

## ONLINE APPENDIX. SUPPLEMENTARY MATERIAL

Table A1. Variables, operationalization, and data sources

<b>Variables</b>	<b>Operationalization</b>	<b>Data Source</b>
<i>Dependent Variables</i>		
<b>Crime incidence</b>	Binary variable indicating whether the firm experienced any losses in the past one year as a result of theft, robbery, vandalism, or arson	World Bank's Enterprises Survey (WBES)
<b>Crime losses (%)</b>	Losses from theft, robbery, vandalism, or arson plus security expenses as a percentage of sales revenue	
<i>Independent Variable</i>		
<b>Income Inequality</b>	Gini Coefficient, measuring inequality in a range of 0 to 1 <i>Alternative measures (for robustness tests)</i>	World Bank's Equity Database
	The income share of the richest 10% of the population in national income.	World Bank's Equity Database
<i>Moderating Variables</i>		
<b>Trust</b>	Indicates the fraction of people who indicated that "most people can be trusted"	World Values Survey & Global Barometer Survey
	<i>Instrument for trust (for robustness tests)</i> <i>Political values polarisation</i> measures the degree of polarisation in political values of the population in six domains related to free choice and control; left/right orientation; income redistribution; private vs. government ownership; individual freedom vs. government support, and free market competition. Each indicator has responses ranging between 1 and 10, from which an Esteban and Ray measure of polarisation is computed using the latest available data from European and World Values Surveys. Political polarisation is measured using the average value of polarisation across the six indicators. In line with Beugelsdijk & Klasing (2006), we also control for the country-average of the political values indicators in addition to the polarisation measure.	European and World Values Surveys
<b>Linguistic Fractionalization</b>	A measure of linguistic diversity based on the inverse of the Herfindahl Index. Indicates the probability that two randomly selected individuals in a country will not belong to the same ethnic group.	Alesina et al. (2003)

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*Alternative measures (for robustness tests)*

Herfindahl Index, as above, but from an alternative data set.

Desmet et al. (2012)

Linguistic Polarization, a measure of polarization, whereby greater weight is given when there are linguistic groups of equal size

Desmet et al. (2012)

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***Control Variables***

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**Poverty rate**

The percentage of the population living on less than \$1.90 a day at 2011 international prices, which is the World Bank's international poverty line.

World Development Indicators Database (WDI)

**GDP per capital**

GDP per capita in Purchasing Power Parity

**GDP growth**

Annual growth rate of income per capita (in PPP)

**Inflation rate**

Annual changes in consumer price index

**Rule of law**

This is a standardized, survey-based indicator of a country's (perceived) level of rule of law, including contract enforcement and control of crime.

World Bank's Governance Indicators Database

**Control of corruption**

This is a standardized, survey-based indicator of a country's (perceived) level of corruption control from public officials.

**Secondary-school enrolment**

Total enrolment in secondary education, regardless of age, expressed as a percentage of the population of official secondary education age.

WDI

**Youth unemployment**

The share of the labour force ages 15-24 without work but available for and seeking employment.

WDI, based on ILO calculations

**Firm Age**

Years elapsed since the establishment of firm

WBES

**Firm Size**

Number of permanent employees in the firm

WBES

**Public firm (binary)**

Indicates if the firm is (partially) state owned

WBES

**Foreign firm (binary)**

Indicates if the firm is (partially) foreign owned

WBES

**Exporting firms (binary)**

Indicates if the firm exports its products.

WBES

**Security payment (binary)**

Indicates whether the firm paid security expenses in the past one year for "equipment, personnel, or professional security services."

WBES

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Table A2: Robustness check: First stage (OLS) predicting trust levels

	Dependent variable: Interpersonal trust								
	Model 1			Model 2			Model 3		
	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value
Political polarization	-0.207	0.047	0.000	-0.121	0.056	0.036	-0.114	0.054	0.041
Political values (average)	0.022	0.029	0.457	0.016	0.031	0.602	0.044	0.032	0.170
Poverty rate				-0.067	0.082	0.416	0.016	0.112	0.885
Log (GDP pc)				0.030	0.036	0.402	0.044	0.034	0.200
GDP pc growth				0.009	0.015	0.558	0.008	0.017	0.641
Inflation				0.001	0.002	0.684	-0.000	0.001	0.905
Rule of law				-0.012	0.050	0.812	-0.084	0.051	0.103
Control of corruption				0.025	0.064	0.694	0.096	0.069	0.168
Gini							-0.614	0.194	0.003
Fractionalization							0.057	0.056	0.317
Observations	72			70			65		
R-squared	0.141			0.199			0.355		

Note: Robust standard errors are given in parentheses. We included in the regressions both the measure of polarization and the average *levels of responses* for political values, following Beugelsdijk & Klasing (2016). This approach is needed because political values themselves, in addition their dispersion, can influence trust. Moreover, dispersion measures are significantly correlated with average values (coefficient = 0.39; p-value = 0.04).

Table A3: Robustness check: Second stage (probit) using predicted values of trust

	Dependent variable: Crime incidence					
	Model 1			Model 2		
	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value
Poverty rate	0.519	0.115	0.000	0.465	0.119	0.000
Log (GDP pc)	-0.182	0.041	0.000	-0.096	0.052	0.063
GDP pc growth	-0.116	0.009	0.000	-0.103	0.011	0.000
Inflation	0.005	0.001	0.000	0.005	0.001	0.000
Rule of law	0.047	0.081	0.562	-0.098	0.095	0.301
Control of corruption	0.101	0.082	0.218	0.234	0.093	0.012
Log (Firm age)	0.035	0.014	0.011	0.033	0.014	0.015
Log (Firm size)	0.065	0.007	0.000	0.065	0.007	0.000
Public dummy	0.094	0.058	0.105	0.101	0.057	0.079
Foreign dummy	0.013	0.021	0.533	0.006	0.021	0.792
Exporter dummy	-0.050	0.019	0.007	-0.052	0.019	0.005
Security payment	0.390	0.016	0.000	0.393	0.016	0.000
Gini	4.187	0.530	0.000	2.218	0.745	0.003
Predicted trust	5.524	1.023	0.000	3.940	1.127	0.000
Gini X Predicted trust	-8.910	2.173	0.000	-8.366	2.146	0.000
Linguistic frac.				-0.767	0.211	0.000
Gini X Linguistic frac.				2.207	0.559	0.000
Industry dummies	Inc.			Inc.		
Year dummies	Inc.			Inc.		
Observations	89,475			89,475		

Notes: Trust is explained using an indicator of values polarization, Gini, and all cross-country control variables. The results of the first-stage model for predicting trust are reported in Table A2 (above)

Table A4. Robustness check: Probit estimation using income shares of the richest top 10 percent

	Dependent variable: Crime incidence											
	Model 1			Model 2			Model 3			Model 4		
	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value
Poverty rate	0.455	0.081	0.000	0.548	0.086	0.000	0.398	0.081	0.000	0.493	0.085	0.000
Log (GDP pc)	-0.070	0.021	0.001	-0.058	0.023	0.012	-0.060	0.021	0.005	-0.047	0.023	0.044
GDP pc growth	-0.098	0.007	0.000	-0.098	0.007	0.000	-0.097	0.007	0.000	-0.096	0.007	0.000
Inflation	0.005	0.001	0.000	0.005	0.001	0.000	0.006	0.001	0.000	0.006	0.001	0.000
Rule of law	-0.142	0.054	0.008	-0.165	0.061	0.006	-0.142	0.054	0.009	-0.168	0.059	0.005
Control of corruption	0.273	0.053	0.000	0.292	0.060	0.000	0.280	0.055	0.000	0.295	0.059	0.000
Log (Firm age)	0.043	0.012	0.000	0.034	0.012	0.005	0.043	0.012	0.000	0.033	0.012	0.007
Log (Firm size)	0.069	0.006	0.000	0.073	0.006	0.000	0.067	0.006	0.000	0.071	0.006	0.000
Public dummy	0.082	0.051	0.107	0.103	0.052	0.049	0.082	0.053	0.121	0.107	0.054	0.046
Foreign dummy	0.019	0.017	0.285	0.006	0.018	0.726	0.015	0.018	0.384	-0.002	0.019	0.895
Exporter dummy	-0.032	0.017	0.069	-0.031	0.018	0.082	-0.030	0.018	0.087	-0.030	0.018	0.097
Security payment	0.397	0.014	0.000	0.395	0.014	0.000	0.401	0.014	0.000	0.399	0.014	0.000
Income share, top 10%	1.868	0.179	0.000	2.865	0.469	0.000	1.099	0.329	0.001	1.891	0.459	0.000
Trust				1.632	0.709	0.021				2.150	0.711	0.003
Income share, top 10% X Trust				-6.157	2.291	0.007				-7.927	2.311	0.001
Linguistic frac.							-0.284	0.179	0.113	-0.590	0.200	0.003
Income share, top 10%X Linguistic frac.							1.484	0.522	0.004	2.532	0.582	0.000
Industry dummies	Inc.			Inc.			Inc.			Inc.		
Year dummies	Inc.			Inc.			Inc.			Inc.		
Observations	114,202			107,484			110,437			103,988		

Notes: The standard errors (s.e.) are corrected for potential correlations among firms within the same country-industry clusters.

Table A5: Robustness check: Probit estimation using alternative measures of fractionalization

	Dependent variable: Crime incidence											
	Model 1			Model 2			Model 3			Model 4		
	Coeff.	s.e.	p value	Coeff.	s.e.	p value	Coeff.	s.e.	p value	Coeff.	s.e.	p value
Poverty rate	0.320	0.084	0.000	0.411	0.088	0.000	0.355	0.086	0.000	0.406	0.090	0.000
Log (GDP pc)	-0.103	0.023	0.000	-0.092	0.024	0.000	-0.098	0.023	0.000	-0.098	0.024	0.000
GDP pc growth	-0.097	0.007	0.000	-0.093	0.008	0.000	-0.101	0.007	0.000	-0.099	0.008	0.000
Inflation	0.005	0.001	0.000	0.006	0.001	0.000	0.005	0.001	0.000	0.006	0.001	0.000
Rule of law	-0.085	0.053	0.109	-0.072	0.058	0.214	-0.086	0.056	0.127	-0.075	0.063	0.230
Control of corruption	0.215	0.052	0.000	0.194	0.058	0.001	0.223	0.056	0.000	0.212	0.061	0.001
Log (Firm age)	0.043	0.012	0.000	0.034	0.012	0.005	0.041	0.012	0.001	0.031	0.012	0.009
Log (Firm size)	0.068	0.006	0.000	0.073	0.006	0.000	0.068	0.006	0.000	0.072	0.006	0.000
Public dummy	0.076	0.052	0.146	0.100	0.054	0.061	0.085	0.052	0.106	0.108	0.054	0.044
Foreign dummy	0.006	0.017	0.709	-0.013	0.018	0.493	0.013	0.017	0.443	-0.004	0.018	0.844
Exporter dummy	-0.043	0.018	0.016	-0.043	0.018	0.015	-0.038	0.018	0.031	-0.037	0.018	0.040
Security payment	0.403	0.014	0.000	0.401	0.014	0.000	0.401	0.014	0.000	0.397	0.014	0.000
Gini	0.176	0.270	0.516	1.075	0.379	0.005	0.846	0.286	0.003	2.012	0.394	0.000
Linguistic frac. alt.	-1.071	0.194	0.000	-1.463	0.216	0.000						
Trust				2.670	0.660	0.000				2.765	0.698	0.000
Gini X Linguistic frac. alt.	2.671	0.425	0.000	3.618	0.471	0.000						
Gini X Trust				-7.841	1.669	0.000				-7.617	1.734	0.000
Linguistic polarization							-0.666	0.249	0.007	-0.907	0.269	0.001
Gini X Linguistic polarization							1.639	0.563	0.004	2.281	0.613	0.000
Industry dummies	Inc.			Inc.			Inc.			Inc.		
Year dummies	Inc.			Inc.			Inc.			Inc.		
Observations	113,014			106,297			113,014			106,297		0.00

Notes: The standard errors reported in parentheses are corrected for potential correlations among firms within the same country-industry clusters.

Table A6. Robustness check: OLS estimations using the percentage of annual revenue related to crime losses and security expenses

	Dependent variable: Crime losses (%)														
	Model 1			Model 2			Model 3			Model 4			Model 5		
	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value
Poverty rate	2.828	0.287	0.000	2.326	0.875	0.009	2.540	0.328	0.000	2.127	0.313	0.000	2.435	0.335	0.000
Log (GDP pc)	0.124	0.078	0.111	0.068	0.237	0.775	0.134	0.085	0.117	0.097	0.082	0.237	0.172	0.086	0.046
GDP pc growth	-0.214	0.015	0.000	-0.214	0.036	0.000	-0.197	0.016	0.000	-0.216	0.014	0.000	-0.193	0.016	0.000
Inflation	-0.006	0.004	0.191	-0.001	0.015	0.948	-0.001	0.004	0.747	0.002	0.005	0.718	0.001	0.004	0.839
Rule of law	-0.589	0.133	0.000	-0.444	0.375	0.239	-0.552	0.145	0.000	-0.443	0.135	0.001	-0.569	0.147	0.000
Control of corruption	0.055	0.116	0.639	-0.099	0.282	0.727	-0.031	0.118	0.795	-0.089	0.116	0.443	-0.023	0.124	0.851
Log (Firm age)	0.015	0.029	0.599	0.002	0.036	0.952	-0.010	0.029	0.733	0.010	0.028	0.714	-0.004	0.029	0.900
Log (Firm size)	-0.167	0.015	0.000	-0.168	0.037	0.000	-0.158	0.014	0.000	-0.155	0.015	0.000	-0.145	0.014	0.000
Public dummy	1.176	0.287	0.000	1.227	0.737	0.099	1.213	0.297	0.000	1.224	0.291	0.000	1.251	0.304	0.000
Foreign dummy	0.033	0.056	0.550	0.012	0.092	0.899	0.018	0.059	0.752	0.015	0.057	0.798	0.011	0.059	0.857
Exporter dummy	0.169	0.049	0.001	0.183	0.118	0.123	0.174	0.049	0.000	0.187	0.050	0.000	0.180	0.050	0.000
Security payment	1.565	0.049	0.000	1.559	0.141	0.000	1.530	0.050	0.000	1.539	0.049	0.000	1.507	0.050	0.000
Gini				3.190	1.002	0.002	3.611	0.896	0.000	1.270	0.618	0.040	2.109	0.971	0.030
Trust							1.310	1.388	0.345				2.510	1.287	0.051
Gini X Trust							-6.452	3.709	0.082				-9.062	3.457	0.009
Linguistic frac.										-1.444	0.465	0.002	-1.552	0.463	0.001
Gini X Linguistic frac.										4.740	1.135	0.000	4.934	1.112	0.000
Industry dummies	Inc.			Inc.			Inc.			Inc.			Inc.		
Year dummies	Inc.			Inc.			Inc.			Inc.			Inc.		
Observations	111,213			111,213			104,640			107,604			101,297		
R-squared	0.066			0.068			0.069			0.071			0.071		

Notes: Crime losses include positive losses by firms that experienced crime and zero losses by firms that did not. The standard errors reported in parentheses are corrected for potential correlations among firms within the same country-industry clusters.

Table A7. Robustness checks: Probit estimates controlling for educational and employment opportunities

	Dependent variable: Crime incidence											
	Model 1			Model 2			Model 3			Model 4		
	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value
Secondary-school enrolment	-0.337	0.080	0.000	-0.566	0.098	0.000	-0.239	0.079	0.003	-0.487	0.097	0.000
Youth unemployment	-0.774	0.134	0.000	-0.554	0.128	0.000	-1.083	0.153	0.000	-0.849	0.136	0.000
Poverty rate	0.201	0.086	0.020	0.217	0.101	0.032	0.182	0.083	0.028	0.254	0.091	0.005
Log (GDP pc)	-0.026	0.025	0.295	0.014	0.029	0.624	-0.029	0.026	0.254	0.023	0.029	0.435
GDP pc growth	-0.108	0.007	0.000	-0.103	0.008	0.000	-0.106	0.007	0.000	-0.098	0.008	0.000
Inflation	0.006	0.001	0.000	0.007	0.001	0.000	0.008	0.001	0.000	0.009	0.001	0.000
Rule of law	-0.098	0.052	0.058	-0.136	0.059	0.020	-0.093	0.052	0.071	-0.143	0.057	0.013
Control of corruption	0.282	0.052	0.000	0.325	0.059	0.000	0.287	0.053	0.000	0.334	0.059	0.000
Log (Firm age)	0.034	0.012	0.004	0.025	0.012	0.037	0.032	0.012	0.009	0.022	0.013	0.089
Log (Firm size)	0.072	0.006	0.000	0.077	0.006	0.000	0.069	0.006	0.000	0.075	0.006	0.000
Public dummy	0.107	0.053	0.044	0.124	0.055	0.023	0.102	0.055	0.063	0.122	0.056	0.029
Foreign dummy	0.012	0.018	0.502	0.001	0.019	0.975	0.006	0.018	0.736	-0.014	0.019	0.471
Exporter dummy	-0.039	0.018	0.028	-0.038	0.018	0.033	-0.043	0.018	0.016	-0.044	0.018	0.016
Security payment	0.397	0.014	0.000	0.397	0.014	0.000	0.403	0.014	0.000	0.403	0.014	0.000
Gini	1.783	0.159	0.000	3.120	0.420	0.000	0.569	0.247	0.021	1.940	0.378	0.000
Trust				2.545	0.727	0.000				3.508	0.715	0.000
Gini X Trust				-7.564	1.832	0.000				-10.349	1.839	0.000
Linguistic frac.							-1.060	0.193	0.000	-1.466	0.207	0.000
Gini X Linguistic frac.							2.912	0.437	0.000	3.956	0.465	0.000
Industry dummies	Inc.			Inc.			Inc.			Inc.		
Year dummies	Inc.			Inc.			Inc.			Inc.		
Observations	109,543			102,891			106,230			99,846		

Notes: The reported standard errors (s.e.) are corrected for potential correlations among firms within the same country-industry clusters.



Table A8. Robustness checks: OLS estimations using the average crime incidence at regional level

	Dependent variable: Average crime incidence														
	Model 1			Model 2			Model 3			Model 4			Model 5		
	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value
Poverty rate	0.177	0.034	0.000	0.109	0.035	0.002	0.121	0.036	0.001	0.126	0.037	0.001	0.142	0.038	0.000
Log (GDP pc)	-0.015	0.010	0.143	-0.021	0.010	0.028	-0.012	0.011	0.266	-0.016	0.010	0.106	-0.006	0.011	0.545
GDP pc growth	-0.030	0.003	0.000	-0.029	0.002	0.000	-0.025	0.003	0.000	-0.029	0.002	0.000	-0.023	0.003	0.000
Inflation	0.002	0.001	0.004	0.002	0.001	0.000	0.003	0.001	0.000	0.002	0.001	0.000	0.003	0.001	0.000
Rule of law	-0.006	0.023	0.808	0.030	0.023	0.186	0.034	0.026	0.186	0.037	0.024	0.128	0.045	0.028	0.102
Control of corruption	0.067	0.023	0.003	0.029	0.023	0.206	0.016	0.027	0.550	0.022	0.024	0.370	0.003	0.029	0.921
Gini				0.461	0.065	0.000	1.100	0.148	0.000	0.566	0.100	0.000	1.175	0.168	0.000
Trust							1.158	0.241	0.000				1.290	0.268	0.000
Gini X Trust							-3.003	0.613	0.000				-3.299	0.682	0.000
Linguistic frac.										0.116	0.075	0.123	-0.001	0.081	0.994
Gini X Linguistic frac.										-0.264	0.186	0.156	0.009	0.198	0.962
Observations	654			654			595			624			567		

Note: Robust standard errors (s.e.) are reported in all models.

Table A9. Robustness checks: OLS regression estimations using the average crime incidence at regional level and alternative measures of fractionalization

	Dependent variable: Average crime incidence											
	Model 1			Model 2			Model 3			Model 4		
	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value
Poverty rate	0.120	0.038	0.002	0.156	0.039	0.000	0.096	0.036	0.009	0.095	0.038	0.012
Log (GDP pc)	-0.025	0.010	0.012	-0.011	0.011	0.309	-0.023	0.010	0.023	-0.016	0.011	0.139
GDP pc growth	-0.027	0.003	0.000	-0.018	0.003	0.000	-0.028	0.002	0.000	-0.024	0.003	0.000
Inflation	0.003	0.001	0.000	0.003	0.001	0.000	0.003	0.001	0.000	0.003	0.001	0.000
Rule of law	0.030	0.022	0.176	0.041	0.025	0.105	0.027	0.022	0.225	0.036	0.026	0.164
Control of corruption	0.025	0.022	0.268	-0.002	0.027	0.950	0.029	0.022	0.191	0.011	0.027	0.690
Gini	0.295	0.118	0.013	0.939	0.170	0.000	0.376	0.145	0.010	1.011	0.175	0.000
Linguistic frac. alt.	-0.189	0.087	0.031	-0.335	0.092	0.000						
Trust				1.367	0.263	0.000				1.398	0.273	0.000
Gini X Linguistic frac. alt.	0.361	0.206	0.081	0.640	0.216	0.003						
Gini X Trust				-3.607	0.668	0.000				-3.591	0.685	0.000
Linguistic polarization							-0.095	0.118	0.420	-0.230	0.117	0.051
Gini X Linguistic polarization							0.134	0.300	0.656	0.548	0.298	0.066
Observations	638			579			638			579		
R-squared	0.340			0.408			0.336			0.388		

Table A10. Robustness checks: Mixed-effects probit estimations

	Dependent variable: Crime incidence														
	Model 1			Model 2			Model 3			Model 4			Model 5		
	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value
Poverty rate	0.664	0.283	0.019	0.388	0.274	0.156	0.717	0.279	0.010	0.459	0.298	0.123	0.770	0.289	0.008
Log (GDP pc)	-0.095	0.070	0.176	-0.128	0.067	0.056	-0.016	0.067	0.811	-0.103	0.070	0.144	0.012	0.071	0.869
GDP pc growth	-0.099	0.021	0.000	-0.099	0.019	0.000	-0.082	0.020	0.000	-0.095	0.019	0.000	-0.075	0.019	0.000
Inflation	0.005	0.005	0.291	0.007	0.004	0.075	0.007	0.003	0.022	0.007	0.004	0.062	0.008	0.003	0.009
Rule of law	-0.152	0.131	0.246	-0.032	0.120	0.788	-0.100	0.152	0.510	-0.016	0.133	0.907	-0.138	0.165	0.401
Control of corruption	0.311	0.129	0.016	0.187	0.119	0.117	0.224	0.151	0.139	0.181	0.136	0.181	0.273	0.170	0.108
Log (Firm age)	0.030	0.013	0.022	0.030	0.013	0.024	0.028	0.013	0.035	0.031	0.014	0.024	0.028	0.014	0.036
Log (Firm size)	0.082	0.009	0.000	0.082	0.009	0.000	0.084	0.010	0.000	0.079	0.010	0.000	0.080	0.010	0.000
Public dummy	0.042	0.098	0.668	0.043	0.098	0.660	0.056	0.102	0.588	0.041	0.102	0.685	0.057	0.105	0.585
Foreign dummy	-0.030	0.023	0.198	-0.030	0.023	0.197	-0.027	0.025	0.277	-0.028	0.024	0.238	-0.025	0.025	0.329
Exporter dummy	-0.070	0.025	0.005	-0.069	0.025	0.005	-0.071	0.025	0.005	-0.064	0.025	0.013	-0.064	0.026	0.014
Security payment	0.380	0.019	0.000	0.380	0.019	0.000	0.384	0.020	0.000	0.379	0.020	0.000	0.384	0.021	0.000
Gini				1.831	0.407	0.000	3.172	0.824	0.000	2.439	0.739	0.001	3.196	0.966	0.001
Trust							2.575	1.164	0.027				2.432	1.259	0.053
Gini X Trust							-7.952	3.111	0.011				-0.075	0.034	0.026
Linguistic frac.										0.665	0.565	0.240	0.282	0.577	0.625
Gini X Linguistic frac.										-1.424	1.239	0.250	-0.004	0.013	0.772
Industry dummies	Inc.			Inc.			Inc.			Inc.			Inc.		
Year dummies	Inc.			Inc.			Inc.			Inc.			Inc.		
Observations	114,202			114,202			107,484			110,437			103,988		
Number of groups	115			115			96			108			90		

Note: Robust standard errors (s.e.) are reported.

Table A11. Post-hoc analysis of foreign-owned firms

	Dependent variable: Crime incidence														
	Model 1			Model 2			Model 3			Model 4			Model 5		
	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value
Poverty rate	0.330	0.157	0.036	0.142	0.161	0.377	0.495	0.179	0.006	0.173	0.161	0.283	0.539	0.182	0.003
Log (GDP pc)	-0.115	0.043	0.008	-0.137	0.043	0.002	-0.062	0.050	0.217	-0.113	0.044	0.010	-0.033	0.052	0.526
GDP pc growth	-0.057	0.012	0.000	-0.063	0.012	0.000	-0.050	0.014	0.000	-0.068	0.013	0.000	-0.053	0.015	0.000
Inflation	0.005	0.002	0.017	0.006	0.002	0.002	0.006	0.002	0.003	0.008	0.002	0.000	0.007	0.002	0.001
Rule of law	0.077	0.078	0.324	0.133	0.079	0.093	0.115	0.091	0.205	0.146	0.083	0.078	0.103	0.094	0.272
Control of corruption	0.082	0.075	0.275	0.033	0.076	0.667	0.010	0.087	0.906	0.044	0.081	0.583	0.033	0.092	0.720
Log (Firm age)	-0.001	0.029	0.980	-0.005	0.029	0.872	-0.015	0.030	0.623	0.002	0.029	0.958	-0.010	0.031	0.749
Log (Firm size)	0.094	0.012	0.000	0.097	0.012	0.000	0.109	0.012	0.000	0.098	0.012	0.000	0.112	0.013	0.000
Public dummy	0.226	0.087	0.009	0.243	0.087	0.005	0.266	0.089	0.003	0.236	0.087	0.007	0.265	0.090	0.003
Exporting dummy	-0.113	0.034	0.001	-0.110	0.034	0.001	-0.108	0.034	0.002	-0.113	0.034	0.001	-0.113	0.035	0.001
Security payment	0.429	0.042	0.000	0.420	0.042	0.000	0.395	0.045	0.000	0.406	0.043	0.000	0.374	0.046	0.000
Gini				1.368	0.273	0.000	2.166	0.548	0.000	1.621	0.558	0.004	1.586	0.782	0.043
Trust							2.327	0.911	0.011				2.175	0.926	0.019
Gini X Trust							-7.161	2.389	0.003				-6.393	2.442	0.009
Linguistic frac.										0.541	0.395	0.171	0.043	0.407	0.915
Gini X Linguistic frac.										-0.749	0.925	0.418	0.583	0.957	0.542
Industry dummies	Inc.			Inc.			Inc.			Inc.			Inc.		
Year dummies	Inc.			Inc.			Inc.			Inc.			Inc.		
Observations	11,220			11,220			10,283			10,799			9,890		

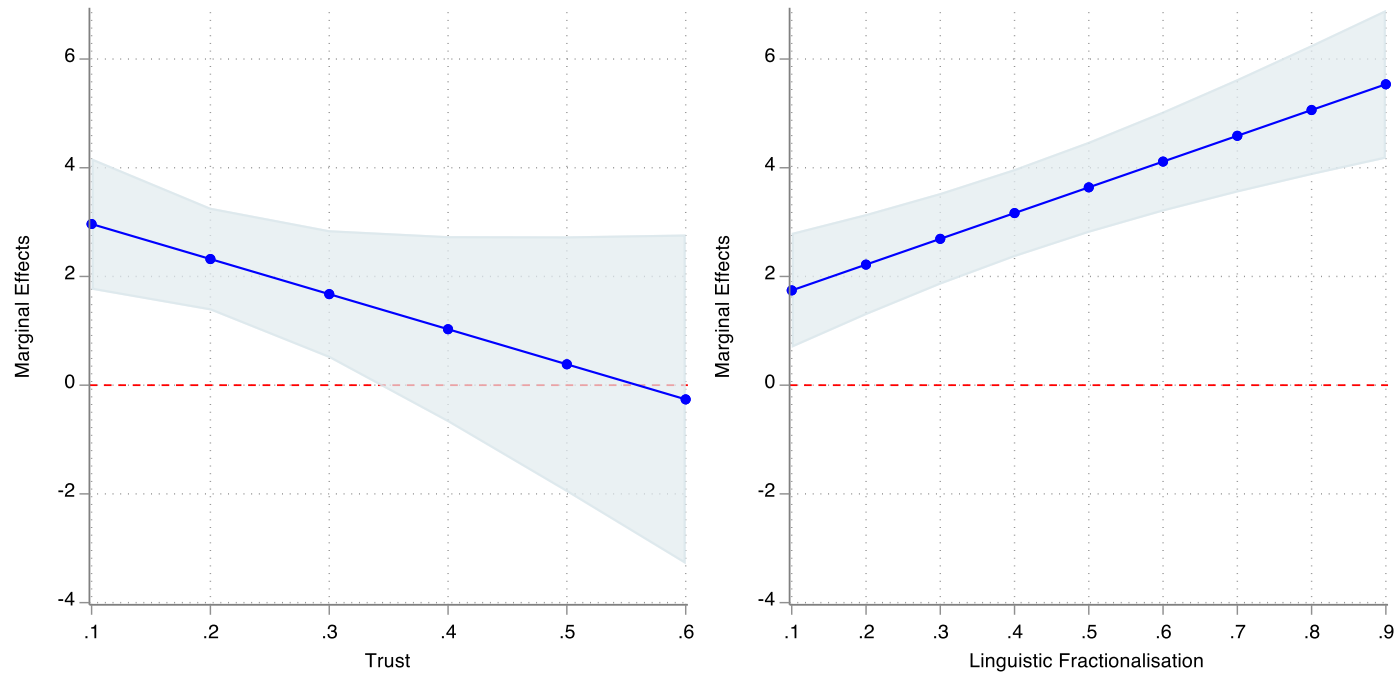
Note: The reported standard errors (s.e.) are corrected for potential correlations among firms within the same country-industry clusters.

Table A12. Post-hoc analysis of exporting firms

	Dependent variable: Crime incidence														
	Model 1			Model 2			Model 3			Model 4			Model 5		
	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value	Coeff.	s.e.	<i>p</i> value
Poverty rate	1.227	0.161	0.000	0.958	0.168	0.000	0.966	0.181	0.000	0.905	0.154	0.000	0.952	0.166	0.000
Log (GDP pc)	-0.009	0.039	0.815	-0.048	0.040	0.228	-0.057	0.044	0.193	-0.015	0.040	0.717	-0.013	0.044	0.769
GDP pc growth	-0.096	0.011	0.000	-0.104	0.011	0.000	-0.105	0.012	0.000	-0.102	0.011	0.000	-0.100	0.011	0.000
Inflation	0.002	0.002	0.323	0.004	0.002	0.045	0.004	0.002	0.025	0.005	0.002	0.006	0.005	0.002	0.004
Rule of law	-0.074	0.075	0.320	-0.009	0.077	0.907	-0.016	0.088	0.854	-0.024	0.076	0.757	-0.039	0.085	0.647
Control of corruption	0.147	0.070	0.035	0.104	0.073	0.153	0.129	0.084	0.123	0.126	0.070	0.073	0.152	0.081	0.059
Log (Firm age)	0.108	0.023	0.000	0.103	0.023	0.000	0.093	0.024	0.000	0.093	0.024	0.000	0.084	0.024	0.001
Log (Firm size)	0.026	0.010	0.008	0.026	0.010	0.006	0.030	0.010	0.002	0.030	0.010	0.002	0.034	0.010	0.001
Public dummy	0.221	0.071	0.002	0.242	0.071	0.001	0.262	0.072	0.000	0.246	0.071	0.001	0.265	0.073	0.000
Foreign dummy	0.004	0.027	0.878	-0.006	0.027	0.821	-0.018	0.028	0.507	-0.012	0.028	0.659	-0.027	0.029	0.354
Security payment	0.355	0.029	0.000	0.354	0.028	0.000	0.354	0.030	0.000	0.345	0.029	0.000	0.343	0.030	0.000
Gini				1.450	0.238	0.000	2.057	0.525	0.000	0.293	0.402	0.466	0.732	0.584	0.210
Trust							1.135	0.827	0.170				1.176	0.791	0.137
Gini X Trust							-3.227	2.277	0.156				-3.092	2.147	0.150
Linguistic frac.										-0.367	0.292	0.209	-0.450	0.293	0.124
Gini X Linguistic frac.										1.824	0.695	0.009	2.084	0.702	0.003
Industry dummies	Inc.			Inc.			Inc.			Inc.			Inc.		
Year dummies	Inc.			Inc.			Inc.			Inc.			Inc.		
Observations	22,224			22,224			21,253			21,383			20,461		

Note: The reported standard errors (s.e.) are corrected for potential correlations among firms within the same country-industry clusters.

Figure A1. The Marginal Effects of Income Inequality on the Percentage Share of Revenue Losses from Crime and Security Expenses



Notes: Comparing a country at the first quartile in the distribution of trust (0.13) with one at the third quartile (0.26), the marginal effect of inequality on crime losses declines from 2.8 per cent to 1.9 per cent, or a one-percentage point in sales revenue. In contrast, the marginal effect of inequality more than doubles (from 2.2 percent to 4.7 percent) as linguistic fractionalization increased from the first quartile (0.19) to the third (0.72).