



Department of Political Economy  
King's College London

# The Economics of Crime

## 6SSPP329

Term 1, 2016-17

**Lecturer:** Dr. David Skarbek  
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**Office hours:** TBD  
**Office:** Strand Building, S2.08

**Lecture times and locations:** Mondays, 9am – 10am, S-3.20

**Tutorial times and locations:**

- Seminar 1: Tuesdays, 9am – 10am, S2.28
- Seminar 2: Tuesdays, 10am – 11am, S2.28
- Seminar 3: Tuesdays, noon – 1pm, K0.18
- Seminar 4: Tuesdays, 1pm – 2pm, K2.40

### Module Description

This module uses the economic way of thinking to understand criminal behavior in a variety of settings. It examines the rationality behind criminal choices, how governments seek to control crime, alternatives to state-enforcement of criminal law, and how crime affects regions characterized by failed or weak states. Economics provides analytical tools to understand the observed variation in economic activity, the organizational structure of criminal activity, and their broader consequences.

Because there is no economics prerequisite for this module, we will cover material that might be covered in a module on the Principles of Economics or other economics modules. If you seek to learn different or more advanced economic models, take another module. If you wish to review some basics of economics, you might find it useful to review David D. Friedman's *Price Theory*, which is [available free online](#).

## Educational aims

The aims of this course are to:

- to introduce students to the tools of economic analysis that are most relevant for understanding criminal behavior
- to develop an understanding of how the economic way of thinking can be used to analyze both historical and contemporary episodes of crime
- to provide students with basic tools for understanding statistical research findings
- to understand what is unique about illicit markets compared to legal markets
- to enable students to draw out the broader implication of their analyses of crime for politics and policy-making.

## Learning outcomes

By the end of this module, students should be able to:

- understand how the tools of economic analysis can be used to understand various aspects of crime;
- use theories about institutions and governance to understand various aspects of organized crime;
- understand historical patterns of crime and incarceration;
- understand the implications of economics on public policy

## Assessment

Your performance in this module will be assessed by

- One written essay with a maximum of 2,500 words, worth 50% of the final grade for the course. The essay is due on **10 November 2016 at 17.00**. Essays submitted at 17.00 will not be counted as late. But essays submitted after this (i.e. 17.01 onwards) will be counted as late and therefore penalised.
- One unseen written examination, worth 50% of the final grade for the course

## Lecture Program and Readings

- Some of the readings use statistics and formal models. If you do not have much experience with these, that's okay. Read as carefully as you can through the paper. You can often get a good sense about what is being claimed, and on what grounds, even if you are not an expert with these tools. Importantly, come to the seminar prepared to ask questions and learn about those things that remain unclear.
- The lectures will draw partly from those readings that are marked with an asterisk. You do not need to complete these prior to the lecture. However, I might assess you on the content of the lectures, so the related readings may be helpful.
- Complete the seminar readings prior to the seminar.
- Most readings are available on KEATS.
- All movies are optional.

## Key Texts

### Required

- David Skarbek. 2014. *The Social Order of the Underworld: How Prison Gangs Govern the American Penal System*. (Oxford University Press). £13

### Optional

- Daryl Hellman and Neil Alper. *Economics of Crime: Theory and Practice*. (Pearson) £100
- Anthony Yezer. *Economics of Crime and Enforcement*. (Routledge) £60
- Robert Cooter and Thomas Ulen. *Law & Economics*. (Pearson) £60

## Week 1. What is the Economic Analysis of Crime?

Summary: This week's lecture surveys the key characteristics of the rational choice approach to understanding crime.

### Lecture: 26 September

\*Bill McCarthy. 2002. "New Economics of Sociological Criminology" *American Review of Sociology*

### Seminar: No Seminar this week, but do the readings.

Gary Becker. 1995. "The Economics of Crime" Richmond Federal Reserve Bank

David Skarbek. 2014. *The Social Order of the Underworld*. Chapter 1

John Tierney. 2013. "The Rational Choices of Crack Addicts" *New York Times*

Josh Barro. 2014. "Here's Why Stealing Cars Went Out of Fashion" *New York Times*

## Week 2. How do Illicit Markets Work? Part I

Summary: This week's lecture shows how economic theory (as opposed to economic history/empirics) sheds light on criminal activity. In particular it looks at a model of crimes with victims, such as burglary. The seminar readings highlight how economics can analyze a variety of "victimless" crimes and illicit markets.

### Lecture: 3 October

\*Philip Cook. 1986. "The Demand and Supply of Criminal Opportunity" *Crime and Justice*.

### Seminar: 4 October

Philip Cook, Jens Ludwig, Sudhir Venkatesh, and Anthony Braga. 2007. "Underground Gun Markets" *The Economic Journal*

Steven Levitt and Sudhir Venkatesh. 2000. "An Economic Analysis of a Drug-Selling Gang's Finances" *Journal of Political Economy*

J. Mark Ramseyer. 1991. "Indentured Prostitution in Imperial Japan: Credible Commitments in the Commercial Sex Industry" *Journal of Law, Economics, & Organization*

**Movies:** Scarface (1983), American Gangster (2007)

## Week 3. How do Illicit Markets Work? Part II

Summary: This week's lecture discusses how the empirical tools that economists use can provide unique and useful insights into questions about crime. In doing so, it also covers some of the key findings about how crime responds to enforcement. The seminar readings, by contrast, show how work in non-economic outlets engages with empirical questions, including by a case study, network analysis, and a comparative institutional analysis.

### Lecture: 10 October

\*Draca, Machin, and Witt. 2011. "Panic on the Streets of London: Police, Crime, and the July 2005 Terror Attacks" *American Economic Review*

\*Klick, J., & Tabarrok, A. (2005). Using Terror Alert Levels to Estimate the Effect of Police on Crime. *Journal of Law and Economics*, 48(1), 267-279.

### Seminar: 11 October

Campana. 2015. "The Structure of Human Trafficking: Lifting the Bonnet on a Nigerian Transnational Network" *British Journal of Criminology*

Shortland and Varese. 2014. "The Protector's Choice: An Application of Protection Theory to Somali Piracy" *British Journal of Criminology*

Wong. 2015. "The Organization of the Illegal Tiger Parts Trade in China" *British Journal of Criminology*

**Movies:** Freeway: Crack in the System (2015); Cocaine Cowboys (2006),

## Week 4. How to Control Crime?

Summary: This week's lecture examines why we have criminal law from an efficiency, rather than justice, perspective. We'll think about what is inefficient about crime, how much crime it is efficient to deter, and how to punish efficiently. While the lecture explains why we have a criminal law, the readings discuss how the crime control is actually enacted.

### Lecture: 17 October

\*David Friedman. 2001. *Law's Order: What Economics has to do With Law and Why it Matters*. Chapter 15

### Seminar: 18 October

Phil Cook. 2011. "Coproduction in Deterring Crime" *Criminology & Public Policy*

James Q. Wilson and George L. Kelling. 1982. "Broken Windows" *Atlantic Monthly*

Steven Levitt. 2004. "Understanding Why Crime Fell in the 1990s: Four Factors that Explain the Decline and Six that Do Not" *Journal of Economic Perspectives*

Zimring. 2006. *The Great Crime Decline*. Chapter 4. Only read pages 85-103.

**Movies:** Unforgiven (1992); Minority Report (2002); Purge (2013); Kids for Cash (2013)

## Week 5. How to Control Crime Privately?

Summary: This lecture investigates some of the theoretical reasons why markets might be able to provide crime control more effectively than government provision. For many of the same reasons that markets provide food better than the state, perhaps citizens can enjoy more safety at a lower cost by using markets. I'll also discuss market failure arguments that commonly arise. The seminar readings provide empirical arguments documenting that private crime control is not only theoretically possible, but historically quite common.

### Lecture: 24 October

\*Bruce Benson. 1998. "The Benefits of Privatization: Theory and Evidence" Ch. 7 in *To Serve and Protect*, pgs. 127 to 168.

### Seminar: 25 October

Koyama. 2012. "Prosecution Associations in Industrial Revolution England: Private Providers of Public Goods?" *Journal of Legal Studies*.

Benson. 1998. "The Level and Scope of Private Production of Crime Prevention and Protection" Ch. 5 in *To Serve and Protect*, pgs. 75-93.

Leitzel, J. (2013). Toward drug control: Exclusion and buyer licensing. *Criminal Law and Philosophy*, 7(1), 99-119.

## Week 6. \*\*Reading Week: Starting October 31\*\*

## Week 7. What's the Difference between Organized Crime and Mafias?

### Lecture: 7 November

\*James Buchanan. 1973. "A Defense of Organized Crime?" from *The Economics of Crime and Punishment*.

### Seminar: 8 November

Federico Varese. 2010. "What is Organized Crime?" in *Organized Crime*, pgs. 14-21

Thomas Schelling. 1971. What is the Business of Organized Crime?" *Journal of Public Law*.

Federico Varese. 1994. "Is Sicily the future of Russia? Private protection and the rise of the Russian Mafia" *European Journal of Sociology*

Stergios Skaperdas. 2001. "The Political Economy of Organized Crime: Providing Protection When the State Does Not" *Economics of Governance*

**Movies:** The Godfather (1972), the Godfather: Part 2 (1974), Donnie Brasco (1997)

## Week 8. What do Mafias Do?

**Lecture: 14 November**

\*Andrew Dick. 1995. "When Does Organized Crime Pay? A Transaction Cost Analysis" *International Review of Law & Economics*

**Seminar: 15 November**

Federico Varese. 2011. *Mafias on the Move*. Chapter 2 "Mafia Transplantations"

Milhaupt, Curtis J. and Mark D. West. 2000. "The Dark Side of Private Ordering: An Institutional and Empirical Analysis of Organized Crime" *University of Chicago Law Review*

David Skarbek. 2014. *The Social Order of the Underworld*. Chapter 6.

**Movies:** Goodfellas (1990)

## Week 9. How Do Criminals Communicate and Organize?

**Lecture: 21 November**

\*Diego Gambetta. 2009. Signaling. *The Oxford Handbook of Analytical Sociology*, Pages 168-194.

**Seminar: 22 November**

Peter Leeson. 2010. "Pirational choice: the Economics of Infamous Pirate Practices" *Journal of Economic Behavior & Organization*.

Peter Leeson. 2007. "An-arrgh-chy: The Law and Economics of Pirate Organization" *Journal of Political Economy*. Only Read through end of Section IV (p 1076).

David Skarbek. 2014. *The Social Order of the Underworld*. Chapters 5

## Week 10. Why Do Gangs Exist?

### Lecture: 28 November

\*David Skarbek. 2014. *The Social Order of the Underworld*. Chapters 2 and 3.

### Seminar: 29 November

Decker and Van Winkle. 1994. "Slinging Dope: The Role of Gangs and Gang Members in Drug Sales." *Justice Quarterly*.

Venkatesh and Levitt. 2000. "Are We a Family or a Business: History and Disjuncture in the Urban American Street Gang" *Theory and Society*.

Sobel and Osoba. 2009. "Youth Gangs as Pseudo-Governments: Implications for Violent Crime" *Southern Economic Journal*.

## Week 11. Why Does Prison Social Order Vary Around the World?

### Lecture: 5 December

\*David Skarbek. 2010. "Self-governance in San Pedro Prison." *The Independent Review*

### Seminar: 6 December

David Skarbek. 2014. *The Social Order of the Underworld*. Chapter 4

Sacha Darke. 2014. "Managing without guards in a Brazilian police lockup" *Focaal*

Kristian Mjaland. 2014. "A Culture of Sharing: Drug Exchange in a Norwegian Prison" *Punishment & Society*.

Ani Ucar. 2014. "In the Gay Wing of L.A.'s Men's Central Jail" *LA Weekly*

Doran Larson. 2013. "Why Scandinavian Prisons are Superior" *The Atlantic Magazine*

**Movies:** Blood in, Blood Out (1993), American Me (1992); American History X (1998)

## Week 12. What Explains the Criminal Dynamics in Latin America? (tentative)

### Lecture: 12 December

\*Democracy and State Crisis: O'Donnell, G. (1993). On the State, Democratization and Some Conceptual Problems: A Latin American View with Glances at Some Postcommunist Countries. *World Development*, 21(8), 1355–1369.



## Seminar: 13 December

Crime in the Brazil's Favelas: Arias, E.D. (2006). The Dynamics of Criminal Governance: Networks and Social Order in Rio de Janeiro. *Journal of Latin American Studies*, 38(2), 293–325.

Violence in Mexico: Lessing, B. (2015). Logics of Violence in Criminal War. *Journal of Conflict Resolution*, early content, 1–31.

**Movies:** Elite Squad II: The Enemy Within (2010). Available at <https://youtu.be/XL3ybRR1oE0> (English subtitles). Cartel Land (2015).