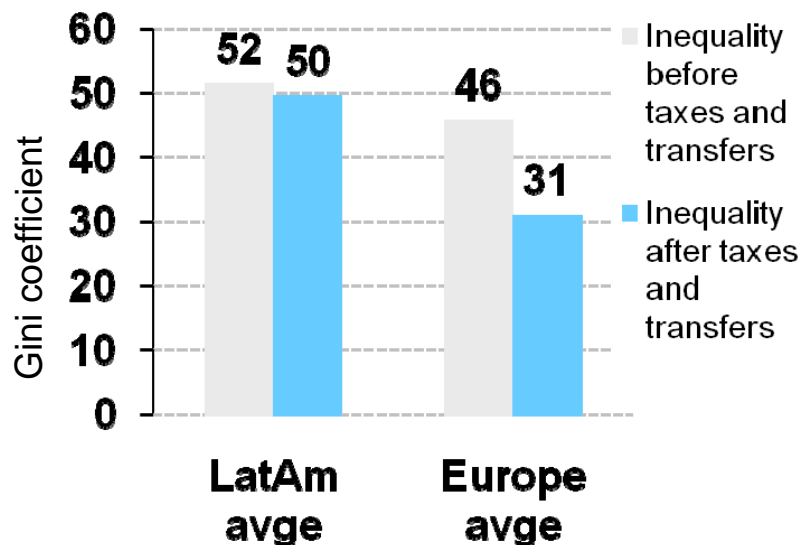
Despite improvements in many countries, inequality remains high



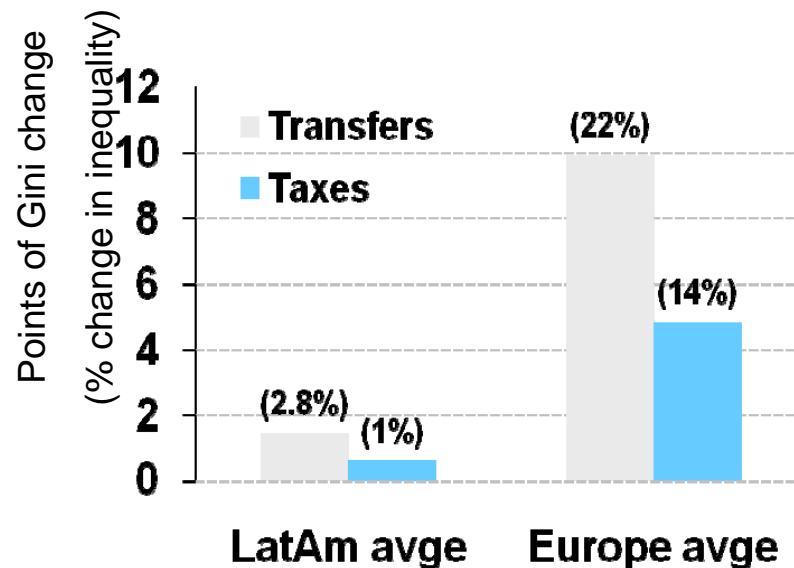
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... and there is little redistribution through taxes and transfers

Inequality before and after taxes and transfers



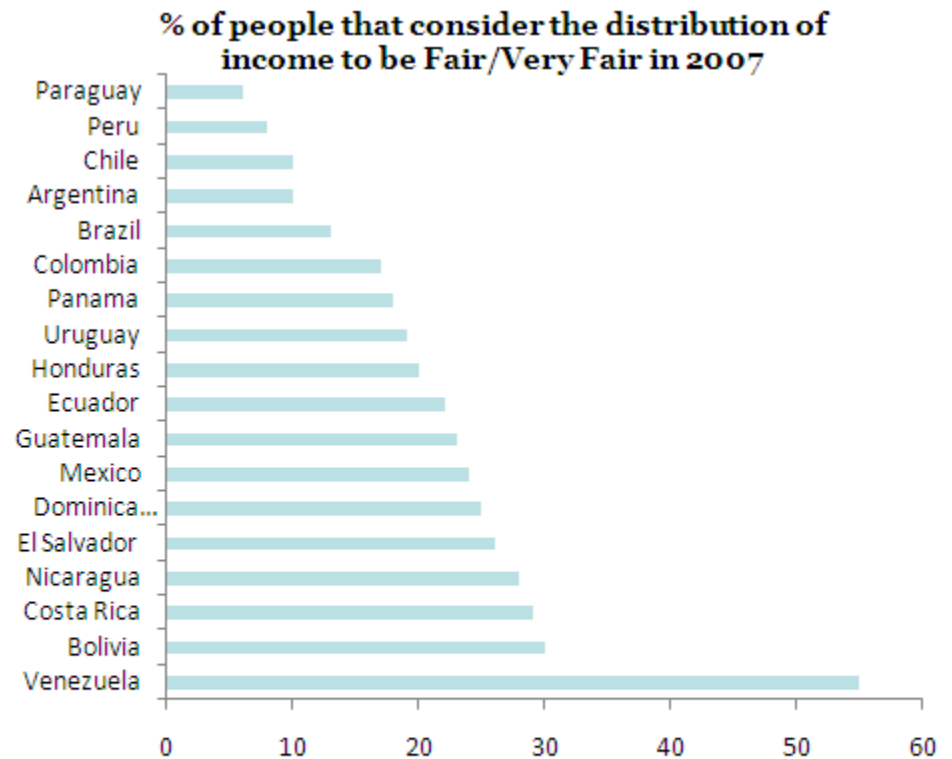
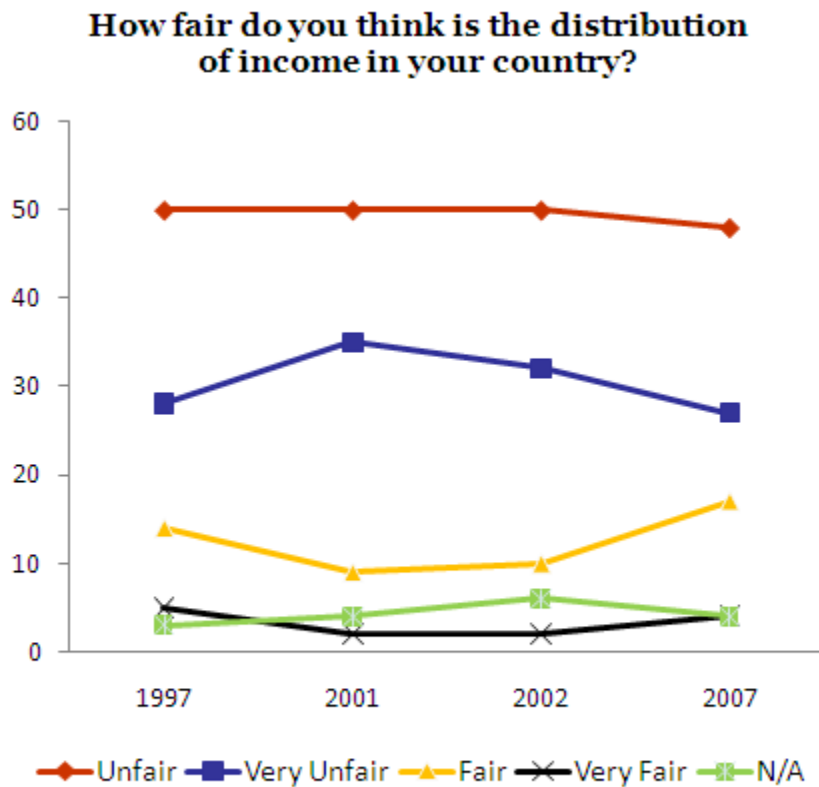
The effects of taxes and transfers



Source: OECD Development Centre, 2007. Based on data by Goñi, López, and Servén (2006)

Why do we study Quality of Life in LAC *now*?

Perceptions also point towards limited opportunities



Why do we study Quality of Life in LAC *now*?

- Macroeconomic instability, insufficient growth and poverty have been dominating the development agenda for the region.
- The current bonanza might be behind the shift in the focus of attention to other issues, such as the quality of life and happiness.
- Lack of opportunities and inequality (perceptions and reality) might be related to quality of life, limiting development also in this aspect.

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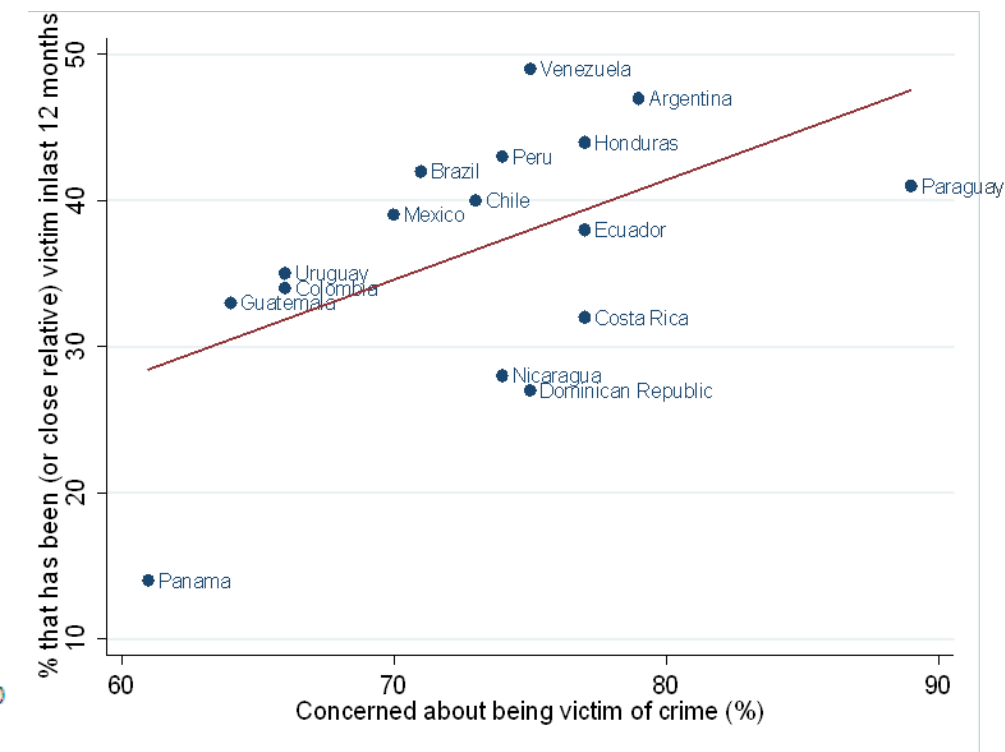
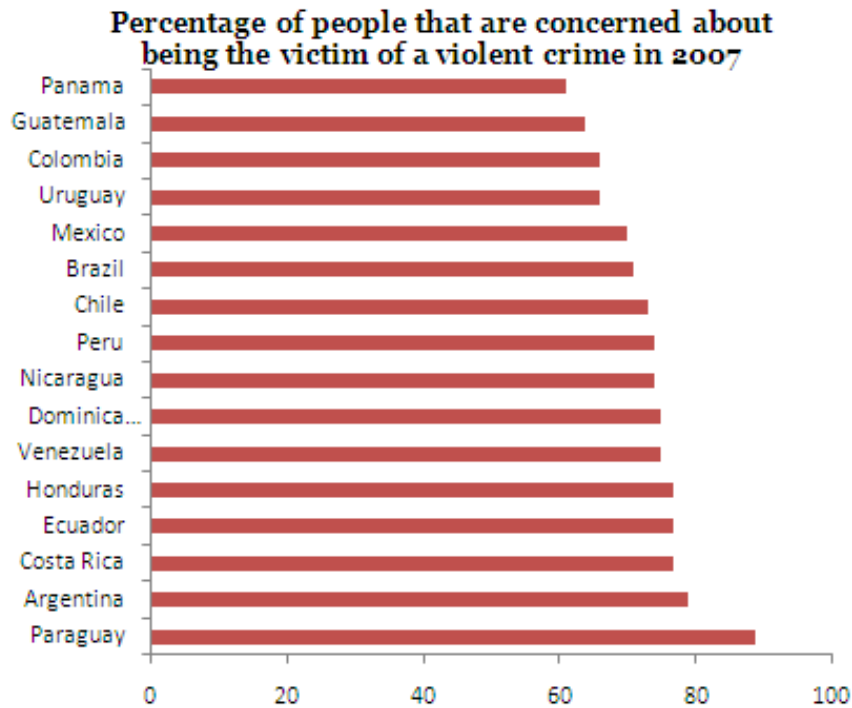
Some thoughts for future research

Quality of Life in LAC cities

- The case studies compiled in this book make a relevant contribution to the literature and policy debate on:
 - Measurement of quality of life
 - Valuation of public services: interesting combination of hedonic pricing and self-reported satisfaction
 - Nice illustration of how self-reported satisfaction surveys could potentially be used to shape and monitor public policies
- “Stylized” facts on cities in Latin America:
 - Insecurity and crime is a major concern
 - Segregation in quality of urban life (access to public goods and services) is a concern. It could exacerbate inequality beyond income.

Security and Crime

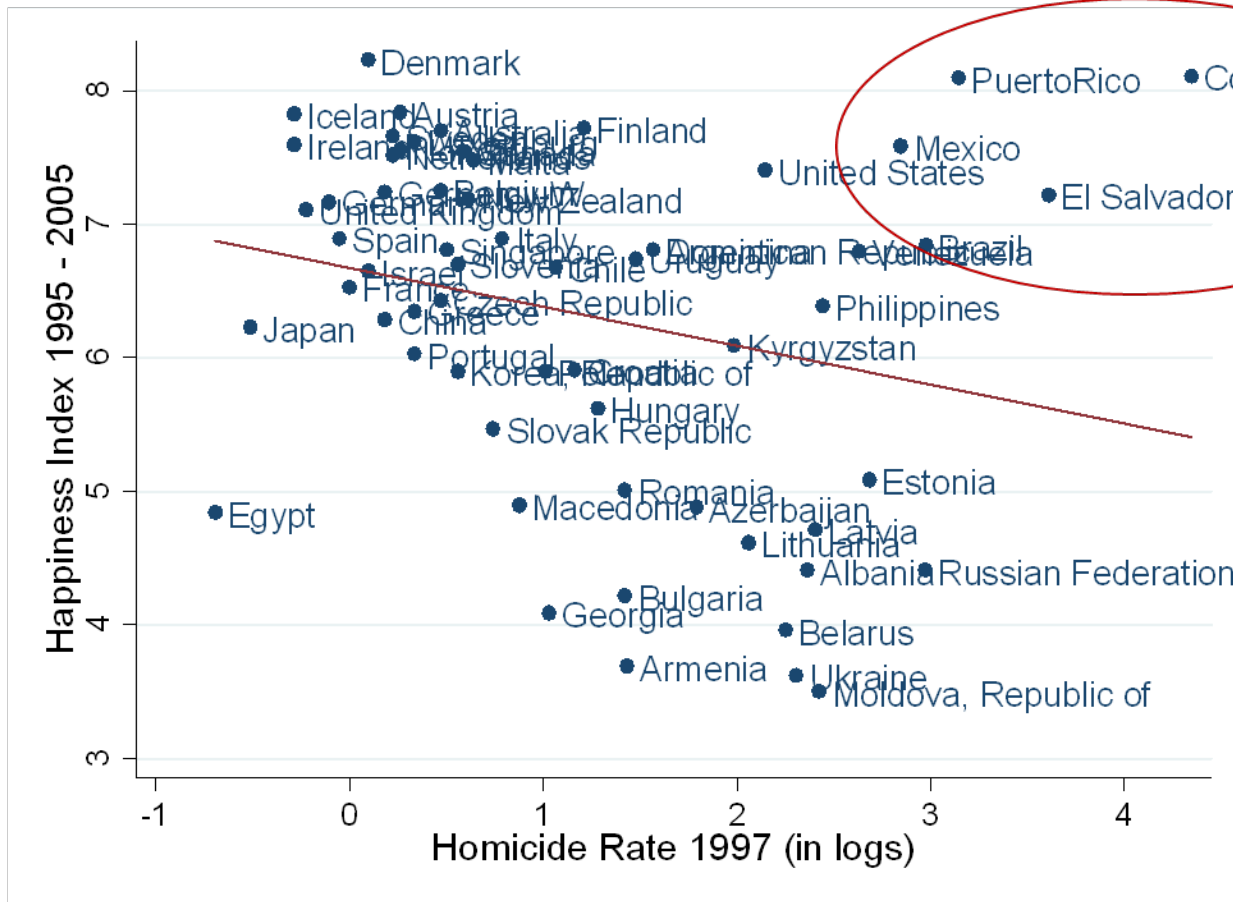
Other sources of information confirm concerns in terms of perceptions and self-reported victimization



Source: OECD Development Centre, 2008 based on Latinobarometro, 2007.

Crime and Happiness

Countries with high crime rates are less happy on average



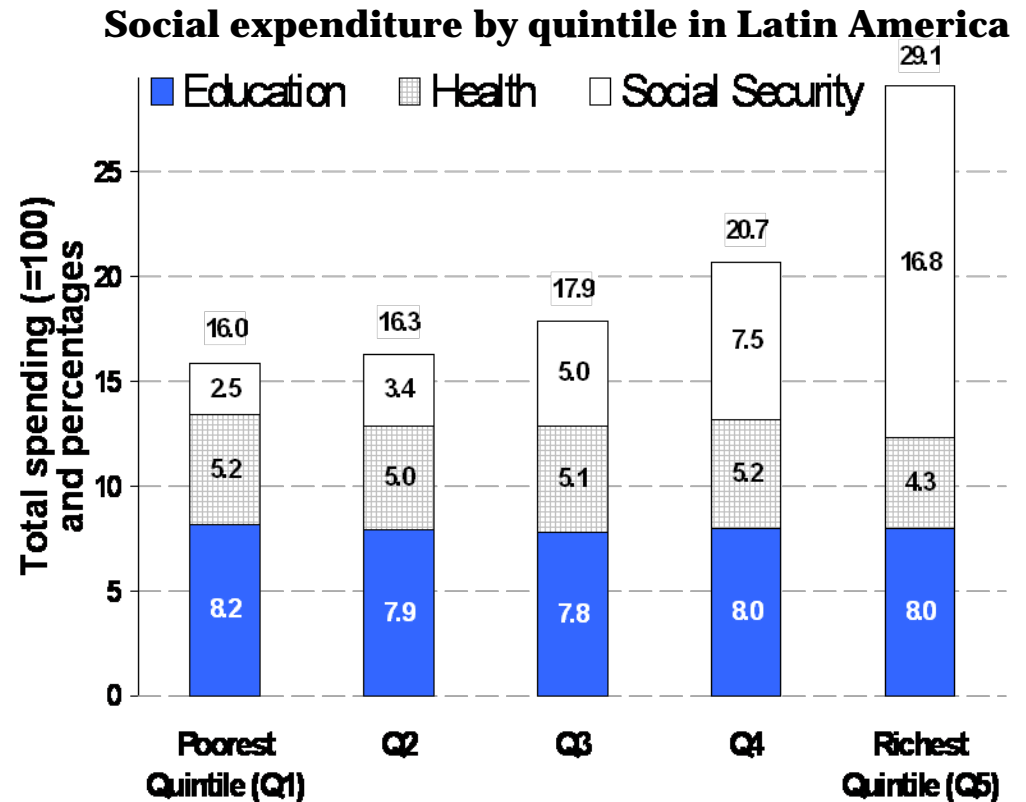
Source: OECD Development Centre, 2008 based World Database on Happiness , State of Nations, 2008.

Security and Crime

- In terms of policy issues, the case studies clearly point towards reducing crime and insecurity as a priority versus other public goods
- Di Tella et al (2008) show that perceptions on increased crime are correlated to perceptions of unfairness of markets, reducing the support for reform
- However, it is not straightforward to define the best policy:
 - The roots of the problem might lie elsewhere. High inequality combined with lack of social mobility might create a sense of “futurelessness”.
 - Should policies aim at reduction of crime or reduce perceptions? This might create ethical concerns and room for manipulation.

Exclusion, Inequality and Happiness

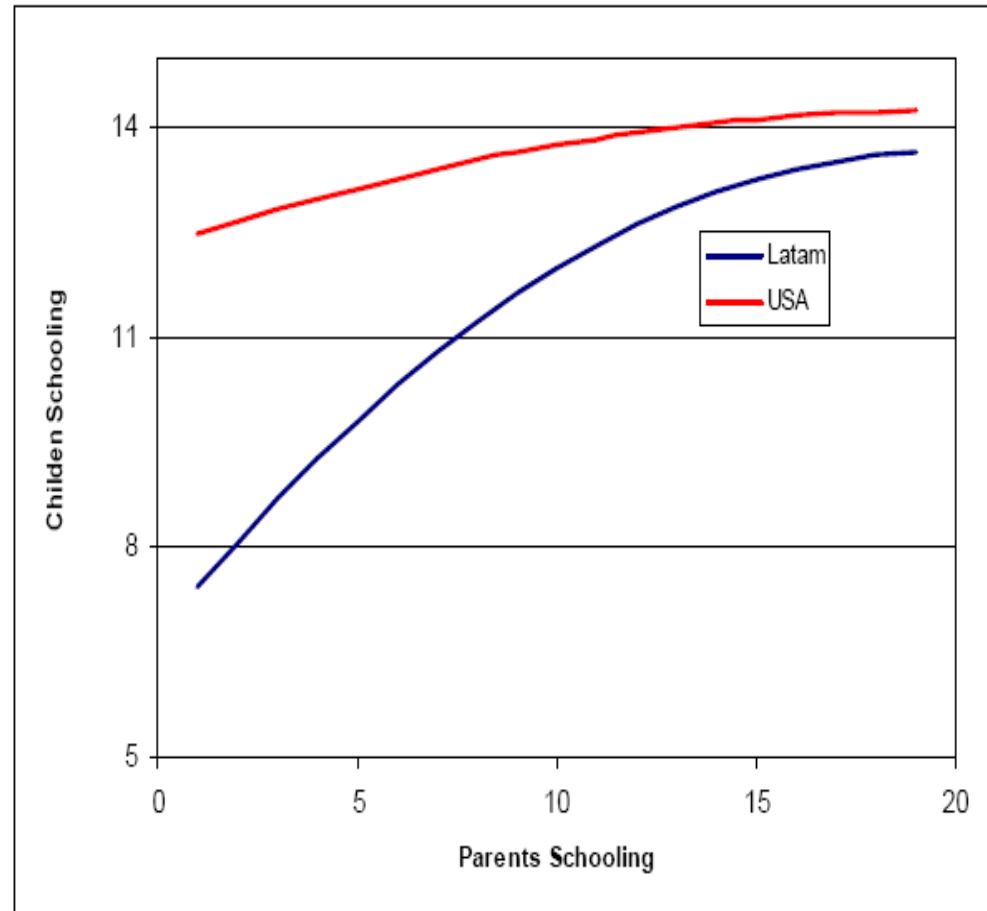
- Segregation in the access to public goods and services seems to be a consequence of exclusion rather than due to differences in tastes
- This result is in line with the evidence that often public policies are poorly targeted and end up having a regressive impact on income distribution.



Source: OECD Development Centre, 2007 based on ECLAC, 2005

Exclusion, Inequality and Happiness

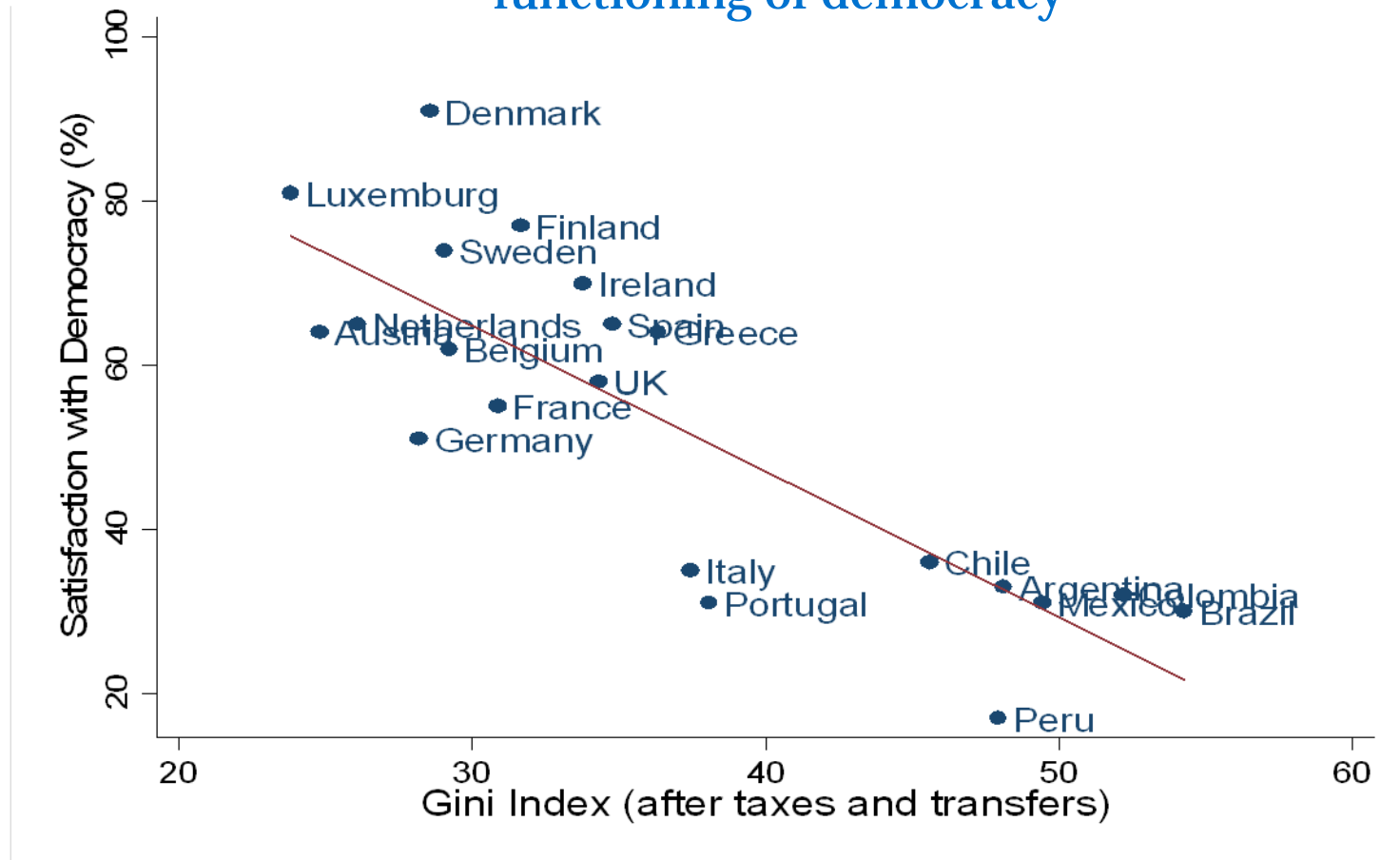
- Inequality can be a signal of income mobility, but social mobility in the region is low
- The correlation between parental and child educational attainment is much higher in Latin America than in the US
- Graham and Felton (2005) show that inequality (objective measures as well as self-reported perceptions) in Latin America has a large impact on self-reported wellbeing, in particular due to lack of social mobility



Source: Gaviria, 2008

Inequality and Satisfaction with Democracy

High correlation between inequality and dissatisfaction with the functioning of democracy



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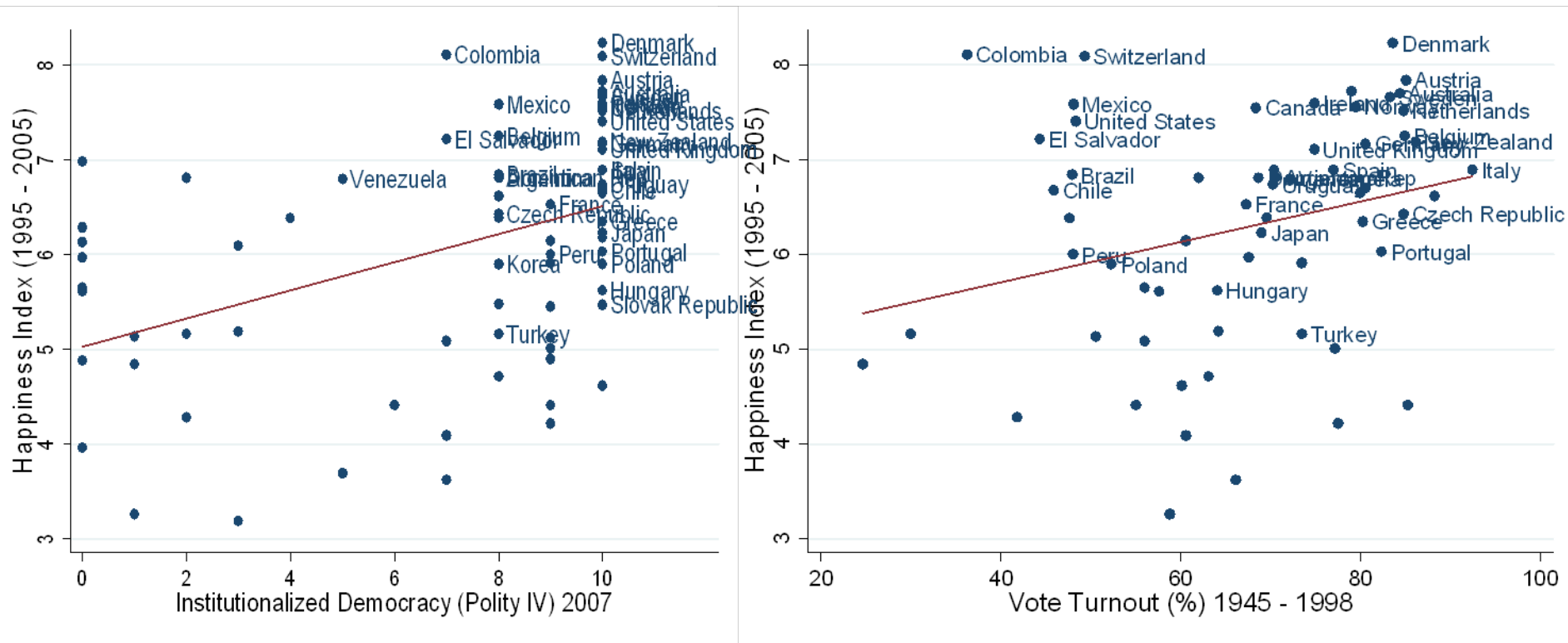
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Democracy and Happiness

Is there a link?

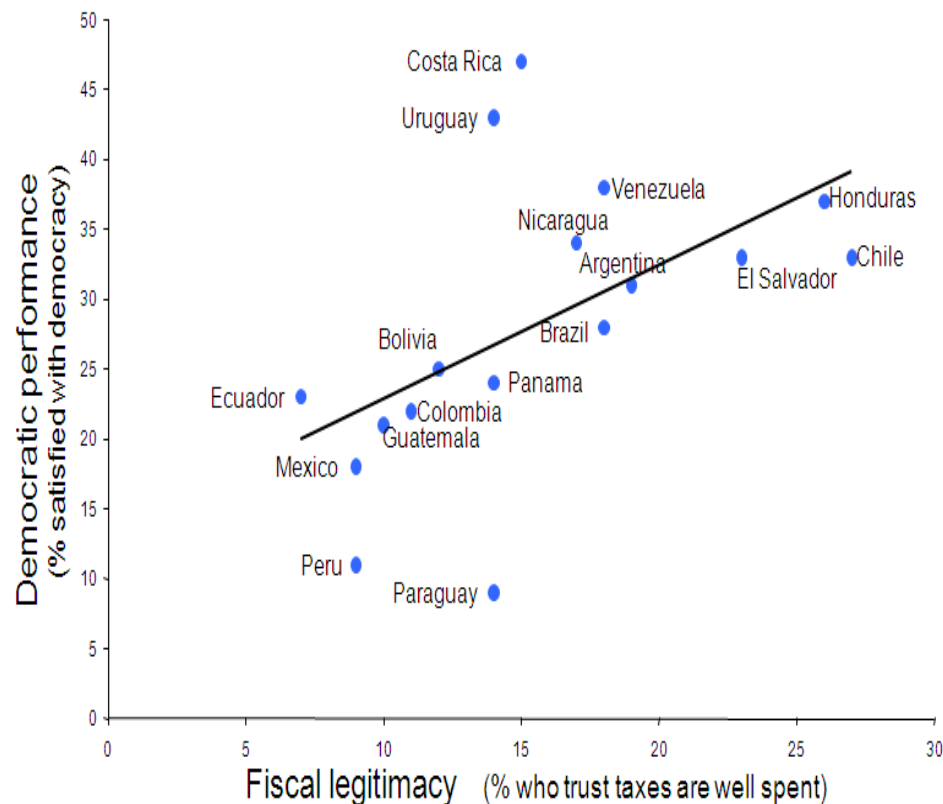


Source: OECD Development Centre, 2008, based on Polity IV, 2007; IDEA Database on Vote Turnout, 2008, and World Database on Happiness, State of Nations, 2008.



Tax Morale, Democracy and Happiness

- A problem in the region is that people do not trust that their taxes are spend in the right way.
- There is also evidence that a better functioning of democracy increases the tax morale of citizens (e.g. Torgler, 2002; Feld and Frey, 2002)
- Thus, the challenge is to create synergies of tax and government spending reforms with political reforms, such that programs have support and funding.



Source: OECD Development Centre, 2007. Based on Latinobarómetro (2003).

Conclusions

- Development implies deep transformations of the economy as well as the society.
- In this sense, the new focus on quality of life is a welcomed effort to include issues that often are left aside by development economists due to their complexity. Development economics might finally “cross boundaries” (Hirschman, 1998).
- This volume shows an innovative way of using traditional tools and the novel approach of happiness economics to shape public policy needed to improve the quality of life of people in Latin America.



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