ECNS 316
The Market for Crime with Victims

Yezer (2014), Economics of Crime and Enforcement

To-do list

- Readings:

Anderson, D. Mark, Benjamin Hansen, and Daniel Rees. 2013. "Medical Marijuana Laws, Traffic Fatalities, and Alcohol Consumption." *Journal of Law and Economics*, 56: 333-369.

> -Pages 333-342 are required reading. Specifically, focus on Section 3 on "Medical Marijuana Laws and the Marijuana Market"

To-do list

- Thursday (31): One-page research proposal due
  - Times New Roman, size 12 font, double spaced. DO NOT GO OVER ONE PAGE!
  - See "Preliminary Term Paper Guidelines" on class webpage for a research proposal template. Follow these guidelines!
  - For the proposal, you are required to cite two journal articles that are related to your topic of interest
    - These articles must come from an econ journal listed in the top 100 in the list provided on the course webpage. The only exceptions include the following journals:
      - Journal of Legal Studies
      - American Law and Economics Review
      - International Review of Law and Economics
      - Journal of Policy Analysis and Management
- Quiz #2 Next Tuesday

Market for Crime with Victims

- Our previous model can be extended to involuntary interactions.
- First, consider the "demand" for crime curve
  - Must have a different conceptual basis because the "consumer" is the victim.
  - The market demand-for-crime curve is a relationship between the level of offending and the expected return received by the offender.
    - Primary determinants of the expected return received from offending are the types of victims available and the choices made by potential victims.
    - These choices that determine the position and shape of the demand curve are made by potential victims and not by offenders. Choices made by the producer of crime will be embodied in the supply curve.

Market for Crime with Victims

- Consider larceny
  - Involves offender taking personal property of victim
  - Demand is relationship between amount of larceny (based on # of attempts) and the expected return per attempt
  - Decisions made by potential victims determine likely success rate of offending and expected gain conditional on success.
    - Potential victims can take steps to secure personal property
    - Potential victims can hold personal property in forms more difficult to steal
      - Real estate is more difficult to steal than jewelry
  - Preferences among potential victims vary regarding costly actions to avoid victimization
    - Some take little precaution
    - Some take every precaution

Market for Crime with Victims

- This means that some are relatively vulnerable, while others are difficult to victimize
- To extent offenders can identify differences in potential victims, they concentrate on the easy cases where the expected returns per offense are high, then they turn to those who exercise more precaution
  - Gives rise to downward-sloping demand curve...as offending increases, the most attractive victims are already taken
- Second factor giving rise to downward sloping demand...
  - As offending increases, victims take greater precaution because the return to precaution increases....and, thus, they reduce the expected return to larceny

Market for Crime with Victims

- Supply of offenses is straightforward
  - As per usual, supply depends on # of firms, prices of inputs, and technology available to offenders
- Supply shifters include
  - Changes in the number of potential offenders in the population
  - Changes to opportunity cost of these offenders…what's an example?
    - Legal wage
  - Changes in costs of other inputs to offending
  - Advances in technology of offending
- As with victimless crime, criminalization and enforcement act like a tax on producers

[insert mkt equilibrium for crime with victims]