Economic Disturbances and Resultant Crime

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Abstract
This paper is a study of the economics behind criminal activities. It starts with defining what an economic disturbance is and how it is caused. This chaos is a result of various factors ranging from economic loss to crime due to misplaced anger, popularly known in psychological terms as Frustration Aggression Theory. It further dwells into analyzing the economic fluctuations and consequent increase in crime rates, particularly in developing countries. The study is based on Becker’s Economic Theory of Crime and various other theories defining the economics of crime. The study further explores the correlation between major economic indicators and criminal statistics. Economic regression confirms the positive correlation between the two. An evident repercussion of crime is the cost it bears which resulted in increased unemployment rates. Further, the study analyzes the impact of the COVID-19 pandemic which had a major impact on the crime rates. Since work from home became the new normal, cyber crime has spiked over the last 2 years which severely deteriorated the mental health of the people. The paper then concludes with showing that people respond positively to chaos in the society whose result is crime.

Keywords: Economics, Crime, Economic Disturbance, Frustration-Aggression Theory, Society

1. Introduction
What is normal for a society? What isn’t? While most of us are convinced that crime is abnormal in a society and that it should be eliminated, sociological theories suggest that every society or an ideal society tends to have some level of deviance or in simple words crime. We have always collectively faced a lack of resources that we needed to survive and thrive. This resulted in competition for the resources and continued fear as well as consequences of lack of resources. Hence people who were affected by this lack, developed various ways to deal with the fear and the consequences of the lack of resources. This situation sometimes pushes people to behave in chaotic or deviant ways. When chaos unfurls, what happens to the society and people around us and most importantly to the resources we were addressing earlier. According to an economic theory, crime should decrease as economic growth and opportunity improve. That is because the incentive to engage in illegal activity decreases as legal avenues of earning income become more fruitful.

Crime is a deterrent to social welfare and development. Freedom from violence is an often ignored issue in development studies. If development is concerned with improving the quality of life, the issue of
violence should be a major interest of the discipline. (Hobbs, 1943). To broaden the study of crime and influence of economic activity on crime trends, it is critical to understand what causes these trends. This knowledge has both theoretical and practical ramifications. Given the dynamic nature of crime trends, understanding the mechanisms that generate variation in crime patterns has major policy and development implications. A variety of reasons, including economic determinants, have been blamed for changing crime rates. Even though criminological study has long been interested in the relationship between crime and economic transformation, economic issues are still underdeveloped when compared to areas that follow more strictly to criminological notions. Presumably, criminologists are hesitant to incorporate economic concepts into criminological research due to the perceived complexities inherent to the study of economics. Nonetheless, the economy is a social structure of unequivocal importance, as economic changes can implicate shifts in the behavioral patterns of individuals and subsequently has a strong influence on crime trends. (Srivastava, 2019).

2. Economic Theories of Crime

Restrictions on economic activity and voluntary trade frequently give rise to attempts to contravene controls. The experience with prohibition of liquor, drugs, and prostitution, or the imposition of rationing and rent controls, is unambiguous. Inevitably, production and consumption go underground, and individuals start to trade in black markets. Trade restrictions especially when they are extreme-lead to widespread smuggling. An unfortunate by-product of such illegal trade and production is violent crime. (Prasad, 2012). The correlation between inflation and crime rates is positive, and the causal link is from inflation and unemployment to crime. The data show that a low unemployment rate does not necessarily imply a low crime rate, as the rate of inflation is also positively associated to the incidence of crime. One option for lowering crime rates is to pursue a supply-side economic policy that reduces both inflation and unemployment rates at the same time. Because of their inability to maintain a certain standard of living as a result of inflation and unemployment, people will participate in illegal activities. As a result, unemployment has a shock impact that drives people to engage in crime. Inflation causes the purchasing power to reduce while increasing the cost of living. As a result, crime rate may increase because an individual is unable to maintain his or her standard of living as before. However, this phenomenon does not happen immediately because it takes time for inflation to gradually reduce the individual's purchasing power. Crime rates rise as the inflation rate rises. Because of the lag between price and wage adjustments, inflation lowers the real income of low-skilled labor, but rewards property criminals due to the rising demand and subsequent high profits in the illegal market. Inflation destroys the confidence in the existing institutions' arrangements, resulting in a loss of social control, and erodes the economic ability of communities to maintain real leverage for deterrence. (Tang, Lean, 2007).

2.1 Economic Loss

This is essentially a situation in which national income and employment levels are declining. The model of “economic rationality” would argue that illegal activities represent a series of industries which come into play when other societal industries decline. (Brenner, 1976). The rise and contraction of this series of illegal industries is assumed to be inversely proportional to the expansion and recession of the general economy. Economic loss appears to be an unavoidable consequence of crime. The term "economic effect" refers to both direct and indirect economic losses. The monetary worth of entire or partial destruction of physical assets in the affected area is referred to as direct economic loss. A decrease in economic value contributed as a result of direct economic loss and/or human and environmental effects is referred to as indirect economic loss. (Economic Loss, n.d.). Obviously, this causes economic
upheaval, which tempts the majority of the unemployed to turn to illicit alternatives. Furthermore, when the population's socioeconomic class declines, the gap between the rich and the poor widens. Individuals then have less resources to achieve the society’s optimal in case of the basic requirements. The section of the population restricted from economic growth are mostly the ones to follow crime.

### 2.2 Frustration-Aggression Theory

The core premise of the frustration aggression theory is that frustration represents a blockage or something that hinders expectations or or hopes in general. As a result of this dissatisfaction, such frustration then results in a psycho-physiological response of aggression. This response is thought to be common to many animal species, yet is influenced by genetic and socialization factors particularly as to the direction and subject of the aggressive attack. The theoretical structure of this hypothesis has not been completely developed (especially the psycho-chemical mechanism), and alternative psycho-physiological theories of aggression have been proposed (e.g., based on loss or attack); yet this theory continues to command substantial scholarly respect among the disciplines of psychology, psychiatry and ethnology.

### 2.3 Urbanisation and Economic Growth

In the social sciences, the field of urbanisation and economic development has undoubtedly been the most prolific source of theoretical development. There has long been a belief that urbanisation processes necessarily involve components of social disintegration and disease, based on the works of Toennies, Durkheim, Weber, Simmel, Worth, and others. The main idea appears to be that as society gets more industrialised, the links that traditionally unified parts of society, such as those relating to family, kin, and ethnic group, fade away and the power base changes to those tied to the national political economy. The primary indices of social position alter during this political transformation, from those stated on the basis of kin links to the social structure to those based on economic performance in the industrial sector. As a result, economic performance has increasingly come to constitute the sole definition of social value in society. The obvious conclusion of this viewpoint is that as economic expansion continues, the entire fabric of social integration becomes increasingly vulnerable to even slight economic disruptions. This, social pathology in general and criminal behavior in particular would increasingly come to be explained by instrumentalities of the political economy. Population heterogeneity is another key aspect of urbanisation and economic growth that contributes to diminishing the influence of ethnic ties. Industrial settings bring ethnically diverse populations from many areas into categories of employment defined solely by industry and occupation under the conditions of urban economic development. As a result, in the same economic zone, groups of people with quite varied backgrounds will be found working in similar vocations and consuming the same goods and services that are made available through urban networks.

### 3. Correlation between Crime and Economics

#### Economic Theory

The economic theory of crime states that criminals try to rationally maximize their utility or self-interest within the constraints they face in the market or anywhere else. As a result of this conundrum, choosing to be a criminal is synonymous to pursuing an alternate career path. The theory claims that crime rates will be inversely correlated with opportunity costs and the likelihood as well as the severity of punishment and will be positively correlated with gains from criminal behavior. This model has been subjected to numerous empirical statistical tests all of which have validated the hypothesis. Ever since
Becker initially proposed this model in 1968, economists, sociologists, and criminologists alike have attempted to understand the relationship between economic conditions and crime - particularly property crime, which lends itself more to deliberate and conscious economic decision-making.

### 3.1 Substitution and Income Effects

Numerous studies have observed that in almost every country the apparent significance of the adverse short-term economic fluctuations show a substantially heightened influence on the criminal statistics. (Brenner, 1976). There is a negative correlation between criminal activities and the economy; crime rates are high at the time of economic depression and vice-versa. However, this holds true for all the Marxist and leftist policies. (Sarvaria, 2019). The substitution may occur when a consumer replaces cheaper or moderately priced items with ones that are more expensive when a change in finances occurs. (Income Effect vs. Substitution Effect: What’s the Difference?, 2021). Similarly, a criminal weighs the costs and benefits of committing a crime in the economy and substitutes away or towards it according to the analysis. There could be a downward sloping crime-unemployment curve, with a high marginal impact of unemployment on crime for low-crime regions when those who become unemployed would have relatively large opportunities to become criminals. (Entorf, Sieger, 2014). Although this inverse relation between crime and economics didn’t quite hold true for the Great Recession of 2008-10. In 2014, Rosenfeld proposed a new answer to the “Great Recession paradox” that focused not on unemployment or inequality but on inflation. (Orrell, 2021). In 2016, he further stated that only inflation has a significant role in increasing the property crime rates. This throws light on the adverse effects of inflation; not only an economic problem but also poses threat to the society as a whole. Inflation, rise in prices, very evidently widens the gap between the rich and the poor. Making the rich richer and significantly reducing the income levels of the poor, the cost of a rupee becomes more valuable to the poor. Inflation plus high rates of unemployment makes the situation miserable and further increases the rural-urban divide. Having left with no other option, people are compelled to engage in illegal-criminal activities.

### 3.2 Economic Indicators

The three major economic indicators namely, unemployment rates, GNP (Gross National Product) and CPI (Consumer Price Index), have major effects on the criminal statistics. Indicators have been successful in exerting individual as well as combined impact on the crime rates. The combined effect of these three indicators is such that for a great many categories of crime, more than 90% of the variation of trends in criminal statistics can be accounted for. (Brenner, 1976). In stark contrast to the crimes committed by the poor like theft and fraud, economic criminal activities also include white collar crime. The term white-collar crime is now synonymous with the full range of frauds committed by business and government professionals, which includes public corruption, money laundering, corporate fraud, etc. (White-Collar Crime, n.d.). Ill-effects of corruption include increased cost of products and consecutive decline in the GDP. Corruption economically weakens the system of production, distribution, marketing, and quality of products produced. (Kusuma, Hariyani, Hidayat, 2019).

### 4. Economic and Social Costs of Crime

Crime as a non-market good. What differentiates crime from other goods and services is that crime is a non-market good – that is, a good that is not traded on the free market. While the price of an apple is determined by the cost of growing, packaging, shipping, and selling the apple as well as by consumer demand for apples, there is no such market for crimes. Consumers do not “demand” crime. Indeed, while
purchasing an apple is completely voluntary, being victimized by crime is not. Since a true valuation of the price of a good can only come from a voluntary agreement, it is not formally possible to compute the price and therefore the cost of a crime. (Carnis, 2004). In the language of Mises (1990), to calculate the cost of crime is impossible because the relevant information does not exist to do so. More fundamentally, using such proxies relies on an underlying assumption that the value of money is equal for all individuals. There is no natural way to determine the price of crime and, as a result, we will have to rely on various proxies. The type of proxy used will, in turn, depend on normative decisions regarding what types of harms should be counted and which types of harms “affect” society. An extreme but incredibly salient example of the non-market nature of crime arises in considering the cost of a homicide – in other words, the value of a human life. Individuals do not sell their lives for money to willing buyers. Indeed, this question is almost existential. Nevertheless we must derive an estimate of the value of a human life if we are to quantify the cost of crime to society. It goes without saying that crime imposes costs on society. Indeed we do not need research to verify that crime is costly. More challenging and enduring questions involve the extent to which criminal activity results in social harms and how these harms ought to be operationalized and measured. (Chalfin, n.d.).

According to a report by McCollister, French, Fang (2010), cost of crime can be categorized into the following four components:

1. **Victim Costs**: Direct economic losses suffered by crime victims, including medical care costs, lost earnings, and property loss/damage.
2. **Criminal Justice System Costs**: Local, state, and federal government funds spent on police protection, legal and adjudication services, and corrections programs, including incarceration.
3. **Crime Career Costs**: Opportunity costs associated with the criminal’s choice to engage in illegal rather than legal and productive activities.
4. **Intangible Costs**: Indirect losses suffered by crime victims, including pain and suffering, decreased quality of life, and psychological distress.

In addition to these, there is defensive expenditure, which adds up the crime prevention and detection costs, primarily including CCTV’s, alarms, etc. Police costs, health services costs, loss of output are what a crime costs. In response to the criminal activities, a surge in crime prevention costs further creates a new category of costs altogether. Essentially, victims, potential victims, the criminal judiciary system and the society bear the actual cost of crime. Potential victims would spend on reducing crime, security of their private property, etc. in an effort to reduce their future risk. The victims may also have to deal with emotional and physical trauma along with the financial loss of the crime. This physical or emotional impact, especially for violent and sexual offences, generally far outweighs any financial costs. (Brand, Price, 2000). Apart from this there exists a concept of ‘wider economic distortions’. It literally translates to the impact of any criminal activity to the group of people residing in close proximity to that crime scene. This is not included in the cost of crime mentioned above and is overlooked. Fewer businesses, shops, local amenities and provision of services in the high-crime areas. The local council would be less likely to provide the amenities due to the increased cost of maintenance and repair of vandalism, and the victimisation of users. (Brand, Price, 2000). If at all shops or services are provided, it would only be done at a higher price/cost. Lack of businesses and the public good sector would drastically reduce the employment opportunities and increase the severity of the situation all the more.
4.1 Punishment and Crime

In the previous sections of the paper, we outlined an economic theory of decision to commit a crime. We also assessed the various costs associated with it and an obvious result of this would be the question - How do we eradicate crime from society? Is that even possible? ‘Punishment’, in some form or another, has been used to penalize criminals for generations, in order to make them more disciplined.

The deterrence hypothesis states that an increase in expected penalty or punishment leads to a decrease in crime i.e. the supply of crime is elastic with respect to punishment. It holds that an increase in expected punishment causes a significant decrease in crime. If this is the case, increasing society's resources dedicated to the arrest, conviction, and punishment of offenders should lower the social costs of crime. An alternate view is that variations in the certainty and harshness of punishment do not greatly discourage criminals. Rather, crime is a result of a complex collection of socioeconomic and biological factors. A logical way to approach this would be to attack the fundamental causes of crime - for example, allot resources to alleviate unemployment, maintain income and living standards, focus on mental health and well-being, counseling and other programs targeted towards social, economic and biological causes of crime. Both sides of the debate could be true in the sense that these concepts are mutually exclusive and many variables including the lack of specific punishment, can contribute to crime. If both hypotheses are correct, a combination of criminal justice and socioeconomic initiatives is the ideal public policy for reducing crime.

5. Pre- and Post-COVID Rates

Speaking of economic disturbances, it is pretty evident that the COVID-19 pandemic impacted several sectors of the economy. The initial 4-5 months lockdown led to one of the greatest economic disturbances till now. Positive relation between the economic growth and consequent crime rate proved to be true as well. The overall number of crime cases in the country increased by 28% for the year, according to the National Crime Records Bureau (NCRB)’s "Crime in India 2020", published on September 15, 2021. Due to the pandemic, a large proportion of the population lost their jobs, hence the steep rise in unemployment rates and less disposable income. Crime seemed to be a fruitful alternative for the unemployed mass population. A total of 29,469 cases were registered in 2019 under Section 188 of the IPC. Some 612,179 cases were registered across India in 2020, according to the NCRB report. This is a 20-time increase over a year. (Pradyumna Uppal, 2020). This social unrest was manifold and reflected in various sectors of the society.
5.1 Domestic Abuse
The urban-rural divide imposed additional problems to this scenario. When the world was locked down, most businesses switched to work from home. In India, the rural areas dominate the population thus the severity of this issue could be seen. Lack of technology induces the poor lot to indulge in criminal activities for mere survival. Also, cases of domestic abuse by the unemployed men of their wives drastically rose, adding on to the problem of increased crime rates in the post-COVID era. A typical recession leads to an increase of 4-5% points higher than normal unemployment rate, like the Financial Crisis of 2008 and Great Depression of 1929. (Uppal, 2020). Higher unemployment at a young age deteriorates the future productivity of the youth. Crime becomes an easy way out and the benefits that accrue from crime outweigh the difficulties of acquiring a job. Hence, criminals do not have incentives to leave crime behind. Evidently, the Economic Theory of Crime holds true for the COVID-19 pandemic.

The COVID-19 pandemic-induced economic recession has pushed an estimated 85–115 million people globally into extreme poverty and unemployment, which is expected to rise to 150 million in 2021 - the first rise in global extreme poverty cases in 20 years. (Das, Bhowmick, 2021). Decreased government spending, aggregate demand and increased prices together created a turmoil in the economy. Poor financial conditions compelled the people to take up illegal alternatives. Along with thefts there has been an equivalent rise in domestic violence cases at the time of the lockdown. It accounts for 14.3% of the total cases, however, in 2020 the numbers peaked higher than the last decade. In India, Google search trends for “Domestic abuse” and “Domestic violence helpline” were peaking during the initial 68-day lockdown period in which there has been an increase of 100% in the calls for help and request for relief shelters in domestic violence cases, as reported in the 2020 UN Human Development Report.

5.2 Cyber Crime
Cyber crime in India went up by almost 500% during the global pandemic. The COVID-19 pandemic resulted in various firms adopting the work from home policy which led to a lot of sensitive information and data being vulnerable to security risks after gradually transcending into the open domain. The rise of digital payments has also aided this increase. Among the computer-related offenses – the largest category of cyber-crimes – cheating by personation using computer resources followed by identity theft were the most common crimes, according to the report. Frauds including crimes related to credit/debit card, ATMs, online banking fraud and OTP frauds was another large category of cyber crimes followed by publication or transmission of obscene or sexually explicit acts in electronic form. (Kabtta, Dave, 2021).

Cyber-criminals are maximizing the new opportunities related to the rapid increase in working from home and pandemic-related fears by emphasizing attacks that exploit human vulnerabilities. Today’s organized cyber criminals take advantage of the latest software and hardware developments just like legitimate developers. For example, cyber-criminals may use machine learning to generate disinformation including text, fake image, video and voice, or to break Captcha. Of particular concern is the sharp rise in medical cyber-crime triggered by the pandemic occurring worldwide. Between February and March 2020, over 116,000 coronavirus themed new domain names were registered, with over 2000 malicious registrations, and over 40,000 high-risk registrations with evidence of association with malicious URLs. (Bauer et al., 2021).
6. Conclusion

We saw throughout the study that there exists a direct positive link between the three economic indicators, namely unemployment, poverty and crime. As and when there are economic disturbances in an economy, there is a noticeable change in the criminal rates. The study then goes on to highlight the increased cases of domestic violence in the economy post COVID. Here, the pandemic is an extravagant catalyst and cases of domestic violence one of its end results. We further read that the cases of domestic violence and abuse specifically sky-rocketed during the COVID-19 lockdown in 2020 and 2021 but also saw a fair slump in property crimes. The underlying reason can be the lockdown restrictions that restricted people from moving out of their homes to commit property crime. The study helped in proving our hypothesis that crime and economic fluctuations are directly related to one another. Crime being a dependent variable, statistically depends on its independent variables such as economic conditions, income levels, unemployment rate, poverty, illiteracy, etc. The paper then went to analyze how the unemployed community, with no other fruitful alternative, substitutes crime over their distressed jobless position. Besides the Economic Theory of Becker there exists several other theories in literature which have been mentioned above. One of them being the Rational Choice Theory: individuals make choices according to the circumstances around them. When there is a stressful circumstance of low income and scarcity of basic resources people take up criminal activities in order to mitigate the adverse effects of poverty.

However, we feel that the Government plays a crucial role in this positive relation between crime and economic stability. It can take care of a particular section of the population by implementing schemes favoring the poor, thereby reducing the crime rates. Also making sure that the benefits of such schemes are absorbed by the needy and not the privileged section of the hierarchy. Food stamps, ration distribution, employment guarantee schemes, cash reliefs to Below Poverty Line (BPL), etc.

The paper concludes that in the economic theory of deterrence, the business cycle influences the opportunity cost of crime and also the opportunities for crime. These two influences work in opposite directions. As the economy worsens, criminals have fewer opportunities for legitimate earnings, and also fewer opportunities for crime. For example, unemployment creates a motive to sell cocaine and also reduces the number of potential customers. It follows that as the economy improves, the opportunity cost of crime increases but so, too, does the take to be had from successful crime. Which of these forces dominates is still somewhat in doubt. However, there is at least anecdotal evidence that the opportunity cost of legitimate employment has the stronger effect in the sense that there is a correlation between the remarkable economic prosperity in the United States between 1991-2001 and the decline in crime during that same period.

References


