MACROECONOMICS

More Banks, Less Crime? The Real and Social Effects of Bank Competition

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Using a unique sample of commercial loans and mergers between large banks, this paper provides microlevel (within-county) evidence linking credit conditions to economic development and finds a spillover effect on crime.

The findings suggest neighborhoods that experienced more bank mergers are subjected to higher interest rates, diminished local construction, lower prices, an influx of poorer households, and higher property crime in subsequent years. The elasticity of property crime with respect to merger-induced banking concentration is 0.18 in the researchers' results.

The authors report that in the years immediately following deregulation of branching restrictions within a state, they found decreases in banking concentration, loan rate reduction, increasing loan provision, rising prices and real activity, and declining crime rates.

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