Spatial Nexus in Crime and Unemployment in Times of Crisis

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Abstract

Space is important. In this paper we use the global financial crisis as an exogenous shock to the German labor market to elucidate the spatial nexus between crime and unemployment.

Our contribution is twofold: first, we lay down a parsimonious spatial labor market model with search frictions, criminal opportunities, and, unlike earlier analyses, productivity shocks which link criminal engagement and employment status. Second, we seek empirical support using data on the 402 German regions and years 2009 – 2010, in a setting that not only allows for crime spatial multipliers but also circumvents reverse causality by exploiting exogenous changes in unemployment due to the crisis. As predicted by our theory, the destruction of the lowest productivity matches, measured by increases in unemployment rates, has a significant impact on pure property crime (housing burglary and theft of/from motor vehicles) and street crime. The analysis offers important implications for local government policy.

Keywords: both

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