

*Les Misérables Contemporains: Crime, Unemployment and Import from China**

PRELIMINARY VERSION - please do not quote - comments welcome!

Claudio Deiana^{a,b}

^aDepartment of Economics, University of Essex, UK

^bCRENoS, University of Cagliari, Italy

Abstract

During the past two decades, the US economy has experienced severe structural changes caused by international trade shocks. In this scenario, China has played a crucial role as a major global exporter and its unanticipated expansion has affected local labour market (LLM) conditions in different industrialized countries. As discussed by Autor et al. (2013), the rapid growth of US exposure to China products triggered the increase in US LLM unemployment rates between 1990 to 2007. Consequently, it comes natural to ask whether the increasing exposure to Chinese imports might have indirectly contributed to the long-run dynamics of crime through the displacement of workers. In this project, I investigate the long-run relationship between LLM conditions and crime rates in the United States. I define the US LLMs based on the concept of Commuting Zones (CZs), recently popularized by Autor et al. (2013). These are characterized by strong commuting ties within a CZ and weak connections across CZs. First, I estimate the effect of unemployment on crime in first differences to control for unobserved time-invariant characteristics. Second, I exploit the cross-market variation in import exposure stemming from initial differences in industry specialization to instrument the unemployment rates. I find that higher unemployment rates are linked to higher crime rates both in terms of arrests and offenses. The empirical evidence suggests that one percentage point increase in unemployment rate leads to: (i) a rise in total crimes by 170, (ii) an increase in total violent crimes by 36 and (iii) an increment of property crimes by 134 per 100,000 residents.

Keywords: Crime; Unemployment; Chinese import; Trade

JEL codes: K14, K42, J64, E24, F16

*Corresponding author: cdeian@essex.ac.uk. Opinions expressed herein are those of the author only. They do not necessarily reflect the views of, or involve any responsibility for, the institutions to which he is affiliated. Any errors are the fault of the author.