

## **CRIME AND ESTABLISHMENT SIZE: EVIDENCE FROM SOUTH AMERICA**

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### **ABSTRACT**

Establishment exposure to crime is a frequent occurrence and a severe impediment to business operation in developing economies. We present a simple theory for the frequency and severity of crime across establishment size and evaluate its central predictions using micro-data. We find that high expectation of crime at the establishment level is strongly associated with lower sales, labor and capital. Consistent with our theory, crime has a differential role across size and is less prevalent among the smallest and largest establishments. When evaluated relative to major distortions to production highlighted in developing economies, crime remains important for explaining establishment size.

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