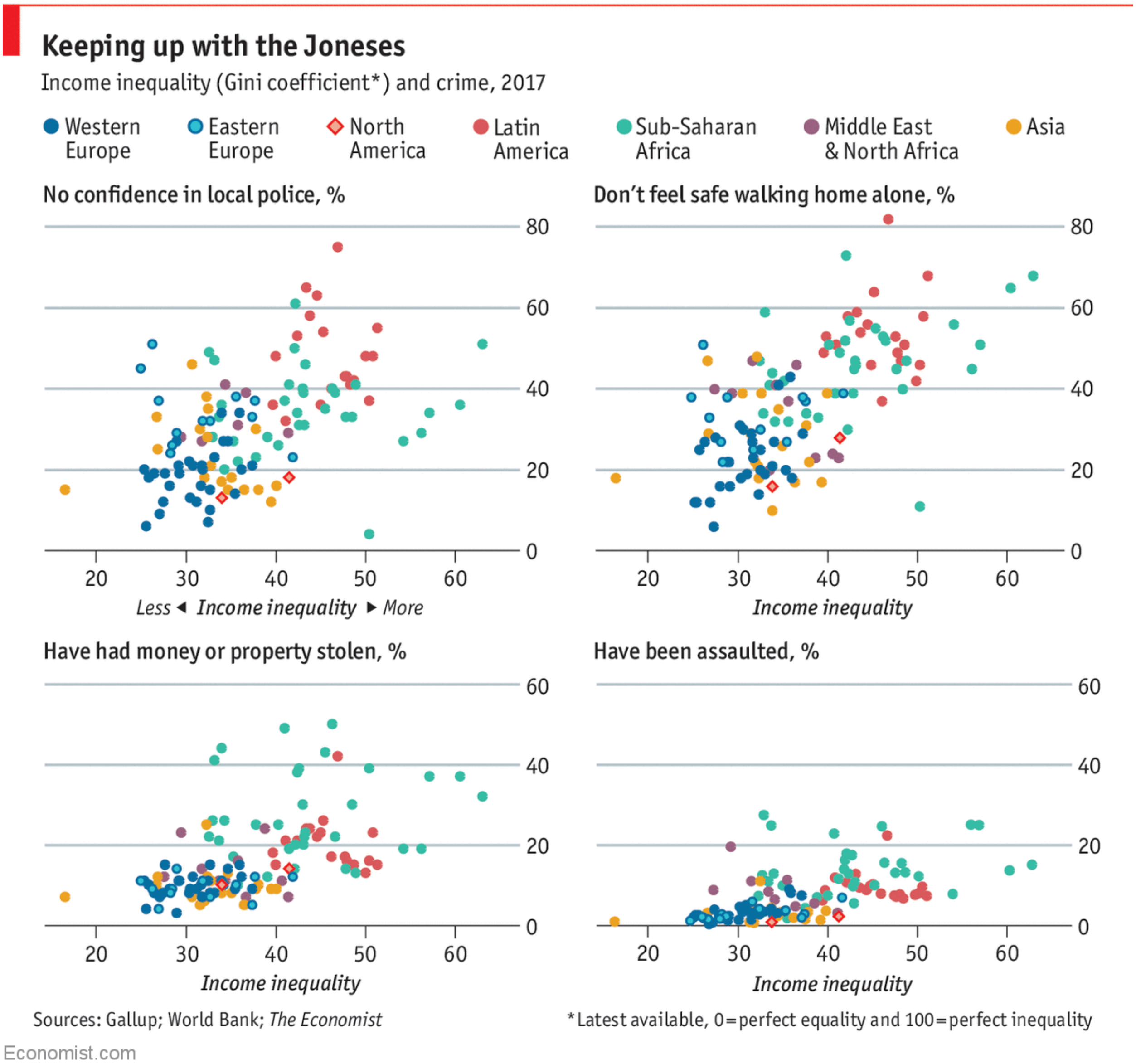
The stark relationship between income inequality and crime

Both theory and data suggest that if you’ve got it, don’t flaunt it



FIFTY years ago Gary Becker, a Nobel prize-winning economist, advanced an argument that all crime is economic and all criminals are rational. Becker’s seminal paper, “Crime and Punishment: An Economic Approach” posited that would-be criminals make a cost-benefit assessment of the likely rewards from breaking the law against the probability of being caught and punished. In Becker’s world of utility-maximising miscreants, places that have larger gaps between the poor (the would-be criminals) and the rich (the victims) will, all other things being equal, have higher crime.

A new survey by Gallup, a polling organisation, appears to go some way to verifying Becker’s theory. It asked 148,000 people in 142 countries about their perceptions of crime and how safe they feel across four measures: whether they trust the local police; whether they feel safe walking home alone; if they have had property or money stolen; and whether they have been assaulted over the past year. Testing the correlation between these questions and the amount of income inequality (as measured by the Gini coefficient) in any given country shows a strong and positive relationship (see chart above).

Whether people feel safe walking home alone or not shows the strongest relationship with inequality. In Venezuela, for example, four-fifths of respondents said they do not feel safe walking home alone—kidnappings and extortion are a common occurrence in the country. Its income distribution is the 19th-most unequal in the study. In contrast, fully 95% of people in Norway said they feel safe walking home alone. Sure enough, it is 12th most equal country of the 142.

These simple relationships do not account for all of the differences in people's perceptions of crime levels. Others have since expanded upon Becker's theory to take into account how much the rich show off their wealth. In a study published in 2014, Daniel Hicks at the University of Oklahoma and Joan Hamory Hicks at the University of California in Berkeley demonstrated that over a 20-year period, the American states that had the greatest inequality in visible expenditure—spending on items such as clothing, jewellery, cars, and eating out—also suffered the most from violent crime. So if you've got it, don't flaunt it—especially if your neighbours don't have it as well.