

Economic Reasons of Social Pathologies (With an Emphasis on the Relationship between Inflation and Crime in the Years 1991-2011)

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Introduction

Crime is an extremely important social and economic issue in our day. The considerable costs imposed by crime on victims and society greatly exceed the private benefits of crime (Becker, 1968). The economics of crime is an interdisciplinary topic that is intended to analyze crimes economically. Regarding the increase in crime rates in our country, a comprehensive study of the causes of crime, especially economic crimes such as robbery is necessary, because it is directly related to the economy and an accurate understanding of causal relationship between the two will help policymakers in planning for a better society. The causal relationship between crime and unemployment is an old-age question in the social science literature. There have been many studies of the relationship between crime and unemployment from a range of perspectives, but this research tries to produce clear evidence of a causal link between crime and inflation/unemployment rates. A large empirical literature investigating the link between macroeconomic conditions and aggregate crime rates has developed over the last thirty years. The majority of these studies focus on the relationship between unemployment and crime. As a result, the literature largely neglects the role of inflation as a potential determinant of crime. One of the most important side effects of economic policies in Iran has been an increase in inflation. This has led to different crimes especially economic crimes and robbery, by widening the gap between different social classes and income groups. As inflation and unemployment rates were the only variables used in this study, the results might not fully capture the criminal behavior. Results imply that inflation and unemployment rates cause crime rate, but there is no strong evidence of the reverse causality. An individual will engage in criminal activities because of their inability to maintain a particular level of living as a consequence of inflation and unemployment. Therefore unemployment is a shock effect that causes an individual to engage in criminal activities. Inflation causes the purchasing power to reduce while increasing the cost of living. As a result, crime rate may increase because an individual is unable to maintain their standard of living as before. However, this phenomenon does not happen immediately because it takes time for inflation to gradually reduce the individual's purchasing power. Crime rates rise as the inflation rate rises. Because of the lag between price and wage adjustments, inflation lowers the real income of low-skilled labor, but rewards property criminals due to the rising demand and subsequent high profits in the illegal market. Inflation destroys the confidence in the existing institutions' arrangements, resulting in a loss of social control, and erodes the economic ability of communities to

maintain real leverage for deterrence. Although the unemployment rate is a logical variable to include in an economic model of property crime, it suffers from three potential problems. First, unemployment varies substantially across regions, making it difficult to pin down its true effects using national data. Secondly, unemployment does not capture discouraged workers, who have ceased searching for jobs because they believe that it is a futile effort. Thirdly, unemployment is only partially connected to the manufacturing sector, which disproportionately affects the urban poor and, as a result, has been linked to crime rates. The downward pressure on purchasing power associated with periods of rising inflation affect low-income households more adversely. Since low-income groups commit a high proportion of crimes in Iran, one would expect periods of higher inflation to be concomitant with higher rates of crime, especially property crime. The low-income segment of society should find crime more attractive during inflationary periods, as wages generally do not adjust as freely as other prices (See Christiane et al. 2005). One can also think of inflation as a tax that generates a dominant income effect for "labor supply" in the underground sector of the economy.

Materials & Methods

Using statistics of the past 20 years regarding Iranian annual reports of crimes in the field of non-credible checks, we try to introduce a suitable model by employing econometric methods based on available statistics and auto-regressive distributed lag (ARDL). We investigate the long term relationships between different variables, and then in the second stage using error correction model (ECM), we look at the short term relationships between variables.

Using the models mentioned above, we conclude that unemployment and inflation rate variables have a considerable effects on increase in robbery and non-credible checks.

Discussion of Results & Conclusion

Proper economic policies bring about social and moral effects besides economic implications. The Results of this study suggest that inflation and crime rates are co-integrated with a positive relationship and the causal link is from inflation and unemployment to crime. It appears that price stability contributes considerably to the

reduction of property crimes. Also, the relationship between monetary policy and crime is considered according to the hypothesis by which the government emits money to finance its deficit. The result of the research shows that economic policies, which increase inflation, have a negative role in economic development and have a negative effect in social damage. These policies increase economic crimes and social deviances. Therefore, expansion and longtime planning to decrease inflation is necessary for controlling deviance and crimes. Since the social analysis of economic policies is very crucial, it is necessary that researchers consider the following topics: social impact of inflation, especially on social deviance such as perversion. Also, if the analysis of crime at "the economics of crime" will be considered with the sociological analysis at social pathology, based on interdisciplinary approach, then we can better study this problem.

Keywords: Crime, Inflation, Unemployment, Auto-Regressive Distributed Lag Method (ARDL). Error Correction Model (ECM)

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