**UNEMPLOYMENT AND CRIME**

There is a common conception that the irregularities that occur in most countries, unemployment rates and crime rates are usually positively associated. Therefore, this study focuses on looking into this association to identify whether it is unemployment which causes crime or whether crime causes unemployment or if there are also third factors contributing to it. The main focus will be in the United States. The data used will be acquired from the Federal Bureau of Investigation and also from the bureau of the labour statistics so as to be able to estimate the unemployment and crime rate (Raphael & WinterEbmer, 2001).

**Statement problem**

Unemployment has a very great influence on the crime rate in the United States. This is because unemployment increase the level of poverty among the unemployed individuals thus causing them to opt for crime activities so as to be able to sustain their lives and boost their standard of living.

**Research objective**

To determine the effect of unemployment on the crime rates on the states found in the United States.

**Model formation**

The model that will be used is the two-way fixed effects model. This model will be used so as to avoid biasness that may occur due to omitted variables when checking for a correlation between the dependent and independent variables.it will involve the use of the following equation:

*y= β 0 + β 1 x 1 + β 2 x 2 + β 3 x 3 + β 4 x 4 + β 5 x 5 + u.*

**Data sources**

The data on unemployment and crime rates will be obtained from Federal Bureau of Investigation and the bureau of the labour statistics for the period of 2000 to 2016 for each U.S state. The dependent variable in this data will be the crime rate which will be divided into two categories that is, violent crime (i.e. rape, murder) and property crime (i.e. burglary). The independent variable on the other hand is the unemployment rates in the states found in the U.S.

The data will be analysed by the use of simple regression analysis whereby the crime rates (violent and property)will be selected for each state for the selected years as the dependable variable while the rate of unemployment for the selected year for each state was selected and used as the independent variable. The violent crime rates will be obtained from Federal Bureau of Investigation’s Uniform Crime Reporting System while that of unemployment rate for each state will be obtained from Bureau of Labor Statistics.

**Hypothesis**

There exists a positive correlation between unemployment and crime rates in the states of the U.S.

**Assumption of data**

During the study, a linearity should be observed in the parameters used and it should satisfy the model used which is *y= β 0 + β 1 x 1 + β 2 x 2 + β 3 x 3 + β 4 x 4 + β 5 x 5 + u.*

The assumption of random sampling should be satisfied during the study by using all variable population data from each variable.

The assumption of no perfect collinearity should be observed among the variables during the study.

The data contains zero condition mean.

The other assumption is homoscedasticity where the error term is expected to have same variance with the independent variable.

**Weakness of the data**

* The selection used in collecting data may be biased and may not be a good representation of the whole population.
* The statistics obtained may be exaggerated

**References**

Bausman, Kent and Goe, W. Richard. (2004). An Examination of the Link between Employment Volatility and the Spatial Distribution of Property Crime Rates. American Journal of Economics and Sociology.

Raphael, S., & WinterEbmer, R. (2001). Identifying the Effect of Unemployment on Crime. *Journal of Law and Economics, 44* (1), 259283.