



Murder and the black market: Prohibition's impact on homicide rates in American cities



Brendan Livingston

Department of Economics, Rowan University, 201 Mullica Hill Road, Glassboro, NJ 08028, USA

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ABSTRACT

The purpose of this paper is to estimate the effect of state alcohol prohibition on homicide rates using city-level data from 1911 to 1929. During this time period, urban dwellers generally opposed prohibition and did not voluntarily adopt it. Subsequently, policy changes were more exogenous. The results suggest that there are dynamic aspects of prohibition. State-level prohibition decreased homicides immediately after enforcement began, but after three years of enforcement, the law ceased having a measurable effect.

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1. Introduction

A majority of homicides committed in the United States are personal in nature. According to Federal Bureau of Investigation (FBI) data from 2012, 39% of the victims knew their murderer as a family member, significant other, close friend, neighbor, or coworker¹ with the greater part committed due to disagreements over money or romance. Murder, however, can also be considered an impersonal business practice. Established firms in the illegal drug trade can use violence as an additional barrier to new firms looking to move into the marketplace (Reuter, 1985). Recent crime statistics show that this “competitive violence” still plays a significant role in American homicide rates.

In 2012, the FBI recorded 362 homicides directly attributed to the illegal drug trade. In addition, 871 homicides were classified as gang related². Although gangs can be viewed as firms in the illegal drug trade, there is uncertainty of how many homicides were motivated by competitive violence. Currently, one significant policy

proposal, to reduce the number of homicides around the country, is to legalize prohibited drugs. In theory, legalization would diminish violence by allowing businesses to settle disputes using judges and juries rather than guns (Miron, 1999). Citizens in Colorado and Washington have already voted to legalize marijuana in order to reduce crime while raising revenue for the state. The success of these legalization initiatives reignited the national debate on the effectiveness of “the War on Drugs”. Interest groups on both sides of the drug legalization discussion have cited alcohol prohibition in the early 20th century as an important historical lesson.

I advance the alcohol prohibition literature by providing a new level of analysis: a panel data set of city-level homicide rates for 60 of the largest 68 populated cities across the United States from 1911 to 1929³. Previous papers by Miron (1999), Jensen (2000), and Owens (2011), have used state and national level data to test the impact of prohibition on homicides. City-level assessment possesses two important features absent from state- and national-level estimates. First, large cities in the sample were more resistant to prohibition than rural townships. Problems associated with selection bias and reverse causality are diminished when urban residents were struggling against the policy change. Second,

E-mail address: livingstonb@rowan.edu

¹ Out of 7008 explained murders, 2737 were classified as by family, friend, boyfriend, girlfriend, neighbor, employee, or employer. There were an additional 5757 unexplained murders. http://www.fbi.gov/about-us/cjis/ucr/crime-in-the-u.s/2012/crime-in-the-u.s.-2012/offenses-known-to-law-enforcement/expanded-homicide/expanded_homicide_data_table_10_murder_circumstances_by_relationship_2012.xls

² These numbers most likely underestimate the number of murders connected to the drug trade, as a total of 4582 murders have not been classified by the FBI, with regard to motive.

³ The eight cities missing from the sample are: Oakland, California (ranked 31st in population); Birmingham, Alabama (ranked 36th); Memphis, Tennessee (ranked 41st); Dallas, Texas (ranked 42nd); Houston, Texas (ranked 46th); Des Moines, Iowa (ranked 52nd); Nashville, Tennessee (ranked 68th); and Fort Worth, Texas (ranked 64th). Homicide data for these cities is not available in the Mortality Statistics volumes.

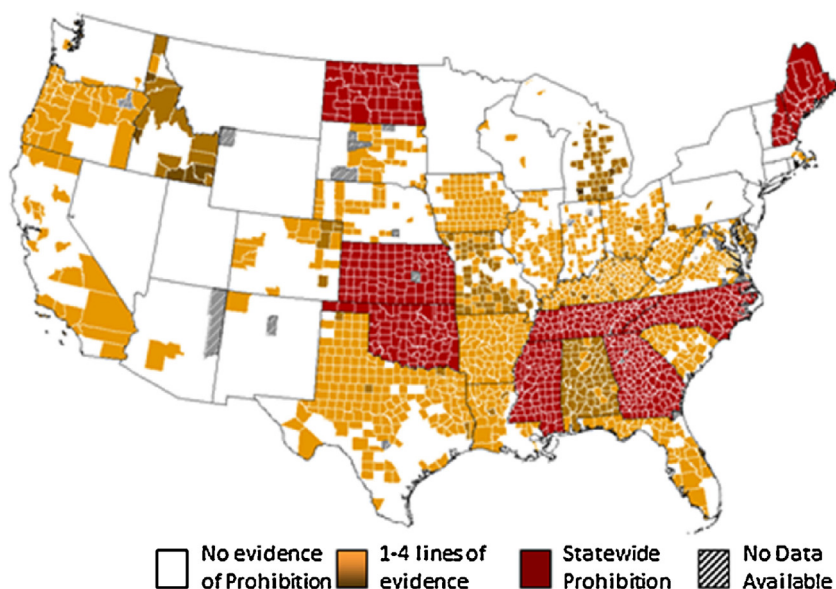


Fig. 1. Prohibition in 1911 by county. Source: Robert Sechrist's ICPSR (8343). Created by Zachary Christman (Rowan University).

state-level prohibition analysis encompasses a large geographical area without consistent policy enforcement. Counties prohibited the sale of alcohol well before state-level prohibition and states prohibited alcohol before national-level prohibition. Estimations of prohibition's impact at the state level measure the impact of alcohol prohibition on a checkered market where the alcohol is both legal and illegal. City level analysis allows for a clear market classification, as alcohol was either legal or prohibited throughout the entire city.

Another contribution of the paper is to measure the dynamic impact of prohibition laws. Estimations of the impact of the law using a single dummy variable might be biased if citizens took time to adjust to the new market conditions. There is reason to believe that there was an adjustment period after enactment of prohibition. During the time between legislative approval and actual enactment, usually a year to give time to law enforcement to prepare, citizens could have started to hoard alcohol. Measuring crime statistics in a marketplace where consumers do not demand illegal alcohol because of reserve supplies would underestimate the true cost of prohibition. I estimate the change in homicides through time using a 'years after implementation' variable.

To estimate the effect of alcohol prohibition on homicides, I performed a difference in difference fixed-effect analysis between the years of 1911–1919 and a second analysis between the years of 1911–1929. The 1911–1919 estimation evaluates the impact of the 1910s state-level prohibition laws on homicides, while the 1911–1929 estimation evaluates the impact of both state-level and national-level prohibition on homicides. The results suggest that state level prohibition reduced homicides in the large cities in the sample for the first few years after implementation.

For the 1911–1919 estimation, prohibition was correlated with a decline of murders in the first two years after implementation, but had no measurable effect on homicides afterwards. The 1911–1929 estimate, which included states that were forced into prohibition by the Constitutional Amendment, was also correlated with a decline in homicides immediately after prohibition, but no measurable effect after two years. The results were statistically significant using robust standard errors clustered at the city level. However, homicides not attributed to alcohol prohibition rose steadily after 1920. I was not able to identify the effect of national prohibition on all states, even those already under alcohol prohibition, because of year effects absorbing all nation-wide events.

State-level prohibition estimates, however, suggests that other factors such as urbanization, gun technology, veterans returning from WWI, and changing criminal laws were key reasons for the roaring twenties crime wave.

2. The United States and alcohol prohibition

National Prohibition was the last political movement during which a majority of the United States population lived in rural areas. In 1910, before the substantial expansion of state-level prohibition laws, citizens living in towns with a population of less than 2500, made up 55% of the total population. By 1920, the year National Prohibition started, that amount shrunk to 49%. While the rural population was in decline, counties and states were busy enacting prohibition laws by attracting white, rural, evangelical Protestants (Lewis, 2008).

Figs. 1 and 2 show the expansion of state and county alcohol prohibition laws in 1911 and 1918. Counties were under prohibition before state enforcement and a majority of states were prohibiting alcohol before national prohibition. A patchwork system of state laws created spillover problems for proponents of prohibition. Temperance leaders believed that 'wet' states were undermining 'dry' states ability to restrict alcohol consumption (Merz, 1930). National prohibition was viewed as the ultimate solution.

The 18th Amendment to the United States Constitution was ratified in 1919 and prohibited the "manufacture, sale, or transportation of intoxicating liquors," leaving the *consumption* of alcohol legal. A year's delay in implementation was written into the amendment in order to allow states time to prepare for enforcement. Citizens in large cities were resistant to prohibition laws as noted by John F. Kramer, the first Federal Prohibition Commissioner, when he bemoaned that large cities were non-compliant when it came to enforcement.

[W]hen the nation as a whole adopted the principles of prohibition, it was to some extent forced upon whole states and especially upon large cities in which people had no sympathy whatsoever with the idea. In fact, they scarcely knew what the term prohibition meant. (Kramer, 1921, p. 1)

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