

Is peniaphobia an incentive to crime?

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This article analysed the relationship between crime categories and unemployment rates using a set of panel data for 14 states in Malaysia with data spanning from 1982 to 2008. It is well documented that crime and unemployment are negatively related in Malaysia; the same is the case for both violent and property crime. Increases in unemployment rates cause the consumption expenditure to decrease, especially among households, hence, causing potential earnings from illegitimate activities to drop and discouraging a person from committing a crime. However, the significant properties of the *t*-statistics indicate that it is important to consider the labour market conditions in employing appropriate policies in fighting crime. That being said, unemployment can indirectly explain hunger, poverty, decreasing standards of life and economic downturn.

Keywords: unemployment; crime; panel data analysis; Malaysia

Introduction

The crime–unemployment nexus is one of the most antediluvian issues in the social science literature. However, consensus on the causal linkages between unemployment and crime has yet to be achieved.¹ Explaining crime in an economic model allows for the assumption of rational choice theory that outweighs costs (preparation, conviction and apprehension) and benefits (profits) before engaging in illegitimate activities.² Basically, the economics

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