



## Workshop on Economics of Crime

RIDGE - Al Capone

### Introduction

In 1968, Gary Becker from the University of Chicago put forward a controversial idea: criminals were just like other people. In order to understand crime from an economic perspective, he established that criminals, as anybody else, try to maximize their own welfare. That means offenders and potential offenders choose between legal and illegal activities in order to get as much utility as possible. Despite the criticism that he received, that idea opened a new study area in Economics, which is called the “Economics of Crime”. Nowadays, that area includes a broader spectrum of topics, such as rehabilitation and crime protection and it has provided policy makers with scientific evidence to support their decisions.

Crime is a major concern for Latin America. Drug markets, juvenile crime and insecurity come to mind when referring to this continent. The workshop aimed to provide knowledge and tools to help understand and fight these problems, discussing the subjects currently studied in this area.

### Event

From March 23<sup>rd</sup> to 24<sup>th</sup>, economists and specialists from around the world participated in the event “RIDGE/Al Capone - Workshop on Economics of Crime”. ALCAPONE (America Latina Crime and Poverty Network) is a network that aims to study crime. It is part of the LACEA (Latin America and the Caribbean Economic Association) Network. The event was opened by Ph. D. Daniel Nagin from Carnegie Mellon University, a well-recognized criminologist; and it was closed by a policy debate attended not only by economists but also specialists from the Uruguayan government. The Workshop included ten studies; general and theoretical works like the existence of a Crime Kuznetz Curve (Buonanno, Ferguson and Vargas 2014) and more specific analyses, such as the influence of the media in judicial sentences (Ouss and Philippe 2014).

One of the most discussed topics was the incarceration and recidivism of criminals. The effect of one on the other is controversial. As many studies presented in the workshop established, there are, in economics, essentially two hypotheses in this area. The “deterrence hypothesis”, that assumes that the potential incarceration dissuades crime by increasing its costs. In the case of USA, there is another hypothesis referring to incarceration, which says that the actual experience of living in a prison has even a larger deterrence effect because of the harsh conditions in which the inmates lived. The second hypothesis is called the “criminological hypothesis”, which sustains that the prisons are schools of crime and that being in prison increases the probability of recidivism. Nagin argued that nowadays the studies of crime confirm the last hypothesis, and it is really necessary to explore other or additional ways of dealing with criminals in order to reduce crime. Later on, this idea was supported by the “Bollate” prison case (Mastrobouni and Terlizzese 2014), which demonstrates that giving a humane (and not the usual) treatment to prisoners in prisons decreases the probability of criminals committing another crime in the future. Uruguayan authorities agreed with that hypothesis and explained the type of measures they recently implemented in order to obtain better results. However,

another study presented (Gandelman and Munyo 2015) came to the conclusion that an extension of the sentence for juvenile crime in Uruguay does not increase recidivism (and may decrease it). The apparent contradiction, suggests that the recidivism and incarceration have a nonlinear relationship and that, as was shown in the case of Uruguay, increasing it may have good results.

Other topics were also discussed. Duflauf, Navarro and Rivers (2014) showed the non-clear effect of the possibility of having a gun in crime in general. In a controversial paper, they demonstrated that the results of the studies in this area strongly depend on the assumptions. In the case of Brazil, Cequeira and De Mello (2013) showed that the restrictions to have a gun improve the criminal indicators, particularly in the case of violent crimes.

It may be unclear how in really violent environments presidential or municipal reelection is possible. Krnonick (2014) presented a theoretical consistent model that explains how this is possible.

The spill-over effects of crime protection of potential victims relative to each are not clear either. On one hand, the increase in protection of a particular neighbor increases the probability of being robbed if the “supply” of offenders stays equal. Because my neighbor is protected, they may rob me and not him/her. So, an increase in my neighbor crime protection may increase my own. On the other hand, an increase in the protection of any neighbor increases the cost of committing burglary, so the supply of criminals may decrease. That may induce me to decrease my level of crime protection if my neighbor increases it. Amodio (2013) demonstrated that in the case of Buenos Aires, the first assumption prevails and suggests that there is space for policy makers to intervene in this unperfected “market”.

Of particular interest are some characteristics of cohorts or societies that are not so obvious when speaking of crime. Parental selection is one of those. In an extremely interesting paper, Cavalier and Marie (2014) showed that negative parent selection increases the probability of committing crime.

Another issue is female employment. Hernández (2015) demonstrated a positive effect of this issue in decreasing crime, in particular on unorganized crime.

All the studies illustrate where the actual frontier of knowledge currently is. In that sense, in the afternoon of Monday 23<sup>th</sup>, Ph. D. Naci Mocan (Professor of Louisiana State University) explained the different generations of researchers on Economics of Crime. He described a first generation, which tended to provide descriptive and theoretical studies on this subject; a second generation, which was concerned about causality of the policies on the reduction or increase in crime, by answering the question “what if”; and a third generation, which is searching for the mechanisms by which certain policies work or not, trying to answer the “why” question. From his point of view, this is the generation that may explain questions that are harder to answer but more useful to know.

The last discussion was about drugs. In an interesting study (Marie and Zölitz 2015), Oliver Marie showed the effect of the access to cannabis in academic performance. The results support the idea that the impossibility of access to cannabis by young people increases their academic performance, in particular to woman and students with lower performances.



The whole discussion about drugs is changing around the world, and studies like the latter help to clarify the use of policies in this topic. Later, Elena Lagomarsino (National Board of Drugs, Uruguay) explained the national policies in this area, in particular cannabis (marihuana). She made clear that the “drugs war” was lost, and the actual legalization of cannabis in Uruguay is part of an integral policy of drugs by the government.

At 5 p.m. on March 24<sup>th</sup>, the Workshop on Economics of Crime closed.

### Conclusions

In the policy debate Ph.D. Daniel Ortega highlighted that one of the first questions to be raised is: Are policy makers considering these studies? And if they are not, why is it? If the answer to this question is “no”, there are three possible answers to the second question, may be: i) policy makers don’t want to consider the studies ii) they don’t have the resources to do what studies suggest iii) they don’t have the information. If the first two answers were the only correct ones, then the academic work may not have any influence in the reality. But if the third answer was the correct (at least in part), then this kind of events could really help to improve policy outcomes and therefore the well-being of society.

Policy makers and academics should have a channel of communication that would benefit both parties. Academics can provide information from their own research or by exploiting the application of some kind of policies that policy makers are developing; and the latter could benefit from those studies, provide scope for implementing studies and improve their decisions by knowing the results of their actual or potential actions. It is a win-win game. Even more important than the benefits obtained by policy makers or researchers, the gain is for the society as a whole.

RIDGE organizes these workshops in order to boost policy improvement. They include not only economists but also policy makers to help each other understand and change our reality. RIDGE is particularly interested in providing knowledge that may help the development of the world in general and Latin America in particular.