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A Von Thünen Model of Crime, Casinos and Property Values in New Jersey

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Abstract

Urban economic models suggest that, *ceteris paribus*, land values diminish with distance from a central business district (CBD) which 'produces' employment, income and other amenities. A new industry like casino gaming may have jobs and increased income associated with it. These amenities will induce an increase in property values. The size of that increase diminishes with distance from the city centre. The new industry may have the negative by-product of crime, which is hypothesised to have a reversed, although systematic, effect upon land values. That is, it pays to live in the hinterlands far from the source of crime. Thus, theoretically, the net effect of amenities as a function of distance from the central city is ambiguous. Applying the model to Atlantic City shows that the casinos have brought jobs, additional income and greater real estate values to the region, but the positive impact diminishes with distance from the city centre. However, crime has increased at a rate greater than that which existed prior to the casinos. The cost of crime resulting from casinos, as reflected in unrealised assessed real estate valuation, appears to be on average \$5.2m per square mile in 1986 (current prices) in the South Jersey area. For an average community in the area it would amount in 1986 to a total of approximately \$105m.

Articles citing this article

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