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Crime and Economic Hard Times

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Introduction

As concerns over the current economic situation continue to grow, the question of the correlation between increased crime and a depressed economy has resurfaced. Do economic instability and its discontents, such as unemployment, reduced wages, and reduced social services lead to a general increase in criminal activity? News stories about a supposed rise in crime caused by the economic crisis are appearing regularly around the country. Recent reports by Associated Press, the Los Angeles Times, and USA Today seem to start from the assumption of a distinct and causal relationship. In addition, articles often focus on one city's problems. For example, the Times headline reads "Crime continues to fall in Los Angeles despite bad economy," while USA Today cites residents of Fitchburg, Massachusetts, who are convinced that "Desperate people do desperate things" because their city has seen an increase in property crimes. Both the causes of crime and the workings of the economy are immensely complex questions, and a clear, direct relationship is nearly impossible to prove. Crime stems from a multitude of variables including economic measures, demographic dynamics, health indicators, and social safety nets.

There is very little conclusive research on the relationship between crime and the economy. This report examines the question using state and national data. A review of the literature discusses how this topic has been studied to date and is followed by an NCCD analysis that examines criminal justice data in conjunction with economic recessions and expansions.

Literature Review

It is commonly assumed that as the economy worsens, crime increases—a claim often supported by the economic boom of the 1990s and a concurrent drop in crime, as well as the downturn of the 1980s and the rise of gang violence. This issue begs the examination of the Great Depression. With the launch of the FBI's annual Uniform Crime Report in the 1930s, data on crime during the Great Depression do exist, although they are limited and somewhat crude. (Direct comparison to today's crime rates is somewhat difficult due to changes in data collection methods and major changes in social policies.) Secondary data show that property crime dramatically increased from 1932 to 1933 and then just as dramatically decreased immediately after this period (Sellin, 1942). It is important to note that Prohibition (1920-1933) and the rise of organized crime must have had a significant impact on crime rates of the day.

Contemporary studies generally offer two explanations for the assumed link between crime and a depressed economy. First, that without a steady, legitimate income, people resort to crime. The second supposition is that the unemployed have more time than workers to engage in criminal activity (Chiricos, 1987; Fagan & Freeman, 1999; Zimring, 2007).

However, there is evidence that even if unemployment is low, crime may still rise if it pays more than work (Fagan & Freeman 1999). One study shows that 71% of state prisoners were employed prior to conviction (Imrohoroglu, 2004). Yet, many of these studies are limited by their measures of crime and the economy. Recent studies use the FBI's Uniform Crime Reports as a measure of crime, but measures of the economy are more difficult to determine. Although most use unemployment as a measure, alone it is not a sufficient, comprehensive indicator. For example, one study finds that the effect of unemployment on crime is negligible, but that a stronger economy (or average income) is one of the most important factors in affecting crime rates, the latter claim also supported elsewhere (Grogger, 1998; Imrohoroglu, 2004). Many analyses do not measure the effects that other variables, such as education, community prevention programs, and local budgets, may have on crime. Yet we know from the Great Depression that these factors do indeed matter. Many studies conclude that the crime and economy relationship is "inconsistent and insignificant."

NCCD Research

NCCD is the nation's oldest criminal justice research organization. Its body of work over more than 100 years shows time and again that building more prisons and locking up an ever increasing segment of our society does little to reduce crime. On the contrary, fostering healthy communities, drug treatment, and mental health services is not only effective, but is an investment in our citizens and our future. As the media hypes a link between the economy and increased crime, the NCCD objective is to inject the facts into this highly emotional discussion. Faulty assumptions never lead to real solutions. On the other hand, a perspective based on fact is much more likely to lead us to sound public policy.

Methods

NCCD used three indicators to measure crime: reported crime data, arrest data, and prison data from 1970 to the present. National data were reviewed along with data for the five most populous states: California, Florida, Texas, New York, and Illinois. The period since 1970 encompasses the most sustained recessions since the Great Depression, as well as several lengthy periods in which the economy was expanding. Reported crime and arrest data were obtained from the FBI's annual Crime in the United States (CIUS) publication. Rates for reported crime were available through Bureau of Justice Statistics (BJS) Crime and Justice Data Online. Rates for arrests were calculated using the US Census Bureau's Population Estimates. Arrest data included juveniles (ages 10-17) and adults (ages 18 or older). Prison data were obtained from a report funded and published by BJS, titled *Historical Statistics on Prisoners in State and Federal institutions, Yearend 1925-1986: United States* as well as the most recent versions the National Prisoner Statistics data series from BJS. Data used represent the most recent version published and may not correspond exactly with data used in previous reports.

Recession

The definition of recession, from the National Bureau on Economic Research (NBER), is "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales." NBER is a private, non-partisan, research group that marks expansion and recession periods in the business cycle.

Recession Start	Recession End	Duration in Months
Nov 1973	Mar 1975	16
Jan 1980	Jul 1980	6
Jul 1981	Nov 1982	16
Jul 1990	Mar 1991	8
Mar 2001	Nov 2001	8

Source: National Bureau of Economic Research. US Business Cycle Expansions and Contractions. http://www.nber.org/cycles/cyclesmain.html

Although NBER employs no fixed rules when determining a recession, it refers to five main indicators:

- *Gross domestic product,* or *GDP,* refers to the market value of goods and services produced by labor and property in the United States. This data is collected by the Bureau of Economic Analysis (BEA).
- *Real income* refers to net income received by persons from all sources. This data is also collected by the BEA.
- *Payroll employment* is the total number of persons on establishment payrolls employed full or part time. This data is collected by the Bureau of Labor Statistics (BLS) through the Current Employment Statistics Survey.
- *Industrial production* measures the amount of output from the manufacturing, mining, electric, and gas industries. This figure is released by the Federal Reserve Board.
- *Wholesale-retail trade sales* measures output from both the wholesale sector and the retail sector. This data is available from the US Census Bureau.

Results

The following graphs present national data collected by NCCD on reported crime rates, arrest rates, and incarceration rates. Reported crime rates are categorized as either violent or property crimes. Property crimes occur in much higher volumes than violent crimes, but both trends generally follow a similar curve. Arrest rates are presented by age groups; youth commit many more property crimes than adults, but fewer violent crimes. State trends have essentially the same curves as national trends and, for that reason, are not shown. Although reported crime and arrests decrease significantly during the 1990s, incarceration rates continued to increase during that period.

Reported Crime

Reported crime for the US has seen several significant peaks since 1970, but figures do not conclusively show a correlation to economic conditions, as these peaks occurred in 1975, 1980, and 1991. Both 1975 and 1991 are periods of economic recessions, but the latter half of the 1980s was an expansion period. Significant declines in crime occurred from 1981 to 1983 and from 1992 to 2001, the former period representing a recession and the latter an expansion. Data for the five most populous states show similar trends.

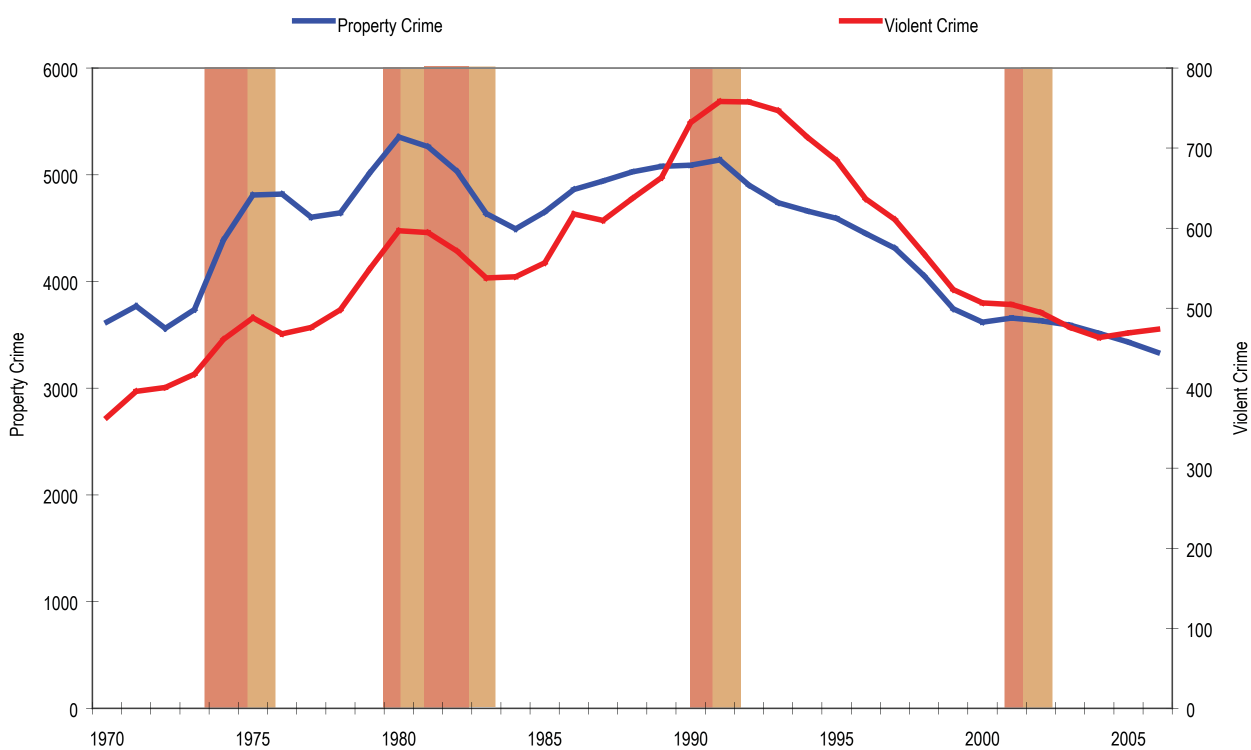
Note on the Graphs

The following graphs show the recession periods as a background to reported crime, arrest rates, and incarceration rates.

This color indicates the recession period as defined by the NBER.

This color indicates the post-recession recovery period, during which much of the population still feels the effects of recession.

Reported Crime by Type, 1970-2006
Rate per 100,000

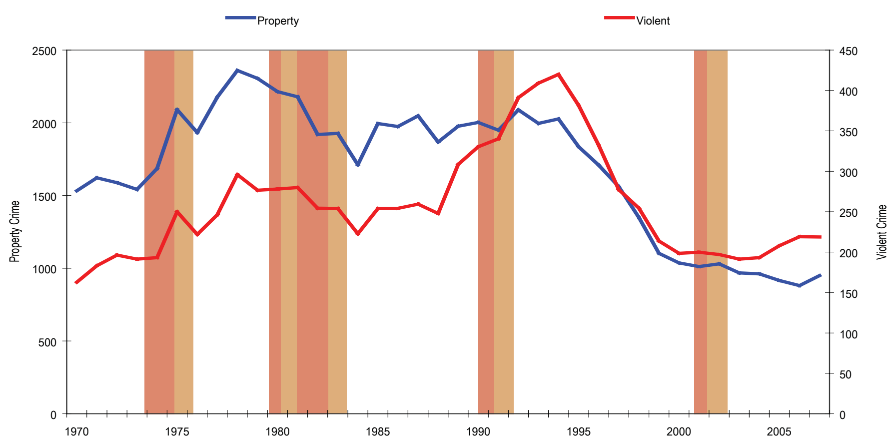


Source: US Department of Justice, Federal Bureau of Investigation, *Crime in the United States*, 1970-2002.

Arrest Rates

Arrests for both property crimes and violent crimes for juveniles follow the same general trend line, except for a spike in violent crime arrests in 1994. Arrests for both types of crime peaked in 1975 and 1978, and dropped in 1984 and 1988, showing no particular correlation with economic recessions. Arrest rates for juveniles have significantly declined since 1994, and remained somewhat steady since 2000, despite a recession in 2001.

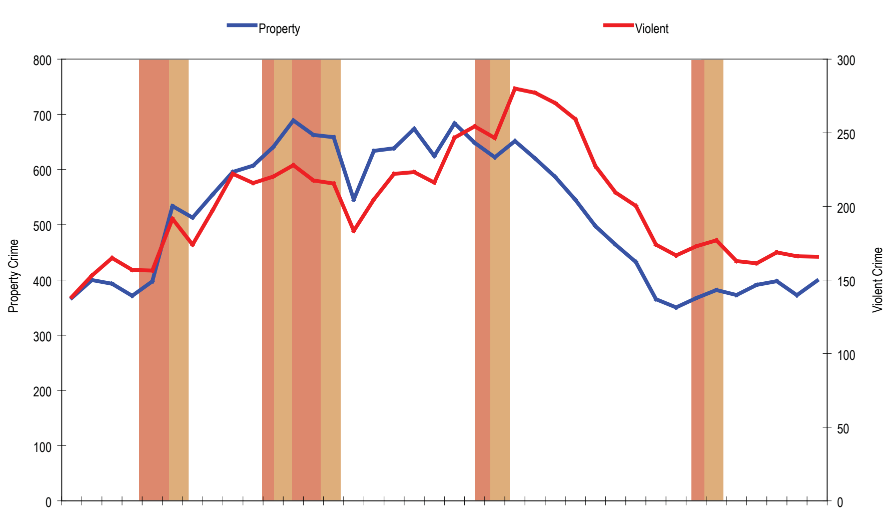
Arrests by Type, Youth ages 10-17, 1970-2007



Sources: US Department of Justice, Federal Bureau of Investigation, *Crime in the United States*, 1970-2002; US Census Bureau, Population Division, *Population Estimates,* 1970-2002.

Arrests for property and violent crimes for adults are also similar, except for a peak in violent crime arrests in 1992. Arrests for both types of crimes peaked in 1975 and 1981, and dropped in 1984. Violent crime dropped after its peak in 1992, declined until 2000, and then stabilized. Property crime fluctuated in the late 1980s, declined after 1992, and remained relatively stable in the 2000s.

Arrests by Type, Adults ages 18 +, 1970-2007

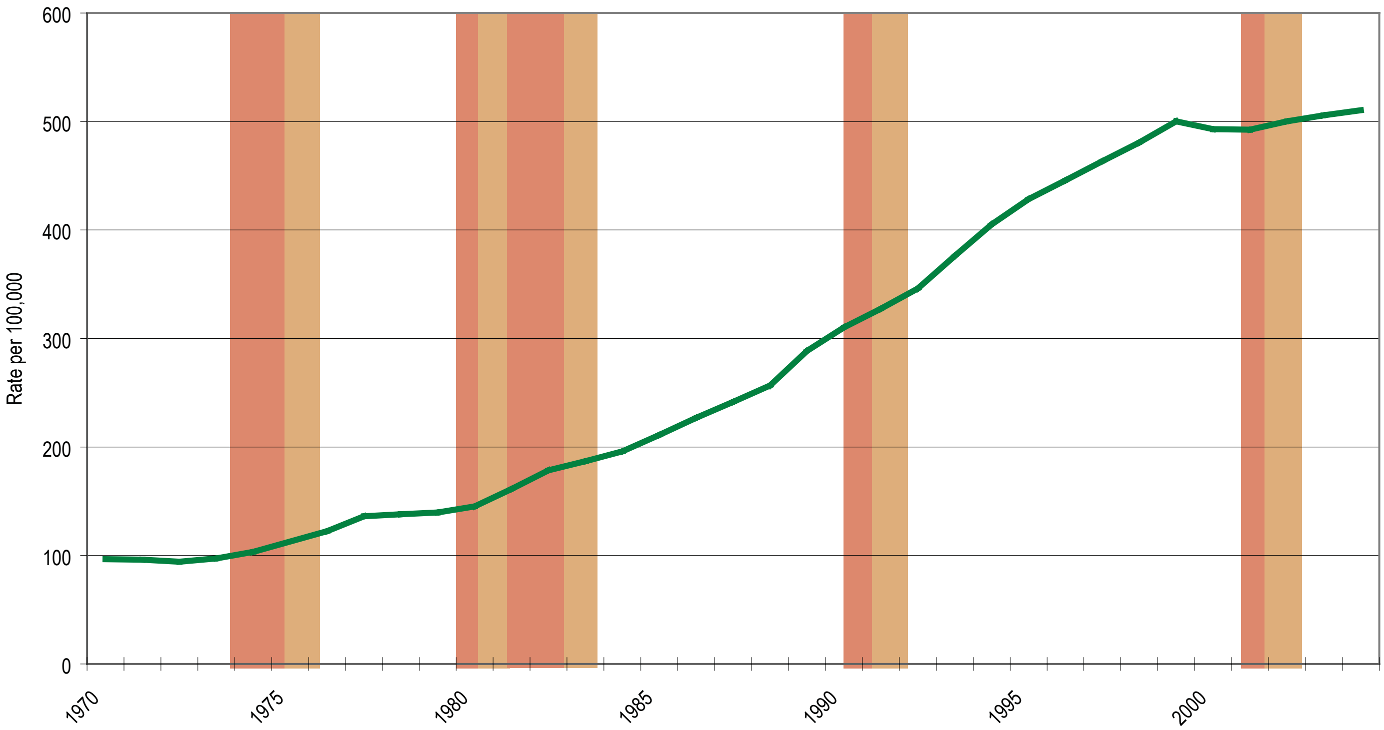


Sources: US Department of Justice, Federal Bureau of Investigation, *Crime in the United States*, 1970-2002; US Census Bureau, Population Division, *Population Estimates,* 1970-2002.

Incarceration Rates

Incarceration rates since 1970 have been increasing steadily, regardless of economic conditions, and regardless of reported crime and arrest figures. Since 1970, the incarcerated population has grown five-fold.

US Incarceration Rates,1970-2004



Sources: US Department of Justice, Bureau of Justice Statistics, *Historical Statistics on Prisoners in State and Federal Institutions,* 1925-1986; and *National Prisoner Statistics Data Series*, 2005.

Conclusion

NCCD's secondary research shows that there is no clear relationship between economic recession and crime rates. There is no evidence over the past four decades that economic downturns have led to increases in crime rates, even if one were to assume a lag between the time of a recession and a spike in crime. Crime spiked at various points but did not correlate with economic expansions or recessions. Although media reports can be compelling, the data presented here are supported by studies elsewhere. A 2008 study of violent crime trends in 100 US cities by the Chapin Hall Center for Children at the University of Chicago found that only nine cities saw a definitive increase, while nearly all others saw a decline in violent crime (Butts, 2008). A working paper by the Federal Reserve Bank of St. Louis concluded that there is "weak evidence across US cities that changes in economic conditions significantly influence short-run changes in crime" (Garrett, 2008).

Another instance of the media fanning the flames of fear occurred in the 1990s, when academics developed a theory of a "superpredator," which assumed that an increase in the youth population, combined with certain social ills, would lead inevitably to an increase in violent crime perpetrated by young monsters. This "demography is destiny" idea proved entirely unfounded. However, the fear took hold anyway and led to the supposed "get tough on crime" policies that still, unfortunately, carry weight with politicians and the public.

Economic hardships may motivate certain crimes, but the relationship between the two is far from automatic or predictable. The economy or demographics alone are not enough to generate significant swings in crime rates. Policies based on the idea of a connection are likely to be ineffective.

Expected crime waves have prompted states to build more facilities. Yet prisons and jails are a huge expenditure, take years to complete, are expensive to run, and result in negligible deterrence in crime or rehabilitation of prisoners. Recidivism numbers show that nearly two-thirds of those in prison will return for repeat offenses (Travis, 2001). Deterrence is nearly impossible to test rigorously, but prison rates have increased steadily for decades while crime rates have fluctuated. In building these facilities, we not only prepare for offenders that may never offend but we also commit ourselves financially to incarceration.

Rather than building more prisons to fill in anticipation of a crime wave that may never come, we should instead invest in *effective* community-based programs that are both cheaper and faster to implement. Moreover, these programs can adapt far more easily as community needs and conditions change.

We should take an inventory of the local support systems already in place to serve those most vulnerable to economic hardships and build upon them. For example, in California, a welfare-to-work program called CalWORKS provides temporary financial and employment services to needy families. Food banks and soup kitchens also provide assistance to the unemployed as do job search centers and vocational classes.

We should invest in our communities, in reinvigorating those that lose first and lose most. And we can do so in ways that are cost effective and based on need.

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