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## **Crime does pay, but we can't measure the costs**

September 11, 2006

By Quentin Wray

Cees Bruggemans, the First National Bank economist who earned the ire of the trade union movement a few years ago with his cogent analysis of why Chinese imports are, contrary to labour's claims, good for the economy, has done it again.

In a research note released last week, Bruggemans outlined some of the economic benefits of South Africa's rampant levels of crime. He is not talking about the actual commission of crimes, which are "a totally inefficient, often utterly destructive and devastating" form of wealth redistribution, which "directly levies a social tax on the community through the actions of possibly hundreds of thousands of people". But, he says, while the actual crime of stealing does not add economic value, many of its consequences most certainly do.

As we saw during the security strike, there is a veritable army of security guards out on the streets doing the job the police are too swamped to do properly. While they do not get paid very well on average - hence the strike - in the aggregate, this is a significant industry from a job creation perspective.

As a secure society "wouldn't necessarily have found reason to employ the additional hundreds of thousands so engaged, the act of crime has ensured the direct and indirect absorption of a part of society's labour surplus".

Another benefit of crime comes from retailers supplying replacements for what has been stolen. A few years ago, the number of cars stolen annually was about half of all new car sales. Assuming the number of stolen cars has remained roughly the same, the rapid increase in car sales means this ratio is probably down to 20 percent. This is still very high.

Add to this the cost of replacing personal effects, furnishings, cellphones, computers and electronic goods that have been nicked, and you have a massive, albeit entirely unnecessary, market.

Then count in the costs of high garden walls, burglar bars, security gates, intercoms, electric wires, lasers, alarm systems, sealed off suburbs, anti-hijack and vehicle tracking systems and bodyguards.

Bruggemans should not be seen as heartless or damned as unpatriotic and asked to leave. Like all good economists, he looks at the data and the evidence and does his analyses accordingly, even when the results are unpalatable.

And he makes a very valuable point that all of us who are interested in the workings of this economy should appreciate.

The upside of crime, such as jobs for security personnel and increased sales of certain products, is easy to see if we just care to look.

The downside, on the other hand, includes unseen costs such as anxiety-induced poor performance, emigration of skilled workers and the discouragement of foreign direct investment. These go by unrecorded in the economic aggregates, although, on aggregate, they could be costing the country untold billions in lost opportunities.

If the definition of crime is widened to include white-collar crimes, which Business Against Crime has estimated cost the country at least R40 billion a year, the costs are even greater.

Markets fail or take strain and economic performance is further undermined. Information gets distorted, scarce resources get squandered and grand plans come to nought.

And we are all the poorer for it, whether we can measure this or not.