The Cost of Crime

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The Cost of Crime

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Abstract

The size of crime’s burden informs the prioritization of crime-prevention efforts and influences our legal, political, and cultural stance toward crime. This research quantifies crime’s burden with an estimate of the annual cost of crime in the United States. While most existing studies focus on particular regions, types of crime, or cost categories, the scope of this article includes the direct and indirect cost of all crime in the United States. Beyond the expenses of law enforcement, criminal justice, and victim losses, the cost of crime includes expenditures on private deterrence, the implicit cost of fear and agony, and the opportunity cost of time lost due to crime. The estimated annual cost of crime, net of transfers from victim to criminal, is $1.7 trillion.
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This article provides estimates of the annual cost of crime in the United States. A better understanding of the repercussions of crime could guide the prioritization of law enforcement, education, and social programs that deter criminal activity. For example, Evans and Owens (2007) estimate that a 1-percent increase in the number of police officers decreases crime rates by up to 1 percent. Without estimates of the cost of crime, the value of a 1-percent reduction in crime is unknown, and policymakers cannot determine whether the benefit of an expanded police force exceeds the cost. While most crime-cost studies have focused on particular types of crime, geographical areas, or direct repercussions of crime, this article addresses the overall cost of all crime in the United States.

Traditional measures of criminal activity count crimes or estimate direct costs that typically include the costs of policing, corrections, criminal justice, and replacing stolen merchandise. This study estimates the burden of a broad set of crime’s repercussions, both direct and indirect, to tell a more complete story. The indirect costs of crime include the opportunity cost of time lost to criminal activities, incarceration, crime prevention, and recovery after victimization. The threat
of crime elicits private expenditures on deterrents such as locks, safety lighting, security fences, alarm systems, antivirus software programs, and armored car services. The threat of noncompliance causes myriad federal agencies to dedicate resources to the enforcement of regulations. And the implicit psychological and health costs of crime include fear, agony, and the inability to behave as desired.

The largest direct outlays stemming from crime in the United States include annual expenditures of $113 billion for police protection, $81 billion for correctional facilities, and $42 billion for the legal and judicial costs of state and local criminal cases (Kyckelhahn, 2011). Several of the less visible costs are also substantial. For example, in a typical year, U.S. citizens spend $164 billion worth of time locking and unlocking doors. The psychic cost of crime-related injuries is $103 billion, and computer viruses and other computer security issues cost businesses $78 billion annually (FBI, 2006).

This study places less emphasis on imprecise counts of crimes than most previous measures of crime’s burden. Problems with some crime statistics stem from the prevalence of unreported crimes, inconsistencies in recording procedures among law enforcement agencies, policies of recording only the most serious crime in events with multiple offenses, and a lack of distinction between attempted and completed crimes.

Figure 1.1 shows that crime victimizations decreased steadily from 40 million in 1995 to 18.7 million in 2010. The reduction in crime suggests a reduction in the burden of victimization. However, the size of the reduction may not be proportional to the decrease in victimizations if the scale of the average crime has increased or decreased over that period. If the decrease in victimizations resulted from increased spending on crime prevention, the aggregate cost of crime may have increased, decreased, or stayed the same.

The comprehensive approach adopted here captures several types of cost shifting that can result from crime prevention efforts. Police protection is a public good, in that public expenditures on law enforcement create an environment of relative safety that is nonrival and nonexcludable. A dual analysis of the public and private costs of crime measures the net benefit of public crime prevention expenditures that substitute for private expenditures, and vice versa. Increases
in government expenditures can more than offset decreases in expenditures by individuals for a given level of protection. For example, in 2010, Grove City, Pennsylvania increased its law enforcement budget by $678,394 to expand the police force. If the added coverage had no effect on the crime rate, but allowed private crime-related expenditures to decrease by $1,000,000, society would be better off. For evidence of the tradeoff between public and private expenditures on crime prevention, see Philipson and Posner (1996). The inclusion of private crime prevention expenditures in this study captures the potential for public expenditures to reduce total societal outlays for crime, with or without a decrease in the crime rate.

The comprehensive scope of this study also accounts for regional shifts in crime. Suppose the increase in law enforcement in Grove City simply drives an unchanged quantity of criminal activity to nearby...
Harrisville. A city-level measure would suggest a reduction in crime’s burden, whereas the total expenditure on crime has increased by the amount Grove City spent to send the crime elsewhere. This study examines costs for the entire nation, which accounts for the possibility of losses in one region of the United States substituting for losses in another.

For the purposes of this research, the cost of crime is defined to include all costs that would not exist in the absence of illegal behavior under current U.S. law. Members of particular political parties, religions, age groups, and special interest groups have their own perspectives on what should be punishable under the law. For example, arguments can be made for the legalization of bribery as a means of promoting commerce, and for the criminalization of alcohol and tobacco products. Debates over what should or should not be against the law are outside the scope of this article.

The benchmark in this study is perfect compliance with the law. Nonetheless, this research does not simply determine the cost of laws. The cost of law enforcement would fall to zero if there were no laws, but the damage and deterrence costs of currently illegal behavior would continue. Although differing interpretations of morality are readily available, the practical impossibility of finding an alternative definition with general appeal should not prohibit the important task of determining the cost of this debatable but well defined set of behaviors.

The cost of crime does speak to the benefits of cooperation and ethical behavior. In the ideal state of voluntary legal compliance, there would be no need for expenditures on crime prevention, no costly repercussions of criminal acts, and no losses due to fear and distrust. We will not reach that ideal state, but with knowledge of the full cost of crime, we also know the benefit of eliminating a more realistic fraction of that cost.

Valid questions remain regarding the inclusion of particular cost components in the calculation of crime’s burden. The approach here is to sidestep unsolvable debates by providing itemized lists of crime-cost elements. This enables the reader to adopt customized formulations for the cost of crime. For example, the calculation can be made with or without estimates of the psychic cost of crime, the value of transfers
from victim to criminal, and the opportunity cost of criminals’ time. It is the reader’s prerogative to remove undesired figures from the bottom line.

Section 2 of this article reviews the previous literature on the cost of crime. Section 3 explains each of the four crime-cost categories. Section 4 specifies the source of each cost estimate. Section 5 summarizes the findings. Section 6 discusses the implications of the research. Section 7 concludes the article.


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