
Valuing crime and crime-related impacts

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Valuing crime: a simple example

Suppose a residential community is considering hiring a guard

Predicted consequence: reduce crime rates in the community

Question: value to residents $>$ cost (salary)?

Benefit of reduced property crime

Start: Market value of property that would have been lost to theft or vandalism

Complications:

insurance

risk aversion

sentiment

hassle

Benefit of reduced violent crime

Direct costs of violent crime averted (medical costs, lost earnings)

Indirect costs (fear and disutility from threat of injury to self and others)

Need to monetize these subjective concerns

Bottom line: Are the members of the community willing to pay a fee that is adequate to pay guard's salary?

Broadening the assessment

1. Does hiring the guard meet the market test?
(Property values increased despite the extra fee?)
2. Is the community's combined willingness to pay the same as the social benefit from crime reduction?
 - Displacement?
 - other externalities?
 - Savings in criminal justice costs?

Ex ante valuation methods

Willingness to pay for safer community, as measured by contingent valuation survey

§ Cook and Ludwig (2000) – gun violence

Question to national sample:

Vote for program to combat gun thefts etc. that would reduce gun violence 30% in your community? (tax increase of \$50/100/200)

Average: \$240 per household, which works out to close to \$1 million per shooting

More WTP (CV) estimates

§ Cohen et al. (2004) – several crime types

burglary \$ 25K

robbery \$ 232K

rape \$ 237K

murder \$9,700K

n Note that these are population averages.

n Subjective values differ widely among individuals and groups

Other approaches to putting a price on crime

Jury awards

ex post compensation, rather than ex ante value of safety

Market transactions

property values and crime as neighborhood disamenity

Bottom line:

no reliable approach

Broadening the discussion

Cost of the crime problem =

Victimization costs + response & avoidance costs

Example: remove lead from drinking water

A generation later, some combination of:

less crime

lower CJS costs

less private avoidance and protection

What's next?

1. Continue developing WTP approach.

“It is better to be imprecisely right than precisely wrong”

2. Learn from analogy between crime and disease.

(Valuation of the Salk/Sabine vaccine for polio has same issues as valuation of lead reduction program for crime.)

3. Crime as an influence on community development