

## Economics of Crime

**Spring 2017**

**Location:** Copenhagen

**Major Disciplines:** Economics

**Faculty Member:** Kristian Sørensen

**Program Director:** Susanne Hovmand

**Program Assistant:** Owen Coffin

**Class:** Tuesday and Fridays, 13:15-14:35

**Classroom:** V10-A32

### Course Description

Economic principles can explain every part of the criminal justice system and many of the motivations behind criminal acts. Laws create incentives for people to act in certain ways.

In the course you will learn to use the economist's tools to examine:

- the costs of crime and crime prevention to society and the individuals in it;
- the behavior of criminals and potential criminals;
- the markets for crime and criminal behavior and the goods and services that are produced in them;
- organized crime and key international crime issues;
- public policies and the need for coordinating criminal justice systems at the international level.

Throughout the course comparative experience and cases in punitive measures and crime prevention arrangements in the US and Denmark will be introduced

### Learning Objectives

At the end of this course you should be able to:

- Understand the complexity of the economics of crime and the debates surrounding the ways and means to deal with crime
- Gain knowledge of various models of the economics of crime, and their application in terms of crimes against property and persons as well as against crimes without victims.
- Gain factual knowledge of the economic allocation of criminal justice system, including the main institutional actors, the policy framework, and operational challenges in punishment and prevention
- Ability to critically address current international problems of the economics of crime, as well as their underlying theoretical and systemic underpinnings

### Course Requirements and Grading

This is an intermediate level economics class and requires that you have taken basic microeconomics and macroeconomics courses.

The key reference textbooks for the course are:

- D. Hellman and N. Alper, Economics of Crime, 6<sup>th</sup> edition, Pearson Publishing, 2006 (“HA”)
- Supplementary readings from
  - B.L. Benson and R.L. Zimmermann Handbook on the Economics of Crime, Edward Elgar Publishing 2010 (“BZ”) and
  - P.L. Reichel and Jay Albanase: Handbook of Transnational Crime and Justice, Sage Publications 2013 (“RA”)

Additional references, a rich number of case studies and class slides will be introduced, available electronically at the DIS Forum. **The grading allocation** will be as follows:

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|------------------------------|------|
| Participation                | 25 % |
| Mid-term short answer test   | 25 % |
| Comparative research project | 30 % |
| Expert Article               | 20%  |

Your participation grade will be determined by 3 factors: **attendance, preparedness for class, and active engagement** in lectures and other class activities. **You are required to attend each and every class.** If you miss a class, you must contact an instructor as soon as possible and provide an explanation. The assigned readings for each lecture should be read **prior** to the lecture. We will often randomly call on students to answer questions about the assigned readings and have unannounced short quizzes at the beginning of class. Here is a suggestion: as you read the assigned readings, write down 2 or 3 things that strike you about the reading, such as some key findings, interesting arguments, questions you have etc. Then review your notes once you arrive in class. You are expected to **actively engage** in class by asking questions, making comments, sharing ideas, etc. Learning is a two way road and the more you talk in class, the more the instructors will learn about how well you understand the material being presented, how to tailor and focus the course material, etc.

In addition to home work assignments, the students will complete a comparative research project and write an “expert article” based on their research.

**Computer policy:** Laptop computers are allowed in class ONLY for note-taking purposes. Any other use will have a negative impact on your final grade. Furthermore, any student violating this policy will not be allowed to continue using their laptop in class for the remainder of the semester.

**Academic Honesty:** Plagiarism and Violating the Rules of an Assignment - DIS expects that students abide by the highest standards of intellectual honesty in all academic work. DIS assumes that all students do their own work and credit all work or thought taken from others. Academic dishonesty will result in a final course grade of “F” and can result in dismissal. The students’ home universities will be notified. DIS

reserves the right to request that written student assignments be turned in electronic form for submission to plagiarism detection software. See the Academic Handbook for more information, or ask your instructor if you have questions.

**Attendance:** You are expected to attend all DIS classes when scheduled. If you miss multiple classes the Director of Teaching and Learning, and the Director of Student Affairs will be notified and they will follow-up with you to make sure that all is well. Absences will jeopardize your grade and your standing at DIS. Allowances will be made in cases of illness, but in the case of multiple absences you will need to provide a doctor's note.

**Disability and Resource Statement:** Any student who has a need for accommodation based on the impact of a disability should contact the Office of Academic Support to coordinate this. In order to receive accommodations, students should inform the instructor of approved DIS accommodations within the first two weeks of classes.

Economics of Crime Lecture Outline

| Lec # | Date       | Topic  | Assigned Reading   | Key learning objectives   | Instructor |
|-------|------------|--|--|---|------------|
| 1     | January 20 | Introduction:<br>Basic concepts and statistics of the economics of crime | <p>HA Chapter 1 pp, 1-29</p> <p>Browse through the following databases on crime</p> <ol style="list-style-type: none"> <li>1. <i>FBI Uniform crime reports</i><br/><a href="http://www.fbi.gov/about-us/cjis/ucr/ucr">http://www.fbi.gov/about-us/cjis/ucr/ucr</a></li> <li>2. <i>Bureau of Justice Statistics</i><br/><a href="http://www.bjs.gov/">http://www.bjs.gov/</a></li> <li>3. <i>National Institute of Justice</i><br/><a href="http://nij.gov/Pages/welco me.aspx">http://nij.gov/Pages/welco me.aspx</a></li> <li>4. <i>Interpol crime areas</i><br/><a href="http://www.interpol.int/Cri me-areas">http://www.interpol.int/Cri me-areas</a></li> <li>5. UNODC<br/><a href="http://www.unodc.org/uno dc/index.html?ref=menutop">http://www.unodc.org/uno dc/index.html?ref=menutop</a></li> </ol> | <p>Fundamental understanding of crime statistics</p> <p>Course overview: Structure, contents, learning objectives, grading process</p> <p>The forces driving crime and ways of looking at crime</p> <p>Student assignments on comparative international statistical findings.</p> | KS         |
| 2     | January 24 | Crime definition, and economic costs of crime, international comparisons | <p>HA Chapter 2 pp.31-35 and pp. 51-52</p> <p><i>McCollister et .al:</i> The costs of crime to society 2010, NIH pp 1-26</p>   | <p>Valuation of the costs of crime.</p> <p>Calculation methods and estimation</p> <p>Individual estimates of different types of crime</p>   | KS         |
| 3     | January 27 | Economic impact and the rationality of crime                             | <p>HA Chapter 2 pp.35-50</p> <p><i>Robert Cooter and Thomas Ulen: An Economic Theory of Crime and Punishment</i> 2012 in <i>Law &amp; Economics</i>, Pearson 6/e pp. 449-56</p> <p><i>David D. Friedman: Law's Order: An Economic Account</i> Chapter 1 og 19 pp. 1-21</p>   | <p>The impact of crime</p> <p>Understanding the essential economics of crime.</p> <p>Is crime rational and law efficient?</p> <p>Economic analysis to explain the motivation of illegal activity</p> <p>The case of assault</p>   | KS         |

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|   |            |  | Princeton University Press<br>2000.  |  |    |
| 4 | January 31 | <p>Economic model of criminal behavior:</p> <p>Opportunity costs of crime, cost-benefit analysis, probabilities and sensitivity analysis</p> | <p>HA Chapter 3 pp.53-70 and pp. 73-83</p> <p>The supply of crime</p> <p><i>Robert Cooter and Thomas Ulen: An Economic Theory of Crime and Punishment</i> 2012 in Law &amp; Economics, Pearson 6/e pp. 456-80</p> <p><i>The Telegraph: Organ trafficking a deadly trade</i> May 2013</p> <p><i>Wikipedia:</i><br/><a href="http://en.wikipedia.org/wiki/Organ_trade">http://en.wikipedia.org/wiki/Organ_trade</a></p> <p>Supplementary reading for nerds:<br/><i>Gary S. Becker's</i> article from 1968 "Crime and Punishment: An economic approach" p 169-217</p> | <p>The supply of crime.</p> <p>Income redistribution and dead-weight loss to society as a consequence of crime. Social measures to reduce crime.</p> <p>Opportunity costs of victims', criminals', and prisoners' time; the fear of being victimized; and the cost of private deterrence.</p> <p>The case of international kidney transplants.</p> | KS |
| 5 | February 3 | <p>The Burden of Crime:<br/>Economic allocation of criminal justice system<br/>Cost comparisons of prison and corrections systems</p>        | <p>HA Chapter 3 pp. 70-73<br/>HA Chapter 4 pp.85-109</p> <p>Supplementary reading:<br/>Readings from BZ 2010:<br/><i>Jonathan Klick et. al.:</i> Police, prisons and punishment pp. 127-144<br/>And<br/><i>Thomas B. Marvell: Prison population and crime</i> pp. 145-74</p> <p>BJS correction statistics:<br/><a href="http://www.bjs.gov/index.cfm?ty=tp&amp;tid=1">http://www.bjs.gov/index.cfm?ty=tp&amp;tid=1</a></p>   | <p>Expenses of the legal system, victim losses, and crime-prevention agencies.</p> <p>Cost comparisons of prison and corrections systems, prison populations and rates of incarceration.</p> <p>The costs and benefits of alternative forms of surveillance.</p> <p>The case of police profiling<br/>The case of Christiania</p>                   | KS |

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| 6 | February<br>14               | The market model of crime applied to crimes against persons  | <p>HA Chapter 6 pp. 147-70</p> <p>Murder in the US and the death penalty<br/><i>Poul R. Zimmerman:</i><br/>The economics of capital punishment and deterrence<br/>pp. 381-431 in <i>BZ</i> 2010</p> <p>BJS special report:<br/>Female Victims of Sexual Violence, 1994-2010</p> <p>The price of violence against women in Denmark.<br/><i>Karin Helweg-Larsen:</i><br/>Analysis of the costs to society. SIF publication 2010</p> | <p>Societal costs of crimes against persons calculated and discussed.</p> <p>Death penalty calculations.</p> <p>The case of IPV costs to society</p> <p>Sexual violation on Campuses</p>   | KS |
|   | February<br>15<br>8:30-12:30 | Field study day  | <p>Fixing room and Methadone clinic at Halmtorvet: helping heroin addicts</p> <p>The counselling centre: protecting trafficked prostitutes in Copenhagen</p>  | Facing up to trafficking for prostitution and drug abuse in Copenhagen   | KS |
| 7 | February<br>17               | The market model of crime applied to crimes against property | <p>HA Chapter 5 pp. 147-70</p> <p><i>Robert Cooter and Thomas Ulen:</i><br/>An Economic Theory of Contract Law<br/>pp. 267-97<br/>Economics, Pearson 6/e</p>  | <p>Property markets analyzed in terms of the distribution of the burden of crime from estimating elasticities and relative demand and supply.</p> <p>The Coase transaction costs theorem-<br/>The economics of contract law using bargain and game theory.</p> | KS |

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| 8  | February 21 | The market model of Crimes without victims                              | HA Chapter 7 pp. 147-70<br>Societal costs of victimless crimes and public policies.  | The case of prostitution<br><br>Understanding the mechanism of financial and corporate crime. Economic analysis of corruption scrutinized and related to societal growth.  | KS |
| 9  | February 24 | Written short answer test   |  |  | KS |
| 10 | March 7     | Introduction to transnational crime                                     | Media room viewing of "Traffic"  | Drug trade between the US and Mexico   | KS |
| 11 | March 10    | Illegal markets and organized crime                                     | HA Chapter 9 pp. 237-56<br><br><i>UNODC Transnational Organized Crime Threat Assessment 2010: Key findings on Transnational Organized Crime (TOC) pp. V-VI, 1-18 and 25-36</i>   | Economic problems with organized crime in illegal markets exemplified by human trafficking and drug trafficking.<br><br>The case of Mexican cartels  | KS |
| 12 | March 14    | Key international crime issue: Economics of drug trading and drug abuse | HA Chapter 8 pp. 191-236<br>The economics of heroin<br><br><i>UNODC: World Drug Report 2013 pp. 1-48<br/>World Drug Report 2015 pp. 1-79<br/><br/>Organized Crime Threat Assessment 2010: The heroin trade routes pp. 109-26 and</i> | Size and structure of the market for selected illegal drugs in the US and Denmark, origin of the drug, who does trafficking, its users, related arrests, and spending on prevention<br><br>The case of heroin and Europe<br>The case of cocaine and the US | KS |

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|    |          |   | The impact of the transnational heroin market on stability pp. 243-60  |  |    |
| 13 | March 17 | The economic effects of legalizing a selected drug                | <p><i>Global Commission on Drug policy 2011: War on drugs</i> 1-24</p> <p><i>UK Institute of social and Economic research: Licensing and regulation of the cannabis market - Towards a cost-benefit analysis.</i> 2011 pp.62-104</p>   | <p>Benefits and costs of drug legalization and dynamic effects on public health, order, tax revenues, and criminal justice spending.</p> <p>The economic case of Legalizing Marihuana</p>  | KS |
| 14 | March 28 | New psychoactive substances and trafficking in synthetic drugs    | <p>UNODC 2014 global synthetic drugs assessment: amphetamine-type stimulants and new psychoactive substances, pp. 1-11, 19-33 and 49-57</p> <p>2014 New psychoactive substances review, pp. 3-17 and 52-54</p>   | <p>The growth of synthetic drug abuse and their economic impact. The effectiveness and issues of current legislative and operational response and ongoing challenges</p> <p>The case of the spreading NPS abuse and drawing the line between prescription abuse and criminal abuse</p> | KS |
| 15 | March 31 | Key international crime issue: The economics of human trafficking | <p><i>Andrea Di Nicola: Trafficking in Persons and smuggling of Migrants</i> pp.143-164 in RA 2013</p> <p><i>Organized Crime Threat Assessment 2010: Trafficking in persons</i> pp.39-52</p> <p><i>Interpol:</i><br/><a href="http://www.interpol.int/Crime-areas/Trafficking-in-human-beings/Trafficking-in-human-beings">http://www.interpol.int/Crime-areas/Trafficking-in-human-beings/Trafficking-in-human-beings</a></p> | <p>Causes of human trafficking, characteristics and organization of these criminal activities, their impact for victims and the economic mechanism and scale. Scenarios for economic counter measures.</p> <p>The case of boat people crossing over the Mediterranean Sea</p>          | KS |



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| 16 | April 4                  | Key international crime issue: White collar crimes   | <p><i>PWC biennial Global Economic Crime Survey: Economic crime: people, culture and controls</i> 2007 pp. 3-26<br/>And<br/><i>Economic crime thriving in the downturn</i> 2009 pp. 4-17</p> <p><i>Krugman et. al.:</i> International banking and the international capital market, pp. 620-5 in <i>International Economics</i> 2012</p> | <p>Understanding the new avenues of international economic crime</p> <p>The case of business fraud<br/>The case of insider trading</p>                                | KS |
|    | April 5<br>13:00 - 17:00 | Field Study  | Marihuana use and trading in Copenhagen  | Visiting Christiania from the inside  | KS |
| 17 | April 7                  | Key international crime issue: Corruption and Money laundering   | <p><i>Fred S. McChesney:</i> The economic analysis of corruption pp. 218-43 2010 in <i>BZ</i></p> <p><i>Krugman et. al.:</i> International banking and the international capital market, pp. 620-5 in <i>International Economics</i> 2012</p>  | <p>The case of corruption</p> <p>The case of off-shore financial markets.<br/>The Panama papers</p>   | KS |
| 18 | April 11                 | The economics of crime prevention<br>Crime prevention policies in Denmark from an economic perspective | <p><i>Kristian Sørensen:</i> Crime prevention – introductory concepts pp. 1-5 2013</p> <p><i>Rasmus Højbjerg Jacobsen:</i> Hands-on Guide to Cost-Benefit-Analysis</p>   | Crime prevention program effects and potential benefits. Population data, program cost elements, benefits arriving from reduced costs in the penal and social system. | KS |

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|    |          |  | <p>of Crime Prevention Efforts pp. 1-24 CEPR June 2013</p> <p><i>Rambøll:</i><br/>Economic consequences of work with children at risk in the Danish social system pp. 1-44 2012 (Slides in English)The Danish Crime Prevention Council</p> <p>Publications in English<br/><a href="http://www.dkr.dk/category/publications/alle-materialer/materialer-p%C3%A5-engelsk">http://www.dkr.dk/category/publications/alle-materialer/materialer-p%C3%A5-engelsk</a></p>   | <p>Crime prevention program effects and potential benefits. Population data, program cost elements, benefits arriving from reduced costs in the penal and social system.</p> <p>The cases of cost and benefits from Danish crime prevention policies</p> |    |
| 19 | April 18 | Key international crime issue: Situational Crime Prevention (SCP) and cyberspace crime | <p><i>Beebe and Rao:</i><br/>SCP Theory to Explain Effectiveness of Information Systems Security pp. 1-17 2005</p> <p><i>Interpol:</i><br/><a href="http://www.interpol.int/Crime-areas/Cybercrime/Cybercrime">http://www.interpol.int/Crime-areas/Cybercrime/Cybercrime</a></p> <p>Cyberspace crime<br/><i>Russell G. Smith:</i><br/>Transnational Cybercrime pp. 119-38 in <i>RA 2013 Organized Crime Threat Assessment 2010:</i><br/>Identity theft pp. 205-9<br/><i>World Economic Forum Organized Crime Report:</i><br/>Enablers of cybercrime pp. 8-13 2012</p> | <p>SCP applied to Cyberspace crime and hacking: information systems security and computer intrusion fraud.</p> <p>The case of bitcoins and money laundering</p>  | KS |
| 20 | April 21 | Key international crime issue: International weapons trade                             | <p><i>Mike Bourne:</i><br/>Transnational trafficking in weapons<br/>PP 85-100 from <i>RA 2013</i></p>   |  | KS |

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|    |          | and<br>issues of<br>Coordinating<br>criminal justice<br>systems at the<br>international<br>level | <i>Organized Crime<br/>Threat Assessment 2010:</i><br>Firearms pp. 129-148<br><i>The Way of the Gun:</i><br>Estimating Firearms<br>Traffic Across<br>the U.S.-Mexico Border<br>SDU March 2013<br><i>Matti Joutsen:</i><br>International Instruments<br>of Cooperation pp. 1-32<br><i>Gorazd Meško and Robert<br/>Furman:</i><br>Police and Prosecutorial<br>Cooperation pp. 1-36 | The case of trans-border<br>weapon trading<br>between Mexico and<br>the US<br><br>Cooperation<br>mechanisms and<br>operations to counter<br>transnational crime.<br>Case stories |    |
|    | April 21 | Deadline for<br>comparative<br>study paper at<br>24:00 hours                                     |  |  |    |
| 21 | April 25 | Comparative<br>Research<br>Project<br>Presentations  | 4 Student research<br>groups present their<br>findings based on<br>economic models used in<br>the course   | Topical economic crime<br>issues presented in a<br>comparative<br>international context  | KS |
| 22 | April 28 | Comparative<br>Research<br>Project<br>Presentations  | 4 Student research<br>groups present their<br>findings based on<br>economic models used in<br>the course   | Topical economic crime<br>issues presented in a<br>comparative<br>international context  | KS |
|    | April 30 | Deadline for<br>individual<br>Expert Articles<br>at 24:00 hours                                  |  |  | KS |

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| 23 | May 2    | Final contributions based on individual student Expert Articles | Discussion of conclusions drawn by course participants on contemporary issues regarding economics of crime | Key issues emanating from student learning process. | KS |
| 24 | May 5    | Reserved for Make-up lecture                                    |  |   | KS |
|    | May 8-11 | Finals Week   |  |   |    |

Schedule is subject to change if necessary with as much notice as possible