URBANIZATION AND OTHER FACTORS AFFECTING CRIME: AN EMPIRICAL ANALYSIS FOR THE PHILIPPINES (1980-2012)

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ABSTRACT

The world regards crime as a function dependent on the performance of law enforcement. International statistics focuses on the quality and quantity of law enforcement to prevent or lessen crime. Earlier studies on the economics of crime also focus on prevention of recidivism through the use of penalties and sentences. Recently, studies on identifying the relationship of macroeconomic data and crime are becoming popular. In the Philippines, academics and public officials acknowledge the effect of macroeconomic factors such as urbanization, poverty, inflation, national income, and unemployment to criminal activities in the country. This study focuses on the identification of the aforementioned factors that have significant long run relationship with crime. Moreover, the study also took into account police visibility as a factor to be tested because it is stated in one of the older studies regarding the economics of crime. Statistically, macroeconomic data are difficult to regress directly because of its nonstationarity. In lieu of this problem, Johansen cointegration is used for the analysis for it specializes on variables that are nonstationary at level form but stationary at first level. Most of the data are taken from the national body governing the statistics of the country and World Bank. There are two models that are tested. The first model is the cointegration of crime as the exogenous variable with urban population growth, inflation, unemployment, and national income to represent urbanization in the Philippines. The second model took into account crime, inflation, secondary and tertiary education enrollment rate, police visibility, national income, and unemployment as a consolidated model to represent the opportunity cost in engaging in criminal activities. The results shown that in the first model, all variables of urbanization have long run relationship with crime except for national income. On the other hand, the second model's result showed that all variables that represent opportunity cost have long run relationship with crime except national income and tertiary education enrollment.