

## **Crime: the economic approach.**

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During the past 10 years crime has grown enormously, not only in Russia, but in almost every country of the former USSR. The problems that we think are unique to the Russian Federation are found in most parts of Georgia, Belarus, for example.

The question to ask then is if a high crime rate is an inevitable part of life. Or can we do something about crime, and if so, what? Or, can we at least understand a little better the causes of the growth in crime? A knowledge of the causes will help us learn how to combat crime in the future.

I believe that crime is not inevitable. It's not like death and taxes, which always will be with us. We should see if we can devise ways to go back to the levels of those times.

What is the best way of analyzing the crime problem? There may be no single way available at present that can touch on all aspects of crime and handle all the issues that we face. But there is an approach to crime that helps us understand a surprisingly large fraction of the regularities that we observe in crime. That is the economic approach. Let me outline briefly what this approach is.

The essence of the economic approach to crime is amazingly simple: it says that people decide whether to commit crime by comparing the benefits and cost of engaging in crime. True, the forces behind individuals' decisions to commit crime differ. But I suppose there are some general principles that will help us in trying to understand the real forces standing behind people.

It's pretty simple to assess the benefits from crime. For property crimes, the benefits are the car that is stolen, the money that is stolen, the goods that are taken in a robbery, and the like. White-collar violations also yield monetary benefits. Turning to the costs of crime, we first can look at the simple monetary costs.

If some events raise the benefits of crime, for example, the amount of money that can be stolen, the value of cars that can be stolen, then those events encourage crime. Similarly, if you lower the probability of being convicted, reduce the punishments if convicted, then you encourage crime. So changes in benefits and costs are the major tools for understanding why crime changes over time, and why certain individuals or groups are more likely to commit crimes than others.

In almost every society that we know about, the poor and less-educated are more likely to commit more violent crimes. Unlike, the more-educated are more likely to commit various white-collar crimes. Why should that be so? I think a good part of the answer is that the poor and less educated don't have as many opportunities to earn. So the gain to them from spending time stealing, rather than from working at some legal job, is greater than it is for the more-educated. This story does not require assumptions about genetics. It is simply that, being low-educated and having fewer alternatives, you will be more likely to commit crime.

Among the poor, teenagers commit a disproportionate number of robberies and violent crimes. So in trying to understand crime, information about the age distribution of the population is important. There is some evidence that the young are committing an increasing share of these crimes and that the age at which the young are beginning to commit crimes is going down.

There are a few simple forces that explain the increase in crimes committed by teenagers. As I have already mentioned, low earnings are a factor behind crime, and teenagers have lower earnings and fewer opportunities. Some teenagers also may discount the future more heavily: punishment is something that will come in the future.

Still another factor in teenage crime is the way The Russian Federation have structured punishments. For teenagers especially, if their first crime is not too serious, it is free. By free I mean that there essentially is no punishment. Well, people respond to signals about punishment. If one can steal a bike or something else without expecting any serious punishment, combined with the other forces that I mentioned, then it is not at all surprising that teenagers are much more likely to engage in crime.

Another great problem is that recidivism is high. By recidivism I mean that people who are in prison and then released are likely to engage in further crime. This is said to be a puzzle because if they were caught, and if they are rational, it is claimed they would not want to engage in crime again.

Suppose a construction worker falls and is seriously injured and out of work for a year. Does that mean he won't go back into construction work after recovering? Well, if the person knew the risks associated with construction work before the accident, and if the decision initially to go into construction work took into consideration these risks, then the decision to go into construction work before the accident was rational. And if the risks remain about the same after the accident, and if the person recovers then we should expect the same decision to be rational after the accident. So the fact that people go back to crime, or construction, or whatever, is a sign of rationality. If they did not go back, it would mean that they didn't realize the amount of costs and benefits.

To understand why recidivism is high, you also have to consider that, when people go to prison, they may learn how to be better criminals. They also may have more difficulty getting good jobs when they come out because they have criminal records or their skills have declined.

But the economic approach to crime does not only suggest a focus on law and order to reduce crime. It also shows other more fundamental, or indirect, ways to attack crime. There's no question that we should devote resources to improving the opportunities in the legal sector for teenagers, the poor, and other groups who are more likely otherwise to turn to crime.

One action that I think is important for improving opportunities is to improve the quality of schools, especially in cities with few opportunities, and I'm sure that a school voucher is an efficient tool to reduce crime among families living in such cities.

Another action is to keep unemployment down overall and job opportunities up with sensible monetary fiscal policies, reducing the unemployment of groups that are more likely to turn to crime can help, too. One policy that will help in this regard is to not increase the minimum wage. A minimum wage simply puts people out of work and, as a result, leads them to commit more crime.

I've given a brief of what I consider to be a powerful way of trying to understand crime, and a way that leads to suggestions for policies on how to reduce significantly the unacceptably high crime rate in our country.