



Status concerns as a motive for crime?



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ABSTRACT

This paper analyzes the implications of potential offenders caring about their relative status. We establish that subjects' status concerns can result in multiple-equilibrium crime rates and may modify the standard comparative-statics results regarding how the crime rate changes in response to a higher detection probability and higher sanctions. In addition, we argue that the socially optimal level of the detection probability and the sanction will often be higher when potential offenders care about their relative positions. Our analysis can be linked to one of the most important criminological theories of crime, namely strain theory.

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1. Introduction

1.1. Motivation and main results

Crime is a social phenomenon of great importance, adversely affecting society as a whole and the countless individuals who are victimized each day. It is thus no surprise that surveys consistently rank crime at or near the top of the list of social maladies (see, e.g., [Helsley and Strange, 1999](#)). When it comes to explaining why criminals offend, there is overwhelming support for the theory that specific kinds of crime are undertaken for material gain, that is, to generate additional income for consumption (e.g., [Foley, 2011](#); [Grogger, 1998](#); [Lin, 2008](#); [Raphael and Winter-Ebmer, 2001](#); [Williams and Sickles, 2002](#)).¹ With respect to such criminal acts, the standard approach in the literature analyzes the decision of each potential offender in isolation (e.g., [Becker, 1968](#); [Polinsky and Shavell, 2009](#)). In this paper, we will consider this decision in context. More precisely, we will explore the consequences of individual

utility as a function of both the absolute consumption level and the individuals own consumption level relative to a reference point. In our contribution, the reference point is the level of average consumption in the peer group (i.e., the population of potential offenders), and is itself influenced by individuals' decisions regarding crime.

The purpose of the paper at hand is to explore the implications of potential offenders caring about how their own level of consumption compares to the average in their social context for equilibrium crime rates and optimal law enforcement. Our analysis is motivated by convincing evidence showing that people compare themselves to others in a wide variety of aspects of life, with important repercussions on well-being and behavior.² We focus on comparisons of consumption levels because in the attempt to establish one's economic status relative to others, consumption is often used as a signal for wealth or income.³ In our setup, crime and status concerns interact in the following way: an undetected criminal act

² For instance, [Dohmen et al. \(2011\)](#) provide evidence of the importance of relative income for subjective well-being using functional magnetic resonance imaging (fMRI). Further empirical evidence of the importance of relative income positions for individual happiness and behavior can be found in, e.g., [Stutzer \(2004\)](#) and [Frey et al. \(2008\)](#).

³ This finding has been derived theoretically by [Corneo and Jeanne \(1998\)](#) and supported empirically by [Heffetz \(2011\)](#), among others.

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¹ In the present paper, we will focus on income-generating crime, thereby excluding rape and other crimes without monetary motivation.

ensures above-average status (via above-average consumption), and the detection of a violation implies below-average status (via below-average consumption). At the same time, the status of a law-abiding individual is affected by whether or not the population of offenders gains from crime in terms of expected average consumption. Accordingly, taking status considerations into account changes the calculus of whether or not to commit a crime in a non-trivial way.

We establish that the status concerns of potential offenders can result in multiple-equilibrium crime rates. This evidence supporting multiple crime rates is of great interest because crime in the real world is very unevenly distributed across space and time, despite similar characteristics of respective locations. For example, there are numerous cases of “twin” cities in the US – cities with similar characteristics that nevertheless exhibit very different crime rates (see, e.g., [Marceau and Mongrain, 2011](#)). The explanation for the existence of multiple crime rates in our setting is quite intuitive. Concerns regarding relative consumption introduce an interdependency between the decision of a given potential offender of whether to participate in crime and the decisions of all other individuals regarding the criminal opportunity. When many other individuals engage in criminal activity and thereby increase their expected income available for consumption, an individual who complies with the law will be disadvantaged in terms of status (which may motivate criminal behavior). In contrast, when only a few individuals engage in crime, then average consumption will not differ much from what a norm-compliant individual can afford, such that the status utility of a law-abiding individual need not adversely affect the individual's total utility (potentially supporting a low-crime outcome). Interestingly, we find that crime may be either higher or lower in comparison to a scenario in which potential offenders do not have status concerns.

In addition, this paper shows that the status concerns of potential offenders may call into question the standard comparative-statics predictions regarding changes in the levels of the sanction and the detection probability. Indeed, it may be the case that an increase in the detection probability will result in an increase in the crime rate. This possibility follows from the fact that higher law-enforcement parameters change the individual's status in the different contingencies (detection and non-detection of a criminal act, as well as norm compliance), which may make crime more beneficial at the margin. The influence of law enforcement on status is also central to our argumentation when we turn to welfare and policy implications. We argue that the influence of status concerns will often imply higher marginal benefits for stricter law enforcement: When stricter law enforcement reduces the difference between the net legal income obtained by all individuals and expected average consumption (which includes net benefits from crime), it improves the status of all individuals (i.e., both offenders and non-offenders).

Our analysis of potential offenders with status concerns can be linked to strain theory, one of the principal sociological explanations for the emergence of crime (see, e.g., [Agnew, 2006a](#)). Famously, [Merton \(1938\)](#) argues that crime offers the possibility to mitigate the disparity between the (in many societies) overwhelming desirability of economic success and the (for many individuals) limited access to legitimate means of attaining economic success, such as an elite education. Hence, for many individuals, offending may very well be the response to the question of “which of the available procedures is most efficient in netting the culturally approved value” ([Merton, 1968](#), 189). Relative deprivation (e.g., a negative discrepancy resulting from a comparison of wealth or status) is an important cause of strain and may be a powerful motivator of crime (see, e.g., [Young, 2006](#)); empirical work has shown that people are more likely to engage in crime when they experience a sense of relative deprivation (see, e.g., [Baron, 2004](#); [Stiles et al., 2000](#)). This

transfers to our setup as follows: potential offenders are concerned about their absolute level of consumption and about how their consumption compares to that of similar others, where lagging behind the reference level of consumption (i.e., relative deprivation) depresses status utility (i.e., causes strain). The possibility of obtaining higher status utility from achieving a consumption level higher than that of the reference group similarly dovetails with strain theory, as Merton suggests that personal success and satisfaction derive not only from goal attainment but also from surpassing others ([Lee and Cohen, 2008](#)). In this way, our paper may reconcile economic and sociological approaches to crime, which have often been perceived as incompatible.⁴

In summary, our article contributes to the literature in the following ways. First, we provide an analysis of potential offenders with status concerns, discussing the possibility of multiple equilibria for crime rates and our counterintuitive comparative-statics results. Thereby, the present paper provides an explanation for the variation in real-world crime rates, in response to a recent assertion by [Ferrer \(2010\)](#) that “differences in crime rates across locations. . . remain an open question in the law enforcement literature”. Our explanation is complementary to those established in the literature (see the discussion in the next section). Second, our analysis may be interpreted as exploring certain implications of one of the principal criminological theories – namely, strain theory. One of our central findings in this regard is that the existence of positional concerns need not necessarily induce more crime, as is often suggested in the literature. Finally, we establish status gains and losses as additional aspects that should be considered in co-determining optimal law enforcement. In this regard, we argue that in many circumstances, stricter law enforcement is likely to be the adequate response to potential offenders' caring about their relative positions.

1.2. Related literature

In addition to the literature on optimal law enforcement, which does not yet include an analysis of potential offenders with status concerns (see, e.g., [Polinsky and Shavell, 2009](#) for a recent survey), the present paper is related to (i) articles exploring the implications of the status concerns of individuals, (ii) contributions that establish the possibility of multiple crime equilibria, (iii) literature in the field of strain theory, and (iv) papers analyzing crime in an equilibrium model.

The idea that relative positions influence well-being and behavior has become widely accepted in the field of economics. Both the fact that relative concerns are important and the fact that goods differ with regard to their positionality (i.e., certain goods have a higher relevance for relative standing in society) have been confirmed in several empirical studies, among them [Alpizar et al. \(2005\)](#), [Carlsson et al. \(2007\)](#), [Carlsson and Qin \(2010\)](#), [Caporale et al. \(2009\)](#), [Clark et al. \(2008\)](#), [Clark and Senik \(2010\)](#), [Johansson-Stenman et al. \(2002\)](#), [Solnick and Hemenway \(1998, 2005\)](#), and [Solnick et al. \(2007\)](#). When it comes to the identification of the reference point, there is evidence that the respect and admiration resulting from face-to-face interactions with groups such as colleagues and friends are a major determinant of status concerns (see [Anderson et al., 2012](#); [Clark and Senik, 2010](#); [Senik, 2009](#)). Our study complements this literature by exploring the repercussions of status concerns for the decision regarding crime.⁵

⁴ For example, [Kelly \(2000\)](#) summarizes his findings by stating that “Property crime is well explained by the economic theory of crime, while violent crime is better explained by strain and social disorganization theories.”

⁵ We abstract from the possibility of policy instruments that can dampen positional concerns. See, e.g., [Frank \(2008\)](#) and [Ljungqvist and Uhlig \(2000\)](#).

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