



# Immigration, regional conditions, and crime: Evidence from an allocation policy in Germany



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## ABSTRACT

After the collapse of the Soviet Union, more than 3 million people with German ancestors immigrated to Germany under a special law granting immediate citizenship. Despite their German ancestry, they are similar to other migrants in terms of low German-language proficiency, low education levels, and low labor market attachment. Exploiting the exogenous allocation of ethnic German immigrants by German authorities across regions upon arrival, we find that immigration significantly increases crime. The crime impact depends on regional conditions, with larger effects in regions with high preexisting crime levels, large shares of foreigners, and high population densities. We also find evidence for stronger impacts in regions with high unemployment.

## 1. Introduction

Criminal behavior of immigrants is a huge concern in many countries. In Europe, the majority of native residents is worried about immigrants increasing crime, whereas only a minority is worried about immigrants taking jobs away (Fitzgerald et al., 2012). The widespread concern about crime might therefore play a greater role in shaping immigration policies than do labor market concerns (Card et al., 2012). While the literature on the labor market effects of immigration is huge,<sup>1</sup> the crime effects of immigration has been explored much less.

Existing research on the crime impact of immigration tends to find no or small effects. Bianchi et al. (2012) exploit the increase in the immigrant population in Italy in the 1990s that was mainly driven by the collapse of the Soviet Union and the Balkan Wars, finding a negligible effect on total crime, but strong effects on robberies. Bell et al. (2013) study the impact on crime of two different immigration waves to the United Kingdom: migrant laborers from eight European countries that joined the EU in 2004 and asylum seekers. The authors find an effect only for asylum seekers and only on property crime. For the United States, Butcher and Piehl (1998, 2007) find no significant relationship between immigration and crime at the state level, and Chalfin, 2013, using data at the metropolitan area level, finds no evidence that Mexican immigrants increase crime. Spenkuch (2013) uses county data and finds effects on property crime, but not on violent crime.

In contrast to these studies, we document a strong overall effect of immigration on total crime. Importantly, we provide evidence that the crime effect depends on regional conditions in the destination country. We exploit a large inflow of immigrants to Germany

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<sup>1</sup> See Friedberg and Hunt (1995), Borjas (1999), and Card (2009) for overviews.

who were allocated across regions by German authorities upon arrival. These immigrants are low-skilled, as measured by their previous occupation, have low German-language proficiency, low education levels, poor labor market attachment, and a disproportionately large share are “at criminal risk” age (15–25 years old). While the overall crime effect is strong, the impact is larger in regions with adverse conditions—high unemployment, high preexisting crime level, large foreigner shares—indicating an important role of regional conditions.

The group of immigrants we consider in this study are ethnic Germans, descendants of German colonists who had migrated to Russia and other East European countries in the 18th and 19th century. Between the fall of the Berlin Wall in 1989 and 2005, more than 3 million ethnic Germans immigrated, increasing Germany’s population by about 5%. Due to their German ancestry, ethnic German immigrants were granted German citizenship immediately after immigration. They were also allowed to work and were eligible for social security assistance (like native Germans). Despite legally being Germans, ethnic German immigrants have considerably lower education levels, worse labor market outcomes, and lower incomes than native Germans. Compared to other immigrants in Germany, however, ethnic German immigrants have similar socioeconomic characteristics.

Upon arrival in Germany, ethnic German immigrants are allocated across counties by state authorities. We exploit this allocation policy to identify the causal effect of ethnic German immigrants on crime. While the number of migrants allocated to a particular county is set by policymakers, each migrant can express preferences to live in a specific county where relatives are already living.<sup>2</sup> The state authorities try to meet these family-related preferences whenever the quota for that county is not yet exhausted. The allocation across counties is binding for the first three years after arrival, and noncompliance is severely sanctioned by the withdrawal of all social benefits, implying that self-selection into counties is highly restricted.<sup>3</sup>

Because the residence of relatives is the main allocation criterion, the composition of ethnic Germans allocated to a particular county is likely exogenous with respect to local crime conditions. Supporting this argument, Glitz (2012, p. 180) points out that the allocation is exogenous with respect to local *labor market* conditions. The allocation of ethnic Germans, therefore, provides a unique quasi-experimental setting for studying the effects of (non-refugee) immigration on crime. In particular, as the allocation policy has likely led to similar skill and age distributions of ethnic German immigrants across counties, we are able to assess the importance of regional conditions for the crime impact of ethnic Germans. In contrast, this effect heterogeneity can hardly be identified in other settings where immigrants could always choose their region of residence without any restrictions (with the exception of refugees). We thus contribute to the literature because existing studies either investigate the impact of local labor market conditions on crime in general (without focusing on immigrants) or study the impact of immigrants on crime without considering the potentially important role of local labor market conditions.

We combine annual county-specific inflows of ethnic German immigrants with annual county-specific crime rates. We merge information on labor market conditions and demographics of the counties to investigate whether regional conditions influence the impact of immigration on crime. In particular, we exploit annual variation within counties in the number of assigned ethnic Germans over the population. This variation arises because states do not adjust their allocation quotas immediately to changes in population and because of other factors (e.g., intake capacities) that are likely orthogonal to crime determinants. We focus on West Germany from 1996 until 2005, the period during which newly arriving ethnic German immigrants were allocated across counties by German authorities.

The results indicate that this immigration inflow increase crime substantially. We find that one additional ethnic German immigrant increases the number of crimes by 0.56 in the year after arrival, which amounts to a crime elasticity of 0.39. The average effect conceals important heterogeneities with respect to regional conditions. We find much stronger impacts in regions with high preexisting crime levels, large shares of foreigners, and high population densities. Furthermore, the crime impact tends to be larger in regions with high unemployment, suggesting the importance of labor market opportunities for criminal behavior. As is typical for the economics of crime literature, we observe only aggregated crime rates that combine natives and immigrants. Therefore—as in previous studies—we cannot disentangle to what extent the crime effect is driven by immigrants (direct effect) or by residents who become more criminal in the presence of immigrants (indirect effect). Based on the economic theory of crime (Becker, 1968; Ehrlich, 1973), which states that the propensity for committing crime decreases with legitimate earnings opportunities, direct effects are likely substantial because ethnic Germans are both younger and more likely to be unemployed than native Germans. Furthermore, small-scale studies, using data on suspects and incarceration rates, provide evidence in support of a direct effect of ethnic Germans.

There are at least four potential explanations why we find such large crime effects. First, the (adverse) characteristics of ethnic German immigrants—low-skilled, low German-language proficiency, low education levels, and disproportionately large share is “at criminal risk” age—are associated with a higher likelihood of engaging in criminal activities because of low opportunity costs of crime. Second, the fact that ethnic German immigrants could not freely choose their region of residence implies a larger skill mismatch on the labor market, and hence worse legitimate earnings opportunities. Third, while existing studies estimate medium- or long-run effects, we investigate short-run effects of immigration on crime. If immigrants are more likely to commit crimes during the

<sup>2</sup> In principle, intergenerational correlation in crime might be a problem for identification. However, we argue in Section 4 that any intergenerational correlation between ethnic German immigrants and their relatives is likely to be weak.

<sup>3</sup> Glitz (2012) uses the same allocation policy to estimate the impact of immigrants on skill-specific employment rates and wages of natives, finding a displacement, but no wage effect. Other studies exploiting allocation policies, typically involving refugees, include, e.g., Edin et al. (2003), Damm (2009), Damm and Dustmann (2014). In addition, Gould et al. (2004, 2011) exploit the placements of Ethiopian Jews (in 1991) and Yemenite Jews (in 1949), respectively, who were airlifted to Israel and subsequently dispersed throughout the country. While ethnic Germans could express preferences to live in a county where their relatives were already living, the immigrant groups investigated by Gould et al. could hardly influence the location of residence, fostering the identification of causal effects. However, these immigrant groups were allowed to leave their assigned place of residence, whereas the residential allocation of ethnic Germans was binding for three years.

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