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Boom or bust: If recession comes, will crime rates rise?

Violence shakes stability of once prosperous and placid Japan

To Americans, such crimes have become all too familiar. A boy is stabbed to death in a junior high school. A woman shoots herself after killing a neighbor with a machine gun. A girl is kidnapped and abused. But these incidents happened in Japan, where until recently violent crime has been rare.

In 1999, however, crime in Japan grew at the fastest rate in two decades. Violent crime was up sharply. For most of the 1990s, Japan's once mighty economic engine has sputtered and stalled. In 1999, the unemployment rate stood at 4.7 percent, high by Japanese standards. Many blame the crime outbreak on the economic downturn, which they fear is eroding social stability.

The 1990s have been a different story in the United States, which has enjoyed a surging economy and a decline in crime. For more than seven years, serious crime has fallen, according to U.S. Department of Justice statistics. The last time robbery rates were so low was the 1960s. Murder is down by 33 percent since 1993.

Just as some Japanese see a connection between a rising crime rate and a stagnant economy, many in the United States link our falling crime rate to the economic boom. In a full-employment economy, the availability of jobs offers hope to many who might be drawn into a life of crime. Prosperity eases anxiety about income, bills and obligations. But the good times will not last forever.

When the economy slows, corporations and all of society must be prepared for a surge in crime.

Japan, Inc., was once touted as the economic model for the world. Close co-operation between government and business, a strong work ethic, technical expertise, and innovative management made Japan the world's second largest economy. Japanese companies became household names in automobiles and electronics. Large, stable companies offered most of the urban workforce lifetime employment. But the economic bubble burst in the early 1990s with a stock market collapse, and Japan's economy languished for much of the decade.

Then in July 1997, the devaluation of Thailand's currency triggered an economic crisis throughout Asia. Economic growth slumped, consumer spending dropped and investment stagnated.

Gross domestic product (GDP) fell approximately 4 percent across the region. The International Monetary Fund offered an aid package and pushed economic reforms. The Thai crisis worsened Japan's economic pain. GDP declined and consumer demand lagged despite rock-bottom interest rates. Japan's banks staggered under a load of bad debt. Several major companies went under. One Japanese economic expert predicts further shocks. He predicts that 10 percent of Japan's companies (300 companies, including 10 to 15 banks) will either fail or be taken over. Asahi Life Insurance Co. forecasts that companies may have to lay off more than 4 million workers, creating an unemployment rate above 10 percent.

Crime follows economy

Japanese crime rates appear to follow the economic news. During the economic boom of the late 1980s, serious crime dropped sharply. It rose again when the bubble burst in the early 1990s, leveled off when the economy did and then rose again last year as the economy sank. Last year, murder, arson, sexual assault and other serious crimes rose 15.5 percent, according to Japanese police statistics. Burglary and other serious theft rose 11 percent. The crime rate is still relatively low. In the United States, the murder rate is six times higher. But recent outbreaks of violence have shocked tradition-bound Japan, known for stability and low crime. Japanese unemployment hit 4.9 percent in February, a record high, and is more than 11 percent among Japanese aged 16-24, which are crime-prone years. Economic shocks and the calls for corporate restructuring have battered the Japanese social compact, with its guarantee of lifetime employment. The alarm about youth unemployment has prompted the government to appeal to companies to hire more recent high school and college graduates. A recent survey says that only 75 percent of university graduates are receiving job offers and only 47 percent with degrees from two-year colleges. Those are record lows.

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Traditionally, Japanese families have stressed education as the path to success. Young people endured long hours of study, rigorous exams and fierce competition for university spots in the hope of employment at a large corporation and a slow rise through the ranks. But a new phenomenon is raising concern. More and more Japanese teenagers are rejecting that life of obedience and self-denial. Instead of books and exams, many 15- to 18-year-olds are turning to late hours and night-clubbing. In 1999, 120,000 Japanese teens dropped out of high school, a 20 percent increase. So far, the teen scene is more involved with alcohol and sex than drugs and crime, but the break with tradition is clear. The director of a research institute says the sense of morality has weakened among Japanese youth. The traditional value system that guided society is being challenged. Coupled with the faltering economy and rising crime, the youthful rebellion creates a sense that the fabric of society is unraveling.

The social theory of anomie offers insight into the Japanese situation. The French sociologist Emile Durkheim (1858-1917) wrote that a social system experiences anomie when old values are no longer accepted and new values have not been formed. Some members of such a society experience futility, purposelessness and despair. Robert K. Merton, an American sociologist, expanded the concept to describe a society where acceptable means are inadequate to reach desirable ends, so some people turn to illegitimate means. If a society valued wealth as the highest goal but provided inadequate means for many to acquire wealth, the tension would impel some to violate acceptable norms of behavior. Delinquency, crime and suicide are often reactions to anomie.

While Japan struggles, the United States continues to enjoy the twin benefits of a growing economy and a falling crime rate. The longest expansion ever is still going strong. The GDP grew at a sizzling 7.3 percent annual rate in the fourth quarter of

1999, the fastest pace in 16 years. The unemployment rate edged up to 4.1 percent in February and stayed there in March, but still remained at a 30-year low. Productivity grew at a 6.4 percent rate in the fourth quarter, pushing productivity growth for the year to 3 percent, the best since 1992.

Meanwhile, crime in the United States fell 7 percent in 1998, the largest annual decline since crime started falling in 1992. Robbery declined 11 percent, followed by a 10 percent drop in car theft and an 8 percent drop in murder.

'Eases the transition'

"The boom in jobs is diminishing crime," according to Dr. Alfred Blumstein, a criminology professor at Carnegie Mellon University and the 1998 recipient of the Wolfgang Award for Distinguished Achievement in Criminology. The effects have reached into the high-crime, high-unemployment areas of the inner city. Even a minimum-wage job in a fast-food restaurant can teach young people necessary skills. "Legitimate employment is important for young people," Dr. Blumstein says. "It eases the transition from the recklessness of the teenage years to social control."

The economy is not the only reason for the drop in crime. Some say tougher policing, mandatory sentences and more prisons are responsible. Others credit demographic trends; the cohort of crime-prone young males is smaller than in past years. There is also a reduced demand for crack cocaine, which drove violent crime rates higher in the 1980s. When open-air drug markets were flourishing, young men were recruited into the criminal life. They wanted guns for protection and retribution. When the demand for drugs diminished and street markets shrank, gun violence also declined.

But the juvenile arrest rate remains troubling. Juvenile delinquency caused alarm in the 1960s when the arrest rate for youths aged 10 to 17 was only one-third of what it is today. Juveniles committed 137,000 more violent crimes in 1994 than they

did in 1985. Juveniles were responsible for much of the growth in rape and murder during that period.

When jobs are available, the life of crime is not as attractive. If the economy weakens, however, young people with their first jobs will be thrown back to the streets to find other opportunities to earn money. "The crime rate is affected by the absence of jobs," Dr. Blumstein says.

Dr. James Alan Fox, the Lipman Family Professor of Criminal Justice at Northeastern University, takes a different tack. He points out that a low-paying job can never compete with the purely material rewards of criminal enterprise. But he notes that good behavior is contagious; when obeying the law becomes the norm, breaking the law is less attractive. Dr. Fox notes that a recession could force government to cut funding of anti-crime programs. Police staffing, after-school programs and job-training could fall victim to a drop in tax revenues.

Trouble on the horizon?

Is there economic trouble ahead? The stock market has been volatile lately. The cheap oil and easy credit that have fueled the boom are fading. The Organization of Petroleum Exporting Countries has caused oil prices to triple in the last year. The Fed, concerned about inflation, has raised its key interest rate five times in eight months and promises future hikes. The Index of Leading Economic Indicators, which predicts short-term growth, fell by 0.3 percent in February, the largest one-month drop in four years. Rising oil prices and interest rates are a recipe for an economic slowdown.

Since December 1998, the prices of technology stocks on Standard & Poor's index have doubled, while non-computer companies have lagged. Nasdaq-traded companies comprise 40 percent of the market value of all publicly traded companies. A New Economy of technology and e-commerce companies is surging alongside the Old Economy of blue-chip companies. Even with low unem-

ployment, layoffs continue. Many companies are practicing what economists call "churning," the process of hiring and firing at same time.

Employees with outmoded skills are released; workers with technical skills are hired. The Labor Department's Bureau of Labor Statistics projects 1.57 million layoffs in 1999, up from 111,285 in 1989. Companies are reconstituting their workforces to meet the demands of the New Economy.

Over the edge

Capitalism brings unprecedented material gains, but as companies struggle to keep pace with technological change, lives are disrupted. A worker whose skills are no longer needed may take his anger out on his boss.

Even in prosperous times, companies must deal with the threat of disgruntled workers striking at co-workers or with domestic problems spilling over into the workplace. If the economy slumps, the risk will increase. Layoffs, firings or stock market losses generate anger and a feeling of powerlessness that can send at-risk individuals over the edge to violence. Managers and co-workers are in the cross-hairs. Last month in Texas, a car wash employee returned three days after he was fired for lewd behavior and fatally shot five former co-workers and critically wounded a sixth. In the summer of 1999, a day trader upset over losses in the market killed nine and wounded 13 at two brokerage houses in Atlanta.

Dr. Fox notes that workplace violence has not declined despite prosperity. "There's the phenomenon of relative deprivation," he said. "If someone feels an entitlement to rewards others are enjoying, if someone hears about good times but is not sharing in them, he can lash out with anger and resentment."

Since 1979, *The Lipman Report* has repeatedly warned of the danger of workplace violence and offered suggestions for dealing with the threat.

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Last month's report stressed the need for pre-employment screening to weed out potentially violent individuals. Job application information must be checked and verified. Once hired, employees must be treated fairly and with respect. Managers must be trained to spot and defuse trouble before it starts and to take threats seriously. When firings or layoffs occur, sensitivity is needed. Companies must be aware that the threat of workplace violence, already real in good times, will intensify in bad times.

A person's job is important, for psychological as well as financial reasons. People want to feel useful. They want the respect of others, earned by doing a job well. Psychologist Abraham Maslow (1908-1970) devised a hierarchy of human needs. First come physiological needs, such as food and water, and then comes the need for safety and security. Next, the desire for belonging and love arises. The next level is the need for self-esteem, which produces feelings of self-confidence and worth. Thwarting this need produces feelings of inferiority and helplessness and prevents a person from reaching the final step on the hierarchy, self-actualization.

For some workers, the economic expansion has coincided with their entire working lives. The last serious recession began in 1981 during Ronald Reagan's first term. Those who graduated from college after 1982 have seen year after year of compounded growth. In such a booming economy, the negative impact of a downturn will be magnified.

When a recession comes, those on the lower rungs of the economic ladder will be most vulnerable. Youths who are learning good habits at work could be lured by a life of crime. By 2006, the largest cohort of teenagers since 1980 will move into their at-risk years. Research has shown that boys raised in mother-only homes are twice as likely as their peers to commit serious crime. Of the males who turn 16 in 2006, 28 percent were born to unwed mothers.

We should make sure that funds for police, schools and social programs are not cut when tax revenues fall during a recession. Politicians, religious institutions and social service organizations must offer help to dysfunctional families. Teachers and ministers can provide role models.

What can corporations do? Minneapolis offers an example of a public-private partnership against violent crime. Stung by the label of "Murderapolis," corporations there joined forces to raise awareness and help law enforcement. By the next summer, the homicide rate plummeted. Corporations can adopt schools, establish scholarships and help mentor disadvantaged young people. Job training helps teenagers learn the skills to compete in today's high-technology world.

Corporations also should review their security arrangements. Wary clients and fearful employees are bad for business. A company that selects employees with care, manages them with skill and handles dismissals with sensitivity can reduce workplace violence. Whether the threat is from a disadvantaged youth or a disgruntled ex-employee, corporations cannot afford to ignore the danger.

If the economy collapses, the United States could take on aspects of a feudal society, divided into haves and have-nots. Those without their own security forces, plans and procedures will be targeted by the have-nots. When that happens, there will be unprecedented violence. Any company security director who does not have an emergency plan for this kind of crisis will be in the desperate position of playing catch-up football at the worst of times.



The Lipman Report Editors