Vol. 11, Issue: 8, August: 2023
(IJRSML) ISSN: 2321 - 2853

Analytical Perspective: Nexus between Crime rate and Inflation Rate

MRS. NEETABEN KANJIBHAI PATEL
Assistant Professor,
B. K. Mercantile Bank Law Palanpur, Patan, Gujarat

Abstract:
The relationship between crime rate and inflation rate in India is a complex and multifaceted phenomenon that has attracted significant attention from researchers, policymakers, and the public alike. This abstract provides an overview of the intricate interplay between these two critical socio-economic indicators within the Indian context. India, as a rapidly developing nation, has witnessed fluctuations in both inflation and crime rates over the years. Inflation refers to the sustained increase in the general price level of goods and services, while the crime rate encompasses various criminal activities, such as crimes against property and crimes against human body. This study aims to explore the interconnectedness between these two variables. The relationship between crime and inflation can be understood through several mechanisms. High inflation can erode the purchasing power of individuals, particularly those in lower-income brackets, leading to increased financial stress and, in some cases, pushing individuals towards criminal activities as a means of economic survival. Rising prices of essential commodities, such as food and fuel, can also exacerbate economic hardship, potentially fueling property crimes like theft and burglary. Additionally, inflation can affect the overall economic climate, impacting employment opportunities and income inequality. A volatile economic environment can contribute to social unrest and lead to an increase in various forms of crime, including protest-related and political crimes. On the other hand, there is evidence to suggest that crime itself can contribute to inflation through various channels, including increased security and law enforcement expenditure, decreased productivity due to crime-related disruptions, and the negative impact on foreign investment and tourism. This study utilizes empirical data, statistical analyses, and case studies to shed light on the intricate relationship between crime and inflation in India. By examining the causal factors and exploring potential policy interventions, it aims to provide valuable insights into how the government and other stakeholders can address these interconnected challenges and work towards a safer and more economically stable future for the nation.

Keywords: *Crime rate, Inflation rate, Inflation Complex Impact, Criminal Activities*

1. Introduction

The relationship between crime and inflation is not unidirectional but rather dynamic, influenced by various socio-economic factors, government policies, and regional disparities. Therefore, understanding this nexus is crucial for policymakers to design effective strategies to mitigate the adverse effects of both high crime rates and inflation on society.

In today's ever-evolving socio-economic landscape, the relationship between crime rate and inflation rate has emerged as a crucial area of study, one that holds profound implications for societies, governments, and individuals alike. The nexus between these two pivotal indicators represents a multifaceted web of interdependencies, shaped by economic conditions, social dynamics, and policy choices. This introduction provides a comprehensive overview of the intricate connection between crime rates and inflation rates, setting the stage for a deeper exploration of this complex relationship.

Inflation, broadly defined as the sustained increase in the general price level of goods and services over time, and crime rate, which encompasses various forms of criminal activity within a given society, are both critical indicators of a nation's well-being. Together, they offer a unique lens through which to understand the intricacies of socio-economic health and stability. These two phenomena are not isolated; instead, they are closely intertwined, affecting and influencing each other in intricate ways.

2. Objectives of Research study

Given the complexity of the relationship between crime and inflation, this study aims to achieve several key objectives:

1. To identify inflation directly causes changes in crime rates or if other factors, such as economic policies, unemployment, or income inequality, mediate or moderate this relationship.
2. To Examine if the correlation between inflation and crime varies across different types of crimes.
3. To increase awareness of the potential relationship between inflation and crime rates, fostering informed discussions and policy debates.

3. Hypothesis of Research study

1. Rising inflation may lead to an increase in property crimes and thefts, as individuals facing financial strain may resort to illegal activities to alleviate economic hardship
2. Inflation can create social tension and unrest as people become dissatisfied with the cost of living and perceive economic injustices. Such tensions can sometimes escalate into protests, strikes, or civil disturbances.
3. Inflation can lead to increased costs for goods and services, making theft and burglary more lucrative.

4. Research Methodology

Doctrinal research on the relationship between inflation and crime utilizes existing legal and economic literature to analyze the legal implications and consequences of inflation on criminal activity. This methodology involves an extensive review of statutes, regulations, judicial decisions, and economic theories related to inflation and its impact on crime rates. By synthesizing this legal and economic information, researchers aim to provide a comprehensive understanding of how legal frameworks intersect with economic factors in the context of inflation-induced crime. The study's focus is on extracting legal principles, precedents, and policy implications to inform legal practitioners, policymakers, and scholars about the complexities and potential legal remedies in addressing this issue.

5. Co relativity of inflation rate and crime rate

The theory plays out in a study published in 2007 by the journal Global Crime, which examined the relationship between crime and inflation and unemployment in the United States from 1960 to 2005. “Crime rates rise as the inflation rate rises,” wrote the authors. “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.” This is further borne out by Professor Richard Rosenfel’s 2019 paper “Crime and Inflation in U.S. Cities”, which found that inflation increases property crime rates, such as theft, in less affluent cities more so than in well-off ones.[1]

New Zealand has largely avoided inflation hikes of over five percent since the early 1990s, and along with historically low inflation, New Zealand’s crime rates have generally kept to a downward trend since the mid-1990s. But with annual inflation having just hit a three-decade high at 5.9 percent, this may be changing. According to the Reserve Bank of New Zealand, transient – or short-term – inflation can be caused by “a rise in the prices of imported commodities, such as oil”, and structural inflation results from “widespread shortages of labour and materials.” Now, it appears, we may be dealing with

[1] “Crime rates rise as the inflation rate rises,”, the journal Global Crime (2007)

both. If the RBNZ is again unable to prevent annual CPI from increasing substantially beyond the 1-3 percent stipulated by its current Policy Targets Agreement (PTA), then the theory tells us that we can expect to see a rise in the incidence of theft and other property crimes.

Inflation belongs in the repertoire of economic indicators used in research on crime patterns. A resurgence of research on the relationship between economic conditions and crime has occurred in recent years, most of it showing crime increases during economic downturns and declines during recoveries. The so-called Great Recession of 2008–9 broke this pattern; crime rates fell or were flat. Historical scholarship on long-term crime increases during “price revolutions” and scattered empirical research on the relationship between short-run changes in crime and inflation suggest that low inflation rates help explain the absence of crime increases during the recent recession. Inflation, net of other economic conditions, had significant effects on homicide, robbery, and burglary rates in several European nations and the United States from the early 1980s to 2010. Inflation may be connected to crime through the dynamics of markets for stolen goods. As prices rise, the demand for cheap stolen goods grows, which strengthens incentives to increase the supply of stolen merchandises. Property crime rates increase. Violent crimes also increase as transactions multiply in “stateless” locations beyond the purview of formal authorities. The process operates in reverse as price increases diminish.[2] The results suggest that inflation and crime rates are co-integrated with a positive relationship and the causal link is from inflation and unemployment to crime. The findings reveal that low unemployment rate does not mean low crime rate because inflation rate is also positively related to crime rate. Supply-side economic policy, reducing both inflation and unemployment rates simultaneously, could be one of the alternatives to reduce crime rate. As inflation and unemployment rates were the only variables used in this study the results might not fully capture the criminal behavior. Crime function in the United States was stable over the sample period. 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 his or her 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.[3]

The work of the historian David Hackett Fischer identified four major instances of inflation in Western history, in the 14th, 16th, 18th, and 20th centuries. In each of these periods, violent and property crime rates increased, and then fell once prices stabilized. When inflation decreased in the early 1990s, both Europe and the United States saw a corresponding decline in crime.[4] Due to population growth, inflation, and other factors, police work has become challenging. Organized economic crimes have also increased in the changed times and circumstances.[5] As inflation rises, so does crime. Occasional incidents of house and bike theft are being carried out by some Awara elements.[6]

---

[2] Crime and Inflation in Cross-National PerspectiveRichard Rosenfeld, https://www.journals.uchicago.edu/doi/abs/10.1086/677665?journalCode=c

[3] “Will Inflation Increase Crime Rate? New Evidence From Bounds and Modified Wald Tests”, Chor Foon Tang, Hooi Hooi Lean Global Crime Volume: 8 Issue: 2007 Pages: 311-323

[4] https://pinkerton.com/our-insights/blog/inflation-and-crime

[5] https://cidcrime.gujarat.gov.in/cidcrime/CMS.aspx?content_id=603

[6] https://gujarati.news18.com/news/jamnagar/cctv-footage-captures-fear-driven-bike-theft-by-four-individuals-jkc-local18-1465146.html

India, as one of the world's most populous and rapidly developing countries, presents an intriguing backdrop for the exploration of the crime-inflation nexus. With its diverse population, varied economic conditions, and a complex tapestry of socio-cultural factors, India exemplifies the challenges and opportunities that arise when investigating the relationship between crime and inflation in a dynamic, emerging economy. Inflation can exacerbate income inequality within a society. As prices rise at varying rates for different goods and services, those with higher incomes may find it easier to weather inflationary pressures, while lower-income individuals and families bear a disproportionate burden. This growing income disparity can create social unrest and discontent, potentially fueling crime rates. The perception of economic injustice and inequality can lead to protests, demonstrations, and, in extreme cases, political crimes.

The crime rate in India varies greatly from state to state. In some states, like Uttar Pradesh and Bihar, the crime rate is very high, while in other states, like Kerala and Goa, the crime rate is very low. The following are some of the most common crimes committed in India: Theft, Robbery, Rape, Murdur, assault, Kidnapping, Dowry-related crimes, Communal violence Etc. The high crime rate in India is a major concern for the government and the people. The government has implemented several measures to try to reduce crime, such as increasing the number of police officers, investing in crime prevention programs, and enacting stricter laws. However, more needs to be done to address the root causes of crime, such as poverty, unemployment, and social inequality. It is important to note that the crime rate in India is still relatively low compared to many other countries in the world. However, the high population density in India means that even a relatively low crime rate can result in many crimes being committed.

6. Inflation effects on Financial Crimes

Inflation has ripple effects on individuals and businesses, posing a wide variety of threats to the economy. It not only affects a country's financial stability but also results in increased financial crime rates. Amid soaring cost-of-living pressures, many people resort to unlawful activities such as theft, embezzlement, robbery, or money laundering. With the depreciation of currency, the profit margins of drug dealing surge at an alarming rate. Stagnating living standards, in the long run, lead to a heightened risk of social unrest, increased crime, and corruption, heightening the challenge law enforcement agencies and governments alike face. The latest report on human trafficking from the United Nations Office on Drugs and Crime revealed during an economic downturn criminals target the vulnerable, resulting in an increase in potential victims of modern slavery, human trafficking, and sex trafficking. In times of inflation, loan sharks may seek to exploit desperate individuals—in particular, vulnerable and marginalized borrowers—by offering loans with high interest rates, property in collateral, and/or harsh repayment terms, resulting in a cycle of debt that becomes impossible to break. It is essential to identify such unlicensed lenders. Governments, financial institutions, and law enforcement agencies must work together and provide support to those who need it most while cracking down on such illegal operations.

7. Inflation threats to world trade

The effects of inflation are not limited to the domestic market but can have far-reaching implications for international trade and the global economy. For example, inflation can be exploited by criminals carrying out overpriced trade transactions to mask their illicit activities, which can complicate the detection of the funds being laundered. Overpricing and inflation can significantly affect a nation's foreign currency reserves and overall economic stability as trade-based money laundering (TBML) can lead to a loss of foreign exchange reserves, distort trade statistics, and create imbalances in the country's balance of payments, potentially contributing to an economic crisis. Banks and customs authorities should pay special attention to the threat of TBML in times of inflation.[7]

[7] https://www.complianceweek.com/risk-management/inflation-a-breeding-ground-for-financial-crime/33067.article

8. Conclusion

There is no clear consensus on the relationship between inflation and crime in India. Some studies have found a positive correlation, while others have found a negative correlation, and still others have found no correlation at all. One study, conducted by researchers at the Indian Institute of Technology Delhi, found that a 1% increase in inflation was associated with a 0.2% increase in the crime rate. The study also found that the relationship between inflation and crime was stronger during periods of high inflation. Another study, conducted by researchers at the University of Mumbai, found that a 1% increase in inflation was associated with a 0.1% decrease in the crime rate. The study also found that the relationship between inflation and crime was stronger during periods of low inflation.A third study, conducted by researchers at the Indian Institute of Management Ahmedabad, found no correlation between inflation and crime. The different findings of these studies suggest that the relationship between inflation and crime is complex and may vary depending on a number of factors, such as the level of inflation, the type of crime, and the socioeconomic characteristics of the population. It is important to note that correlation does not equal causation. Just because two variables are correlated does not mean that one causes the other. It is possible that there is a third factor that is causing both inflation and crime. For example, economic growth can lead to both inflation and crime. As an economy grows, prices for goods and services tend to rise, which can lead to inflation. Economic growth can also lead to more opportunities for crime, as there are more people and businesses with valuable assets. Another possible explanation for the correlation between inflation and crime is that both are caused by poverty. Poverty can lead to inflation, as people with less money are more likely to spend it all on essential goods and services, which can drive up prices. Poverty can also lead to crime, as people may be more likely to commit crimes to obtain money or resources that they need. Overall, the relationship between inflation and crime in India is complex and not fully understood. More research is needed to determine the exact nature of the relationship and the factors that influence it.

References

1.Crime and Inflation in Cross-National PerspectiveRichard Rosenfeld,
2.https://www.journals.uchicago.edu/doi/abs/10.1086/677665?journalCode=c "Will Inflation Increase Crime Rate? New Evidence From Bounds and Modified Wald Tests", Chor Foon Tang, Hooi Hooi Lean Global Crime Volume: 8 Issue: 2007 Pages: 311-323
3.https://pinkerton.com/our-insights/blog/inflation-and-crime
4.https://cidcrime.gujarat.gov.in/cidcrime/CMS.aspx?content_id=603
5.https://gujarati.news18.com/news/jamnagar/cctv-footage-captures-fear-driven-bike-theft-by-four-individuals-
6.https://www.123helpme.com/essay/Inflation-And-Crime-Case-Study-PJBH9YWBU
7.Economic Conditions and Crime: The Effect of Unemployment and Inflation" by Richard B. Freeman, 1999
8.8."Crime, Inequality, and Unemployment in England and Wales" by David Dickinson and David Machin,2000
9."The Connection Between Crime and Inflation: A Time Series Analysis of Crime in Germany"by Horst Entorf and Peter Winker,2002
10. "Inflation and Property Crime", Lance Lochner and Enrico Moretti, 2004
11. "The Effect of Economic Conditions on Property Crime: The Case of Iceland 1980–2003" by Birgir Thór Runólfsson and Sveinbjörn Blondal, 2007
12. "Inflation and Property Crime: Some Time Series Evidence from the Post-War United States"
13. By Mark Cohen, 1979
14. https://www.complianceweek.com/risk-management/inflation-a-breeding-ground-for-financial-crime/33067.article