

Does Fear of Crime Affect Entrepreneurship?

Abstract

For some time, crime, stretching from disturbing behavior, petty theft, to more grave encroachment, has been reported to have become one of the most severe problems for business activities. The annual costs for enterprises exceed 100 billion SEK, i.e., twice the cost of the Swedish armed forces (Swedish Federation of Industries 2023). Using novel, previously unexploited forensic survey data collected by the Swedish police between 2005 and 2023 (Polisen 2023), we examine how local disorder and criminal activity affect residents' entrepreneurial activity. The questionnaire has been directed towards a representative sample of approximately 75 000 individuals each year in 58 municipalities in southern Sweden. The data encompasses various levels of verbal and physical disturbances to which individuals have been exposed. We combine this data with population register data to evaluate whether the decline in trust, perceived insecurity, latent threats, and committed crimes are related to entrepreneurial activities. Our preliminary results show that unsafe neighborhoods push individuals to start poorly performing new firms. The results indicate a mechanism of how neighborhood culture and local institutions can hamper unproductive entrepreneurial outcomes.