

# TELEMASP BULLETIN

## TEXAS LAW ENFORCEMENT MANAGEMENT AND ADMINISTRATIVE STATISTICS PROGRAM

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### Why the Drop in Crime?

#### Part IV

#### The Economy and Crime

*This Bulletin is the fourth in a series exploring the recent drop in crime and the role played by police agencies.*

The economy and crime are certainly related to one another. However, the linkage is not as straightforward as some may perceive. Generally speaking, an improved economy will mean less crime. But the issue is more complex than this. Several things must be examined before attributing the decrease in crime to the booming economy of the 90s.

The clearest linkage between the economy and crime is explained by the "rational choice" criminological perspective. This view holds quite simply that people try to maximize pleasure over pain. It follows that when economic conditions are poor, crime is a more attractive way to achieve pleasure (material goods). Indeed, for those at the bottom, it is suggested that, economically, crime may be the most attractive way to achieve pleasure. This perspective obviously pertains mainly to property crime, but would clearly have an impact upon associated violent crime.

#### Rational Choice

- People try to maximize pleasure over pain
- Poorer economic conditions make crime a more attractive way to achieve pleasure
- For those at the bottom, economically, crime may be the most attractive way to achieve pleasure
- Mainly pertains to instrumental crime

#### Measurement Ambiguity

There is no universal definition of what constitutes "the economy." More specifically, measuring what differentiates a "good economy" from a "poor economy" is fraught with difficulty. Is 6% unemployment a poor economy, while 5% a good economy? Would a decrease in unemployment from 6% to 5% beget a decrease in crime, or will something more substantial be required? Does the unemployment rate truly represent a critical nexus between the economy and crime? Because most criminals are chronically unemployed, an economic slowdown may have little effect on their already desperate economic condition. It is also unlikely that otherwise law-abiding citizens will turn to crime because they have been temporarily laid off from their jobs. (Senna and Siegel 1996). Is income level thus a more relevant measure? Will a \$.50 increase in the minimum wage decrease crime? Or are minimum wages irrelevant? Is the percent of persons living below a defined poverty level a better measure?

All of these measures relate, of course, primarily to those at the lowest end of the economic scale. At the other end of the scale, could one argue that a booming stockmarket might

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decrease crime? Or will a substantial increase in real earnings in middle income levels, say \$30,000 to \$60,000 household income, make a difference in crime rates? At the extreme, if highly paid corporate CEOs do not receive what they perceive as their fair share of stock options in a given year, will they revert to white-collar crime to make up the difference in what they perceive is due them?

The point, quite obviously, is when one asserts that "the economy is good," the first thing that needs to be asked is "What do you mean by that?" How much and at what levels are wages up? Are real earnings up? Is unemployment down? Are increases in wealth being distributed across the entire spectrum of society? Are poverty rates down—and by the way, how are we defining poverty? The issue is clearly more complicated than simply running a correlation coefficient between unemployment and crime rates.

The complexity of the relationship is exemplified by the concept of differential opportunity. Our society emphasizes material success. Legitimate means to achieve success (jobs, careers) are not universally or equally distributed. When crime is perceived as an alternate means to success, extremes in differential opportunity will be linked to higher crime rates. But how much differential is required?

### Differential Opportunity

- Our society emphasizes material success
- Legitimate means to achieve success (jobs, careers) are not universally or equally distributed
- Crime is an alternate means to success
- Mainly pertains to instrumental crime

Simply being poor by some abstract definition does not beget crime. In Third World countries, the vast majority of the population is poor by American standards. But crime does not necessarily run rampant. This fact is pointed to as evidence that it is really differential opportunity, not poverty per se, which engenders crime. If one feels relatively deprived compared to reference groups that surround you, you are more likely to rationalize crime as an alternate means to wealth. Wealth deprivation indeed helps explain a great deal of white-collar crime. Middle- and upper-income persons often engage in criminal activities because they perceive they are treated unfairly by their employer, or even society as a whole. While they are not poor by any generic standard, they feel relatively deprived compared to their defined reference group. However, it is not likely that relative wealth deprivation operates at similar levels across all income

groups. Fewer middle- and upper-income persons are likely to feel relatively deprived compared to those at the lowest rungs of the economic ladder.

The water is muddied even further by the link between the economy and social disorganization. An improving economy is a changing economy. And changing economic conditions begets social disorganization. The economy has a major impact on overall society, on particular communities, and on families within those communities. Most criminologists attribute the dramatic increase in crime between 1960 and 1975, a period of relative prosperity, to the social disorganization of that era. Social disorganization leads to conflict and pathology, including crime. It affects both property and violent offense rates.

### Social Disorganization

- The economy has a major impact on social organization
- Urbanization, industrialization, and post-industrialization have led to social disorganization
- Social disorganization leads to conflict and pathology, including crime
- Its effects pertain to both instrumental and affective crime

Much has been made in the media about the dislocation caused by the economy of the 90s. While for some the economy is booming, for others it has been disastrous. There have been widespread layoffs attributed to increases in productivity. Whether those who have been dislocated have fared much worse, about the same or even better after reemployment is hotly debated.

### Important Economic Phenomena of the 90s

By almost any measure, the economy is better now than it was in 1990. Unemployment is down, real income is up, poverty rates are either stable or declining, inflation is negligible, and the proportion of the U.S. population investing in the stock market has skyrocketed. But these are also turbulent economic times.

**Increasing concentration of poverty.** More than ever, the poor are concentrated in inner cities. Although the news media highlight urban renewal and movement back into some city neighborhoods, the overall trend has continued to be to segregate the poor. Most would argue that concentrating society's poor in well-defined economic zones begets more crime, not less. This is because the poor are both perpetrators



and victims—and the cost of victimization is enormous. The national costs of crime are difficult to measure, but the Bureau of Justice Statistics estimates the personal cost of crime (direct dollar losses to individuals, not including criminal justice system costs) at around \$17.6 billion per year. Robberies cost the nation about \$500 million annually, burglaries nearly \$4 billion and larceny-thefts account for approximately \$4 billion in losses per year. Not included in the Bureau's figures are the costs to crime victims of lost work, needed medical care, and the expense of new security measures they may implement. Lost work time was reported in 12% of aggravated assaults and 17% of rapes.

Further, although providing quantitative estimates, some reports may nevertheless fail to assess some of the indirect costs of crime, e.g., lowered property values in high-crime areas, inflated prices for consumer goods caused by the underground economy in stolen goods, as well as those well-hidden and difficult-to-measure white collar crimes that produce the largest direct dollar losses of any type of criminal activity (Schmallegger 1999).

Since there are many intangible consequences to victims that are difficult to measure, costs of crime to victims cannot be calculated with precision. Evidence shows that when attempts are made to measure them, the intangible costs may be much higher than the dollar costs (Gottfredson 1999). Thus, crime and concentrated poverty may feed on one another.

**Growing income inequality.** The difference between the top rungs of the economic ladder and those at the bottom has grown in the 1990s, not diminished. It's not fair to say that the rich are getting richer and the poor are getting poorer. The booming economy has helped those at all rungs to some extent. But it has helped those at the middle- and upper-income levels far more than it has helped those at the bottom. Income inequality is associated with differential opportunity, and feelings of relative deprivation. Both of these factors are likely to cause more crime, not less.

### Most Common Economic Measures

- Unemployment Rate
- Poverty Rate
- Income Inequality

**Rustbelt to sunbelt.** Only in the last year or two have populations of major cities in the Northeast and Midwest stabilized. The flight from the rustbelt to the sunbelt continues. Texas is economically fortunate in this respect. We find ourselves at the center of the action of the Information Age.

Several major computer companies are located in the state. But a booming economy means migration of persons into the state. And migratory populations are less stable, less settled, and more likely to be associated with a range of social problems. Increased job opportunities will probably decrease crime, but job movement in and of itself may increase crime.

**Center city to edge city.** The majority of jobs are not being created in center cities. Instead, economic growth is most pronounced "on the loops." This phenomena is exemplified by the intersection of the Northcentral Expressway and the LBJ Loop in Dallas, by the US 183 and I-35 corridors in Austin, by the Northwest side of San Antonio, and by the Galleria area in Houston. In all of these instances, we have, in fact, cities within cities—and all brand new. While we all point to these areas with pride, they also represent economic and social change—a correlate of crime.

**NAFTA.** The North American Free Trade Agreement has certainly had an economic impact. Whether there has been a net loss or gain of jobs in the U.S. is dependent upon the political proclivities of to whom one is talking. Regardless, NAFTA has beget economic change. Slowly but surely, jobs requiring low skill factory assembly are moving south. This leaves less economic opportunity for those lacking requisite education or skills. The differential opportunity issue is prevalent here.

**Immigration.** The flow of immigrants into the United States, both legal and illegal, continues unabated. In Texas, we have experienced both extremes of the spectrum. The growth of high-tech industries in the state has brought highly skilled foreign professionals to Texas. At the same time, the flow of immigrants across the Rio Grande continues unabated. As long as the economy is expanding steadily, immigration is easily absorbed. But a contraction could leave many stranded without reasonable opportunity.

**Welfare reform.** At the very lowest rung of the economic ladder are those receiving welfare benefits. Welfare reform has pushed those on welfare, primarily single mothers with children, into the economic marketplace. The effect on crime is not known.

**Changing opportunities.** The effect of the Information Age extends beyond computer companies. Automation has reached every element of the economy. The need for Information Age skills has concomitantly affected every element of the work force. For those who retrain and retool, there is increased opportunity. For those unable or unwilling to do so, economic opportunities have declined. Again, the effect on crime really cannot be quantified.



### Other Economic Factors

- Increasing concentration of poverty
- Growing income inequality
- Job movement: Rustbelt to Sunbelt
- Post-industrialization: Changing economy and jobs
- Underground economies
- Foreign trade/NAFTA
- Immigration
- Welfare Reform

**Unemployment rate.** In Figure 1, the unemployment rate in the United States and Texas is depicted from 1976 to the present. Unemployment increased fairly substantially between 1979 and 1987 both within the state and nationally. Beginning in 1992, we can see the steady decrease in unemployment within the state and for the U.S. as a whole. In the spring of 1998, unemployment hit a 29 year low at 4.2 percent. The rate of unemployment for blacks fell to 7.5 percent—the lowest level since the Bureau of Labor Statistics started tracking it in 1972 (*Houston Chronicle* June 5, 1999). Figures 2 and 3 plot unemployment rates in the U.S. and Texas against the respective crime rates. Examining Figure 2, if one looks only at the time period from 1970 to 1997, there appears to be some correlation between unemployment rates and crime—as unemployment goes up, crime goes up, and with decreases in unemployment, there are concomitant decreases in the crime rate. However, it should be noted that while unemployment was falling from 1960 to 1970, crime was going up. So the linkage may not be as clear as one might suppose from examining the recent years. Similarly, Figure 3 depicts generally a positive correlation. But as of late 1980, unemployment was falling in Texas while crime, although decreasing slightly, was not keeping pace. Again, the picture is mixed.

### General Findings

- Unemployment and poverty rates are correlated with crime rates
- Over time and across spaces
- Income inequality seems to be associated with crime, especially violent crime, at least through 1990

Figure 4 examines 1997 crime rates and unemployment rates among major Texas cities. There is clearly not an obvious pattern, i.e., Texas cities with low unemployment did not necessarily have low crime and vice versa. Other factors apparently matter more when one examines the state cross-sectionally at a given point in time.

Figure 5 plots the poverty rate in the U.S. against the crime rate. The poverty rate is, of course, defined by the U.S. government. The income level defined as “living in poverty” varies by household size. It should be noted that there is considerable debate over the definition of living in poverty. Examination of the table reveals a similar pattern to that of unemployment and crime. If one examines only 1970 to the present, there is a reasonable correlation, although far from a perfect one. But from 1960 to 1970, the two lines move in diametrically opposite directions.

### Conclusion

The economy matters. A good economy will result in less crime. And the economy in the 1990s has been a booming one. It is reasonable to assert that some of the decrease in crime in the 1990s is attributable to the good economy. But as with other factors we are examining in this Bulletin Series, the relationship is not as clear-cut as one might initially suppose. The economy does not account for all of the decrease in crime. Economic opportunity has not been evenly distributed. The economy in the 1990s has engendered considerable social displacement.

### Summary

- The economy matters
- The economy helps explain some of the recent drop in crime
- The economy interacts with demographics and with other social/cultural conditions

And when one examines the important elements of the economy most affecting the lowest economic status, linkages are ambiguous. There is a slight positive correlation between both unemployment and poverty rates and crime, but only a slight positive correlation. As noted elsewhere in this Bulletin Series, one must examine other factors as well, including incarceration rates and police programs.

## TEXAS CRIME AND UNEMPLOYMENT: 1976-1998

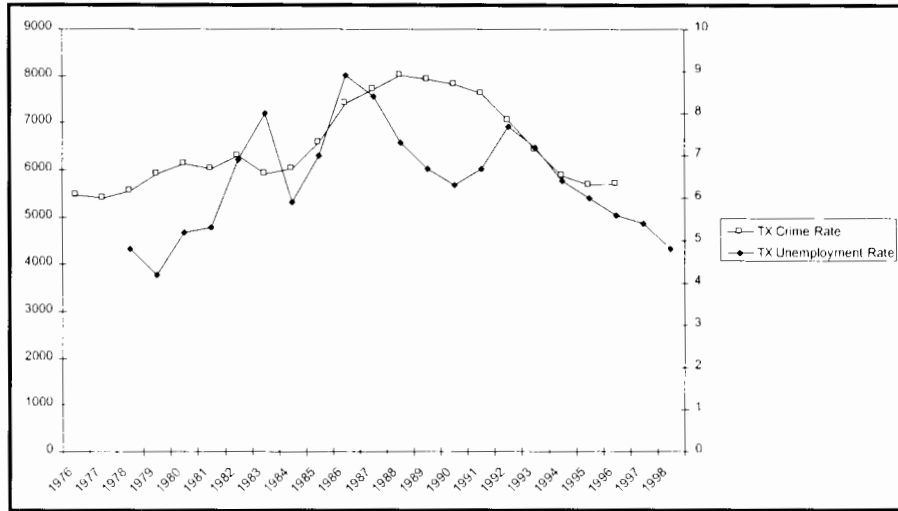


Figure 1

## U.S. Crime and Poverty: 1960-1997

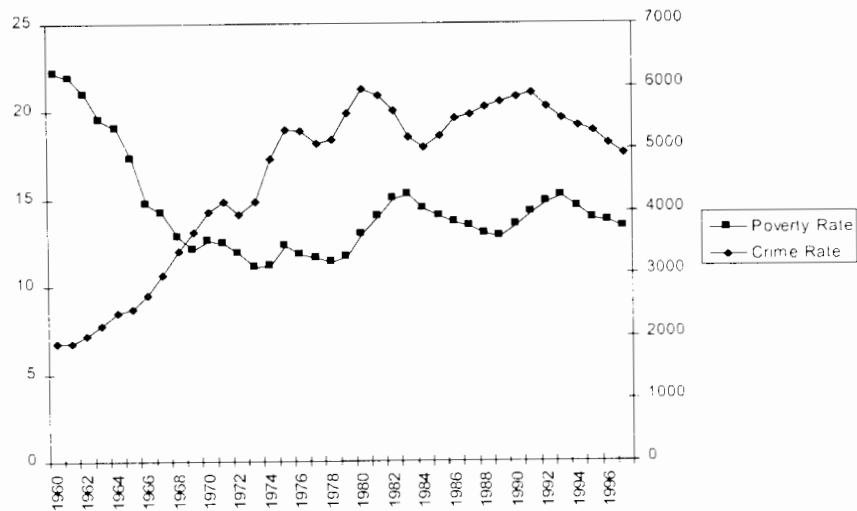


Figure 2

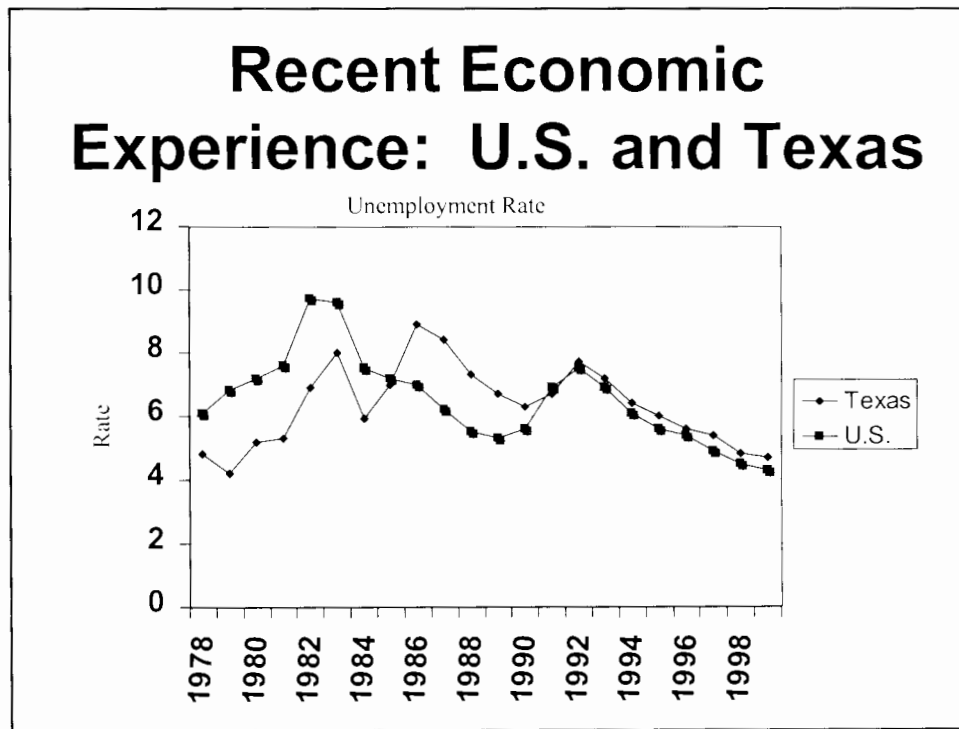


Figure 3

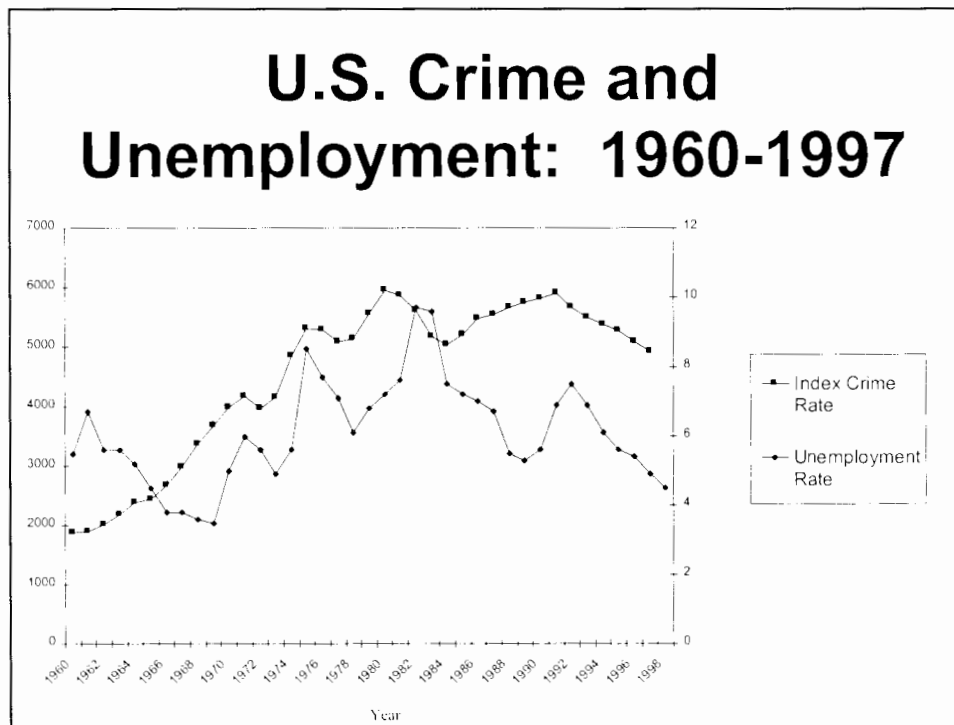


Figure 4

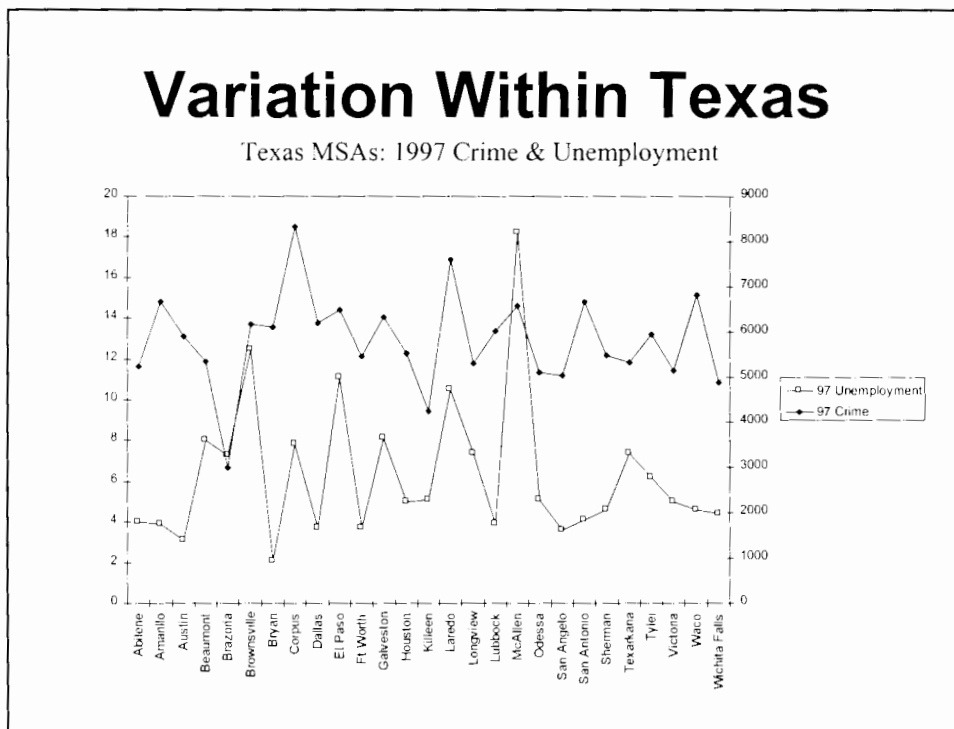


Figure 5

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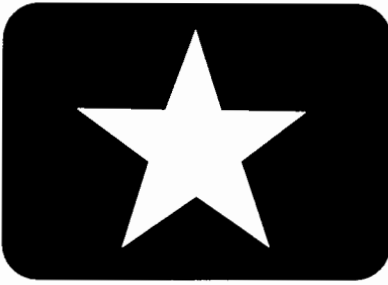
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