

World-wide Crime

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Abstract

This paper analyzes theoretically and empirically the determinants of crime. We develop a dynamic general search equilibrium model that builds on the Burdett et al. (2003) framework in four directions. We include an exogenous police force, which affects crime through a lower opportunity to commit crime and a higher probability of being caught. We include the government's budget constraint, with an endogenous tax rate. We specify a distribution function of wages including location and Theil index parameters. Finally, we derive analytically the effects of key variables on the crime rate. The empirical specification follows closely our theoretical model for the crime rate, measured by national homicide and robbery rates. We apply the dynamic system GMM estimation method to a world panel of 66-72 advanced and developing countries for the 1974-2018 period. The results show that world-wide crime rates are highly persistent; depend negatively on educational attainment, income levels, and the severity of crime penalties; ambiguously on police force; and positively on income inequality, unemployment, and illegal drug prevalence.

Keywords: Crime, determinants of crime rates, cross-country study

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