

**The Proper Relationship between Public and  
Private Sectors in Crime Prevention**

**— Economic Approach to Correcting Public Sector Inefficiency —**

by **SANG AHN LEE Ph. D.**  
· Professor of police Administration,  
· Director of Research Institute  
for Police Science  
· Korea National Police College

## I. Introduction

### 1. The Growth of Crime: Selected Issues

Throughout the world crime is on the increase. The number of recorded crimes has grown dramatically over the period since the end of the World War II. What is more, the rate of growth of crime seems to be increasing.

The growth of crime has also become a major concern of Koreans.

In Korea between 1980 and 1989 the total number of offences increased by 95 percent (1980: 595,277 → 1989: 1,073,997)

Another feature of the growth in recorded crime is that property crime has tended to increase rather more rapidly than crimes of violence, including Sexual Crimes (as of 1989 in Korea, property Crime: 67.4 percent. Violence Crimes: 20.6 percent)

Simultaneously with the considerable increase in the number of recorded crimes have come substantial increases in manpower and expenditure allocated to law enforcement including crime prevention in all countries.

For example, between 1980 and 1990 in Korea expenditure and manpower on police services increased by 500 percent and 45 percent respectively.

**Table 1. Allocation of police resource by years**

	Unit	growth of resource	
		1980	1990
manpower (police officer)	person	56,003	80,026
expenditure (police budget)	million won (1\$: 759 won)	2,541,600	12,433,300
police budget/G.N.P	%	0.69	0.74

Similar increases were observed in other countries.

Society's response to increases in crime rates is likely to be an increased demand for police protection and for increased expenditure on the rest of the criminal justice system.

Another link between expenditure and crime is through the deterrent effect, if any, that increased resources for law enforcement may exert upon the crime rate.

Only part of any increase in expenditure, however, takes the form of increases in the output of law enforcement services.

Some of the increase is due to the rising cost of inputs. Many of Scholars (Bradford, Malt and Oates; 1969) argued that most of the increase in expenditure on police protection was due to rising unit costs rather than to increased output (productivity). A major input into policing is manpower.

Baumol (1967) also argued that in services such as police crime protection increase in productivity were difficult to achieve because it was difficult to substitute capital for labor in the production process.<sup>1)</sup>

Accordingly, it might be difficult to offset wage increases by introducing labor-saving innovations. The result is that unit costs of police protection rise relatively rapidly.

Another cause of the rising expenditures on law enforcement has been the steady drift of population into urban areas, where crime is heavily concentrated. Thus, Crime and its control is big business. Many of these issues are discussed later in this paper.

## 2. Purpose of the Study

The objective of this paper is to design a corporate response to crime and its prevention and a method for determining the proper relationship between a public sectors (police agencies) and private sectors (other public agencies) especially in Korea.

1) W.J. Baumol. The Macro-economics of unbalanced growth: The anatomy of urban crisis, American Economic Review, Vol. 57, pp. 415-416.

When faced with a variety of crime prevention activities, the government will base his choice for an activity on the characteristics of the available activities as well as on his expectation about them.

A major characteristics of an activity is its level of performance (effectiveness of crime prevention) which determines the amount of physical and mental effort required from the performer. And then the performer of crime prevention has traditionally been viewed by many citizens as only a government, public police agencies, provided by public law enforcement agencies.

The government police agencies, however, has faced many social political and economics problems in our society. Such police systems have also been associated with successful suppression of political dissidence and have traditionally developed in societies where the nation has been confronted with serious problem of organized, armed political unrest.

In addition to these problems, there are many problems of modern police organization.

### **First, Professionalization of the Police**

Bureaucratization of the police is, of course, importantly facilitated where public employment is highly regarded and well paid, and where police service can provide prestigious lifetime careers. It is under these circumstances that the necessary occupational morale are most likely to develop. In addition, the public police service occupations in general have not been of the highest prestige; this is generally the case in market-oriental societies which are traditionally devoted to the pursuit of private fortune and incentives. (the prestige of Korean police officer, as of 1991, is the lowest of 65.3 percent.)

### **Second, Patterns of Police Authority**

Under conditions of increased professionalization of police, the problems of internal discipline, efficiency, honesty, and respect for formal legislative are increasingly being unsolved especially in public sector inefficiency.

**Finally, Deployment of Police Resources**

Police operations vary greatly, depending on a number of factors in addition to those already mentioned.

Among these behavior, as well as its social organization; the degree to which uniformed police are expected to carry out the general functions of Crime prevention and regulation in areas other than dealing with crime and disorder. the nature and distribution of manpower (patrol service) and protection facilities in the urban area; and the relative use of mechanical and electronic aids in Crime detection and its prevention.

Those mentioned above is related to correcting alternative approach to public sector inefficiency, restricted allocation of police resources, and other major factors.

It is the private sector that has played a major role in crime prevention activities in the United States, Japan, and Korea.

It, like public police agencies, provides a broad range of product and services to (so called public goods) protect persons and property from injury, damage, hazards criminal acts and collective behaviors.

Today's provision of these public goods by private sector, for the prevention of crime and the maintenance of social disorder, is one of the largest growth industries of the century which is even relative smaller than those of public sectors.

**Table 2. Comparison for two Sectors**

(as of 1990)

	public police	private security
Number of employment	80,026	23.330 (312)
Amount of expenditure	12,433,300 (million won)	276 (million won)
Date of establishment	1945. 7	1978. 9

( ) : number of firms

However, despite this predominant role of private security in crime prevention, there are also many problems of modern private organizations.

The first is the optimization of Equity and Equality principle for crime prevention service.

The second is how to most effectively utilize the vast resources of the private sectors.

The finally is how to enhance competitive and complementary relationship between public sector and private security of crime prevention in urban area.

In order to improve closing relationship between two sectors this paper will design optimum size and corporate response system to crime prevention.

### 3. Scope and Limitation

One of the central focus in this study is the relative effectiveness between public sector and private security of crime prevention activities in urban community of Korea and other similar level of countries.

In this paper, public sector means the police agencies primarily to the crime prevention and law enforcement, and the other hand, private sector means other public agencies primarily to the private security firm's crime prevention and maintaining social disorder in restricted area.

Data used in this paper were obtained from government office and other literatures and were analyzed in view of three aspects of this study (1) to determine the efficiency and equity. What, if any, size of optimum of perceived effectiveness can be assigned to efficiency and equity bases.

- (2) What, if any, rank order of perceived emphasis by citizens can be assigned to the two rule bases and how this order compares to the rank order of perceived effectiveness.
- (3) Whether the rank order of perceived effectiveness of crime prevention vary systematically with the type of agency and certain other variables such as age, educational level, salary and tenure.

As noted above, this study attempts to assess the effectiveness of crime prevention on the two bases of efficiency and equity rule and to design the proper relationship (including size of two sectors) between two sectors in order to maximize it.

Like most social research, it relies on not positive methodology, but a literature study and given data analysis. This is a limitation of this study.

## **II. Theoretical Background**

### **— Provision for Police Service —**

#### **1. Conceptual Literature**

The very fact that efficiency and equity rule is the most important factors in crime prevention gives some indications that these two factors must be viewed as an important consideration in crime prevention.

This concept is important in sociological, psychological, legal and economic frameworks particularly as it pertains to competitive complementary relationship.

The concept of equity requires that an equilibrium exists in the relationship among high income ranks and lower income ranks across all societies.

Hence, it is a social process. Equity or fairness is also perceptually evaluated; and as such is a psychological process.

It is the social aspect meaning in economic and sociological frameworks of equity or fairness that will be dealt with here.

#### **2. The theory of Police Public Goods**

The theory of public goods (or social goods) provides a rationale for the allocation of budget policy.

Although difficult to resolve, it is of central importance to the economics of public sectors, just as the theories of the consumer household and of the firm are at the core of private sector economics.

As noted above, this study attempts to assess the effectiveness of crime prevention on the two bases of efficiency and equity rule and to design the proper relationship (including size of two sectors) between two sectors in order to maximize it.

Like most social research, it relies on not positive methodology, but a literature study and given data analysis. This is a limitation of this study.

## **II. Theoretical Background**

### **— Provision for Police Service —**

#### **1. Conceptual Literature**

The very fact that efficiency and equity rule is the most important factors in crime prevention gives some indications that these two factors must be viewed as an important consideration in crime prevention.

These concept is important in sociological, psychological, legal and economic frameworks particularly as it pertains to competitive complementary relationship.

The concept of equity requires that an equilibrium exists in the relationship among high income ranks and lower income ranks across all societies.

Hence, it is a social process. Equity or fairness is also perceptually evaluated; and as such is a psychological process.

It is the social aspect meaning in economic and sociological frameworks of equity or fairness that will be dealt with here.

#### **2. The theory of Police Public Goods**

The theory of public goods (or social goods) provides a rationale for the allocation of budget policy.

Although difficult to resolve, it is of central importance to the economics of public sectors, just as the theories of the consumer household and of the firm are at the core of private sector economics.

My task in this part is to extend the principles of efficient resource use to the public sector.

Efficiency of resource use here as in the private sector can help us in seeking the best answers. The task is to design a mechanism for the provision of public goods, police services. (See Table 3)

**Table 3. Comparison Public good with Private goods**

	public goods	private goods
· characteristics	· nonrival consumption · nonexcludability · externalities	· rival consumption · excludability
· provision	· need for budget	· not need budget
· example	· police service	· market for T.V

Thus, generally public police services is called pure public goods and that private agencies services is classified Quasi public goods.

The characteristics of Quasi public goods can be provided both of public and private sector. These police services of the social-good type will be dealt with "mixed goods, which fall in between the polar cases of purely private and purely social goods.

Finally, we have a useful threefold classification of the economy's goods and services in the police force. The first includes those that are individually consumed. The second includes those that are collectively consumed. The third is made up of semi-collectively consumed goods and services.

Collectively consumed goods and services lie at the opposite pole from those that are individually consumed. Services like national defence or crime prevention contribute to the welfare of the group to which we belong, but it is not possible to pick out the part of the benefit that accrues specifically to any one person.

An additional characteristics of a collectively consumed goods is that once it is provided individual can be excluded from its benefit.

On the other hand. Semicollectively consumed goods and services yield identifiable benefits to the one who consumes them, but their consumption by one person yields spillover benefits to other persons.

A great many items that people consume and which yield direct benefits to them also yield benefits to other as the consumption occurs. (primary education, cigarette smoking in a classroom. Crime prevention by private security)

### 3. Reflections on Public Expenditure Theory

The component functions of the budget as R.A. Musgrave brings them into focus are: (1) The service, or want-satisfying: to provide for the satisfaction of those individual wants which the market mechanism cannot satisfy effectively or is incapable of satisfying (e.g. defense and justice)

(2) the income-transfer or distributional function

(3) the stabilization function<sup>2)</sup>

Given a framework mentioned above for straight thinking about budget functions the economist is brought face to face with two questions that come closer to the central problem of the proper sphere of Government activity.

First, where competitive bidding via the pricing mechanism is inapplicable, how are the preferences of voters for governmental services to be revealed, measured, and appropriately financed?

Second, waiving the question of measurement of preferences, where would the line between public and private control over resources be drawn if economic efficiency were the only criterion to be implied?

On the first question, insofar as it relates to individual preferences for public goods, economists have agreed on the nature and difficulty of the problem, and have concluded that it is next to insoluble

But the amount of a public good or service (say, of defense, police protection

2) R.A. Musgrave and P.B. Musgrave, public Finance in Theory and Practice 3ed. McGraw-Hill Kogakusha Ltd. (1980, pp. 6-16)