Institute of
Economic Affairs

Refuting the Fallacy: “Poor Economic Performance Causes a Rise in Crime Rates”

Maureen Barasa & Annah-Grace

Outline

1. Background of 53 Economic Fallacies
2. The Claim
3. Refutation of the Assumptions
4. Conclusions

Background of 53 Economic Fallacies

- Intention is to elevate the public's understanding of how the economy works by refuting common economic fallacies
- An economic fallacy is an economic statement believed to be true but is factually, empirically or theoretically incorrect

Poor economic performance causes a rise in crime rates in Kenya

"Poverty is the parent of revolution and crime". Aristotle (384-322 BC)

The Claim

- There is a direct link between ↓ economic performance and ↑ crime rates
- Link -> Strong negative correlation
- Crimes -> violent and property crimes
- Crime rates ≠ Crime numbers

The Assumptions

1. Theoretical Assumptions

2. Logical Assumptions

3. Empirical Assumptions

Theoretical Assumptions

- An economic shock leads to ⬇GDP and ⬇GDP growth rates resulting in ⬆unemployment and ⬆crime rates
- This relationship is ambiguous (USA and Jordan examples)
- Similar to Jordan, Kenya has a large informal sector

Logical Assumptions

Institute of Economic Affairs

- The incentive for poor people to commit crimes is pressure from economic stress
- This is a redistributive argument
- In fact more often than not, the poor are more likely to be victims of crime
- Higher incomes enable one to meet the cost of security
- Income levels alone cannot indicate how much crime exists in a society
- Countries like South Africa and the USA have relatively high incomes per capita but also have higher crime rates compared to other countries in their income levels

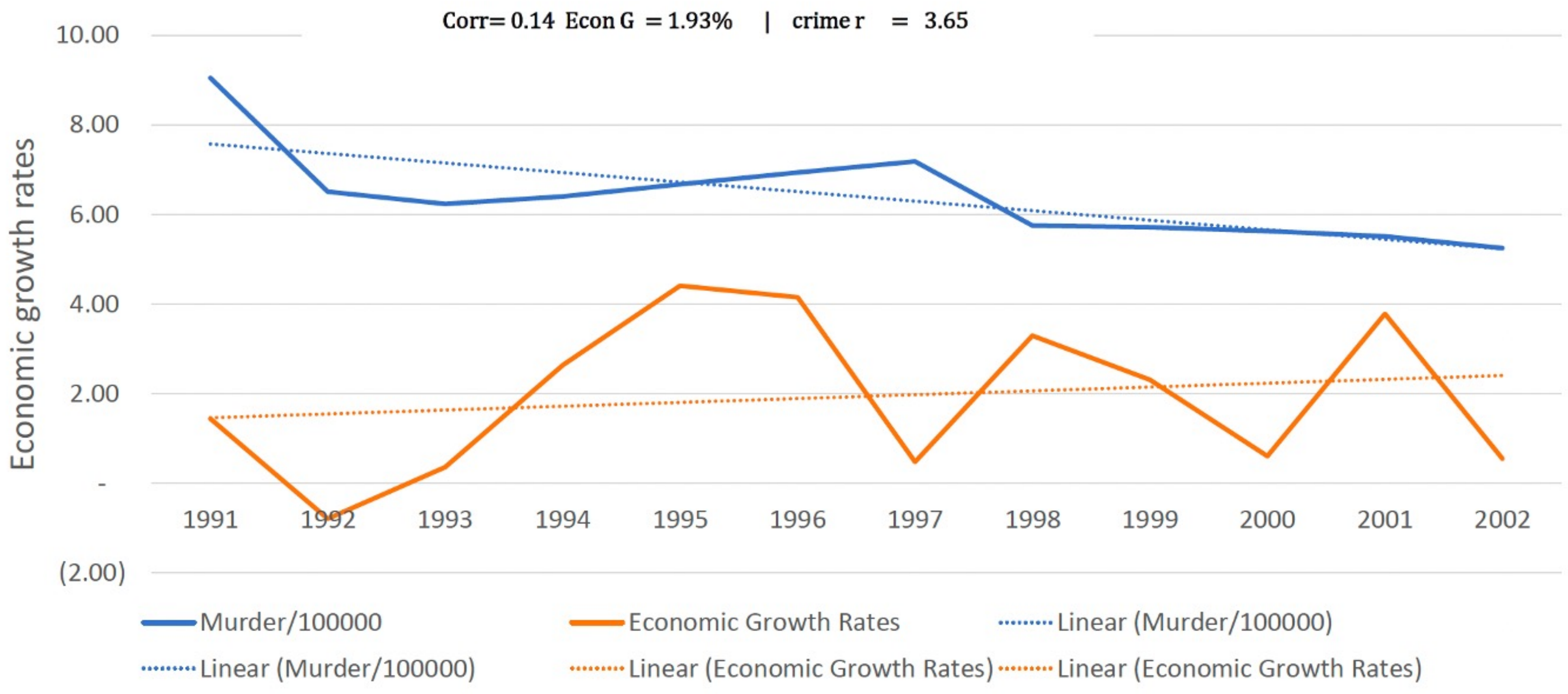
Empirical Assumptions

Figure 1: Total Crimes in Kenya (2004-2019)

Sources: KNBS Economic Survey & Statistical Abstract (Various issues), World Bank Data

Institute of Economic Affairs

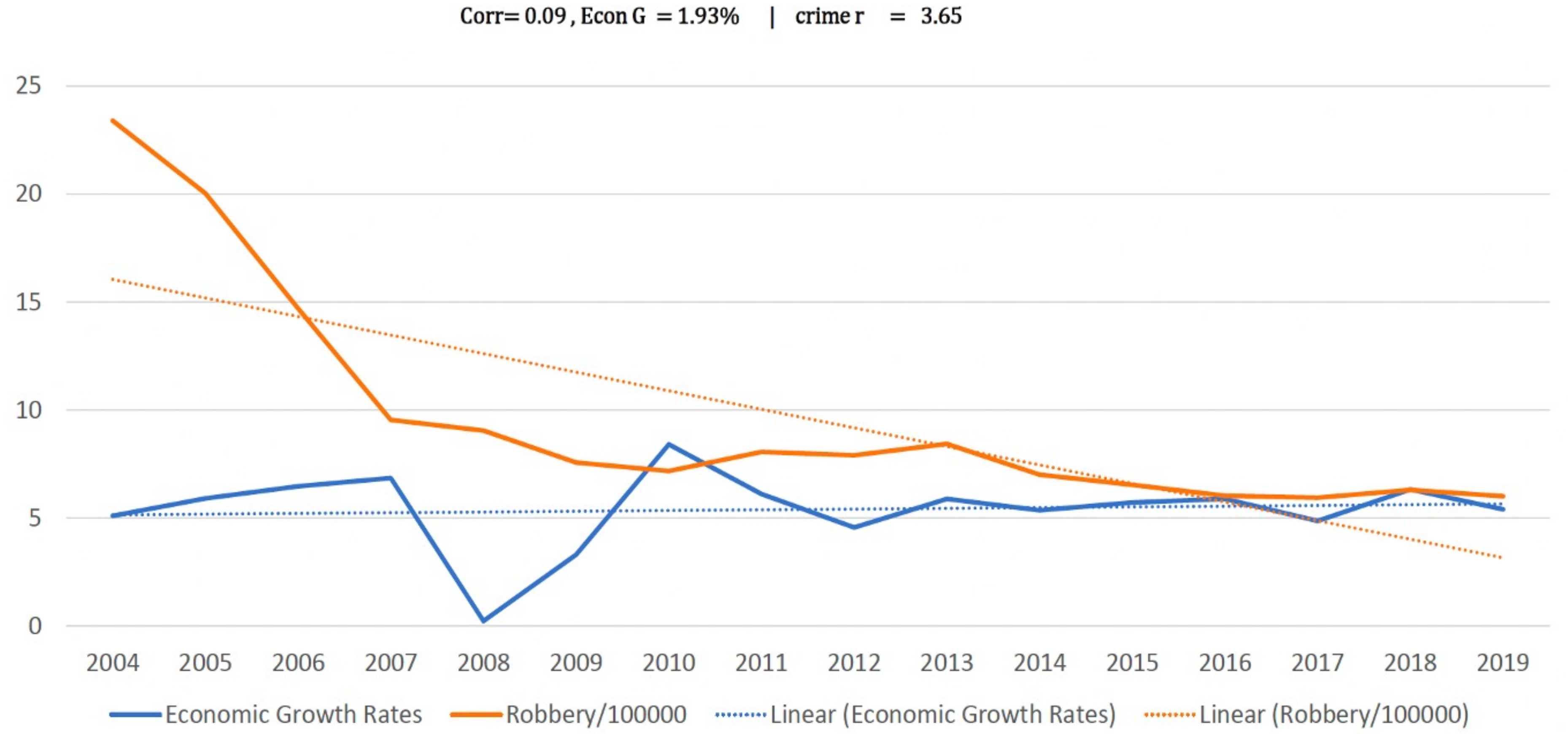
Figure 2: Murders in Kenya (1991-2002)



Sources: KNBS Economic Survey & Statistical Abstract (Various issues), World Bank Data

Institute of Economic Affairs

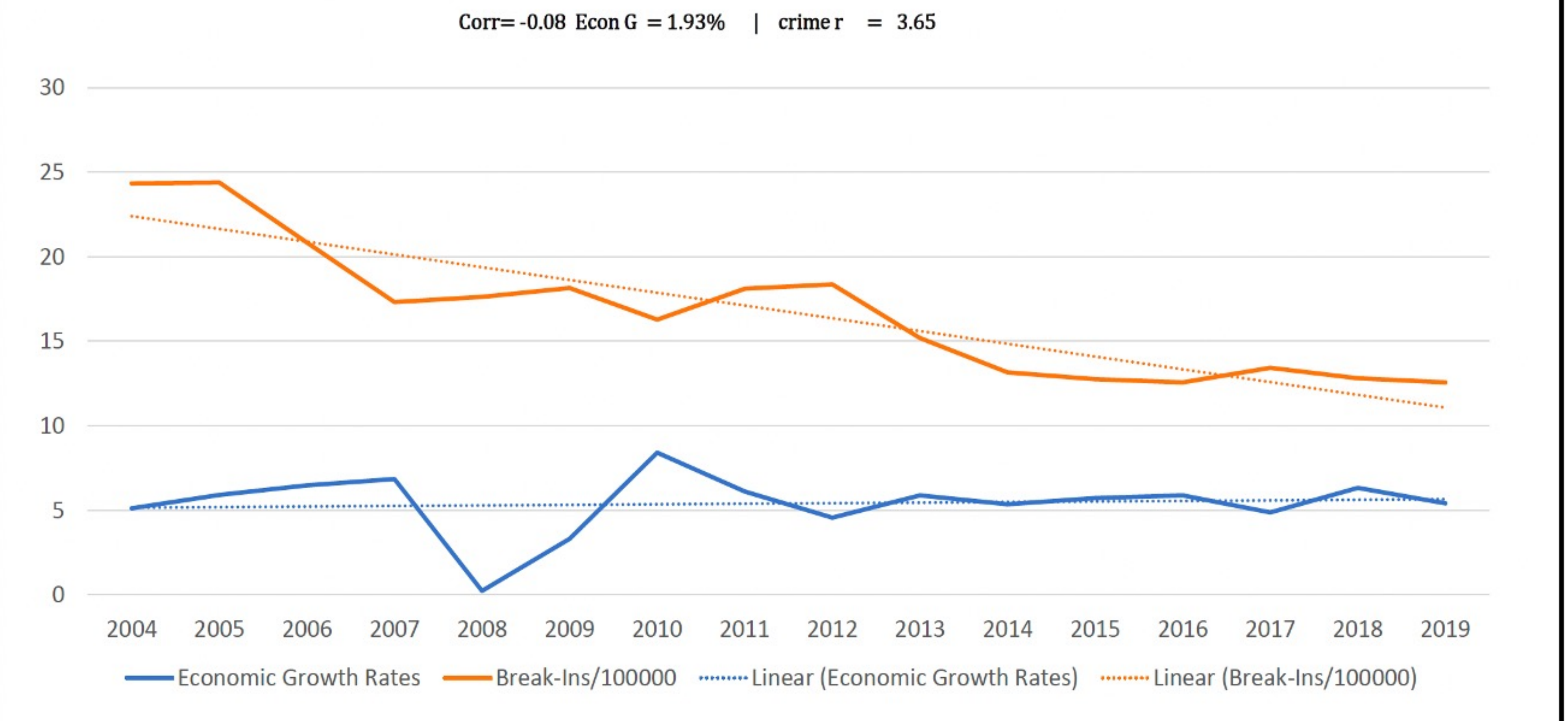
Figure 3: Robberies in Kenya (2004-2019)



Sources: KNBS Economic Survey & Statistical Abstract (Various issues), World Bank Data

Institute of Economic Affairs

Figure 4: Break-ins in Kenya (2004-2019)



Sources: KNBS Economic Survey & Statistical Abstract (Various issues), World Bank Data

Institute of Economic Affairs

Conclusions

- The relationship between economic performance and crime rates is so weak (+/-) = almost random
- Crimes happen in social set-ups that are far more complex than economic growth
- Factors that affect crime rates are:

1. Inequality – Gini coefficient
2. Demographic structure
3. Number of law enforcement officers
4. Effectiveness of the crime control policy (narcotics control)
5. Opportunity

Sources

- Kreishan, F. M. (2011). Economic growth and unemployment: An empirical analysis. *Journal of Social Sciences*, *7*(2), 228-231.
- Mandel, C., & Liebens, P. (2019). The Relationship between GDP and Unemployment Rate in the US. *International Journal of Business and Social Science*, *10*(4), 17-24.
- Finklea, K. M. (2011, December). Economic downturns and crime. Congressional Research Service, Library of Congress.
- Levitt, S. D. (2004). Understanding why crime fell in the 1990s: Four factors that explain the decline and six that do not. *Journal of Economic perspectives*, *18*(1), 163-190.
- Ackerman, W. V. (1998). Socioeconomic correlates of increasing crime rates in smaller communities. *The Professional Geographer*, *50*(3), 372-387.

Institute of Economic Affairs

Thank You

www.ieakenya.or.ke

admin@ieakenya.or.ke