

Review of “The Effect of Tourism on Crime in Italy: A Dynamic Panel Approach”
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Bianca Biagi, Maria Giovanna Brandano, and Claudio Detotto conduct a competent econometric analysis on the relationship between tourism and crime in Italy. They hypothesize that such a link exists because tourists expand the opportunities and are relatively safe targets for potential criminals. A panel data set covering the years 1985 to 2003 on all ninety-five provinces in Italy is used to test the hypothesis.

This investigation is worthwhile because tourism has been expanding rapidly in Italy generating significant revenues. Crime, especially crime targeted towards tourists, can be expected to deter tourists and hurt this valuable industry. Identifying the magnitude of the tourism's impact on crime could allow for proper enforcement investments.

Their econometric results identify a positive and statistically significant effect of tourism on aggregate crime rates. They control for all expected independent variables and verify the robustness of the results in both fixed effects and random effects specifications. Furthermore, they employ both an instrumental variable approach to control for the endogeneity of tourism due to high crime along with a GMM method to deal with serial correlation. Robust results arise.

After establishing their main result, they attack the additional issue of who is targeted with this additional crime. Is the propensity for victimization higher for the tourists? A novel approach is utilized to address this issue. They use data on the number of nights tourists are recorded to spend in a province to calculate an “equivalent population”, which includes both residents and tourists in a given province in a given year. The crime index is re-adjusted based on the equivalent population and the specifications are re-estimated.

They find that there is a similar impact of tourism on crime. They find that a one percent increase in tourism leads to a 0.019% increase in crime, measured as crimes per resident, or a 0.015% increase if measured in crimes per effective population.

An issue with interpretation arises with this result. They claim that the two estimates are close and, therefore, the criminal activity is equally felt by tourists and residents. Alternatively, one may argue that the impact of tourism is 27% percent higher $(0.019 - 0.015 / 0.015)$ for a resident-only versus an effective population. If this difference is significant, then the explanation for the link may be different than argued by the authors. This would imply that additional tourism increases crime and this crime is disproportionately felt by non-tourists. If this is correct,

then new questions arise. Are tourists causing crime against non-tourists. Is the additional wealth generated by residents from the tourist trade being targeted by criminals? Or is this just a selection effect; areas that tourists are finding especially attractive (due to some other third unobserved factor) are also those that criminals are finding attractive?

While the difference may not be statistically relevant, it does open up the possibility for much more research into the form of these effects. Individual-crime level data may be needed to address these issues or, at least, a decomposition of the aggregate crime into subcategories (e.g. separating purely violent crime like murder and assault from more economically motivated crimes such as robbery and burglary). Thus, the research conducted by Biagi, Brandano, and Detotto is a solid step in the direction of understanding a policy-relevant law and economic problem.