

Strong and weak ties in employment and crime [☆]

Antoni Calvó-Armengol ^{a,b,c}, Thierry Verdier ^{c,d}, Yves Zenou ^{c,e,f,*}

^a ICREA, Universitat Autònoma de Barcelona, Department of Economics and Economic History,
Edifici B, 08193 Bellaterra (Barcelona), Spain

^b Université de Toulouse, France

^c CEPR, United Kingdom

^d Paris-Jourdan Sciences Economiques (PSE), Ecole normale supérieure, 48 boulevard Jourdan, 75014 Paris, France

^e Research Institute of Industrial Economics, Box 55665, 102 15 Stockholm, Sweden

^f GAINS, Université du Maine, France

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Abstract

This paper analyzes the interplay between social structure and information exchange in two competing activities, crime and labor. We consider a dynamic model in which individuals belong to mutually exclusive two-person groups, referred to as dyads. There are multiple equilibria. If jobs are badly paid and/or crime is profitable, unemployment benefits have to be low enough to prevent workers for staying too long in the unemployment status because they are vulnerable to crime activities. If, instead, jobs are well paid and/or crime is not profitable, unemployment benefits have to be high enough to induce workers to stay unemployed rather to commit crime because they are less vulnerable to crime activities. Also, in segregated neighborhoods characterized by high interactions between peers, a policy only based on punishment and arrest will not be efficient in reducing crime. It has to be accompanied by other types of policies that take into account social interactions.

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* Corresponding author. IUI, The Research Institute of Industrial Economics, Box 5501, 114 85 Stockholm, Sweden.

E-mail addresses: antoni.calvo@uab.es (A. Calvó-Armengol), verdier@pse.ens.fr (T. Verdier), yvesz@industrialeconomics.se (Y. Zenou).

1. Introduction

Social interactions and peer effects have proved to be crucial in various aspects of economic activities, including education, crime, smoking, teenage pregnancy, school dropout, etc. (see Durlauf, 2004, for a survey). In the present paper, we focus on the role of social contacts in crime and our main objective is to show how policies aiming at reducing crime are affected by the mode of socialization between agents.

For that, we distinguish between weak and strong ties in the pattern of social interactions.¹ Following Granovetter (1973), we consider that the strength of a social tie corresponds to the duration of a relationship. We define as *strong tie* a social relationship between two agents that is repeated over time (for example members of the same family or very close friends) and as *weak tie* a transitory social encounter between two persons.² We show that different modes of socialization affect differently the agents' incentives to enter either the labor or the crime market. The structure of social interactions thus affects the aggregate crime and employment level in the economy, and has consequences for the design of optimal crime policies.

To be more precise, we consider a model in which individuals belong to mutually exclusive two-person groups, referred to as *dyads*. Dyad members do not change over time so that two individuals belonging to the same dyad hold a *strong tie* with each other. However, each dyad partner can meet other individuals outside the dyad partnership, referred to as *weak ties* or random encounters. By definition, weak ties are transitory and only last for one period.

We then assume that individuals learn about crime opportunities by interacting with active criminals. These interactions can take the form of either strong or weak ties. The process through which individuals learn about crime behavior and opportunities results from a combination of a socialization process that takes place *inside* the family (in the case of strong ties) and a socialization process *outside* the family (in the case of weak ties). Bisin and Verdier (2000) refer to the former as *vertical* socialization and to the latter as *oblique* socialization. Both currently active criminals and potential criminals exert an influence over one another to commit offences by meeting each other. In contrast, we assume that individuals learn about job opportunities exclusively through employment agencies.³

We analyze the flows of dyads between states and characterize all the steady-state equilibria of this dynamic economy. For this purpose, we solve for the endogenous individual decisions to switch between the three possible statuses, that is, criminal, unemployed and employed. We work throughout with forward-looking agents, who anticipate fully the impact of their current decisions on their future opportunities and payoffs.

Four equilibria can emerge, that differ in their composition by agent's statuses. In one equilibrium, all agents are unemployed. We also find two polar equilibria composed either of criminals and unemployed agents, or employed and unemployed agents. Finally, a mixed equilibrium exists, where both criminals, employed and unemployed workers coexist. We characterize the ranges of exogenous parameter values for which each of those equilibria emerges. Multiple equilibria only arise for a particular range of values, where both a completely mixed economy and a degenerate economy composed solely of criminals can emerge.

¹ The impact of labor market outcomes on crime has been modeled in different ways (see in particular the recent contributions of İmrohoroğlu et al., 2000; Burdett et al., 2003; Verdier and Zenou, 2004) but the role of friends and peers on crime has received so far less attention (exceptions include Sah, 1991; Glaeser et al., 1996; Calvó-Armengol and Zenou, 2004; Silverman, 2004; Ballester et al., 2004, in press).

² Montgomery (1994) uses a similar model of weak and strong ties in the labor market.

³ For a model of job information gathering through social contacts, see Calvó-Armengol and Jackson (2004).

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