

Crime and Punishment

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Crimes I

Crime Example:

- Murder, larceny, CAW, etc.
- Attempted murder, CAW, etc.
- Concealment of riskiness of product, of misappropriation by auditors, etc.
- Sale of liquor to under-aged, drunken-driving, etc.

Crimes Definition:

- Act is criminal if there is/was intent behind the act:
 - There was an action that has/could lead to substantial harm to someone else
 - The action was motivated by 'bad intention'
 - The probability of occurrence of harm is very high.

Crimes II

Criminal Trial/Litigation:

- The plaintiff (prosecution) is the 'state' (government)
- Burden of proof: 'Beyond reasonable doubt', as opposed to 'preponderance of evidence'

Question

- Is cost-benefit analysis of criminal acts is plausible?
- Is there any scope for economic analysis of Law?
- Can criminals be deterred by punishment?

Economics of Crime I

Some Claims by Economists:

- Criminal Law should minimize the social costs of crime - the sum of cost of crime and cost of preventing it.
- To the extent possible, crimes should be controlled by increasing fine rather than imprisonment.

Let

- π be the probability that a criminal act will get punished. Let $\pi = 0.40$
- F denote the fine, if conviction. Let $F = 100$

White Collar Crimes and Offenses

Economic/white-collar crimes can be reduced by increasing the expected penalty/fines:

- Let B be the benefit of a crime to the potential (white-collar) criminal
- Expected penalty/fines = $\pi F = 0.40 \times 100 = 40$
- Crime will be committed if and only if $B > \pi F$
- So crimes can be reduced
 - By increasing the probability of detecting and penalizing the crime;
 - Or, by increasing the fine for a committed crime

Becker (1968)

- Increasing the probability of detecting and penalizing the crime is costly for society - requires provisions of police, courts, prison, etc. But
- increasing the fine is not; fine is transfer from individuals to the state
- So, fine should be very high

Rational Crimes

Assumption

The underlying assumption is :

- Potential criminals are 'rational'.

Even if potential criminals are rational, a very high fine

- does not deter risk-loving individuals
- will not work for judgment proof criminals - so they will have to be sent to prison;
- So, very high fine may not be politically/morally acceptable
- prisons have an advantage over fines in preventing future crimes

'Irrational' Crimes

- Diminished Rationality/capacity: infrequent and short-lived but leaves person insane
- Insanity: An insane person cannot differentiate between 'right' and 'wrong'.

Studies suggest many crimes get committed due to infrequent bouts of insanity

- Most crimes are committed by those under 25 years - account for as much as 2/3 of crimes in US.
- However, young are not most criminal at their 17th year!
- Some blame 'criminal genes' for criminal behaviour.

Crimes: Causes

Level of crimes is said to depend on

- % of below 25 in the population
- Family Conditions
- Economic Conditions
- Urbanization
- Excessive consumption of alcohol and drugs - 'Saturday Night Fever!';
Effect of Block-busters
- Sociological factors - Crime against women in Asian countries

Question

Does law have any role to play?

Roe V. Wade

Crimes in US: Crime rate in US

- Increased from early 1960 to early 1980
- Started to decrease from early 1980
- Decreased significantly in 1990 and continue to decrease

Donohue and Levitt (2001):

- Supreme Court of the USA legalized abortion in 1973
- Legalized abortion decreased number of unwanted babies
 - 1973: Abortions 750,000; Live births 3.1 million
 - 1991: Abortions 1.6 million; Live births 3.6 million
- Thereby decreased the number of criminals

Crime and Punishment

Empirical support for punishment as a deterrence

- Increase in severity of punishment increases deterrence
 - Especially true for White Collar crimes
- Increase in probability of conviction also increases deterrence
 - True for all types of crimes
- Certainty of punishment has deterrence power rather than the commensurate increase in severity. *Why?*

Moreover,

- Cost of law enforcement can be reduced by using technology
- Rehabilitation of offenders also works.

Punishment and Marginal Deterrence

Question

- Should there be death penalty for rape?
- Should the maximum punishment be handed out for heinous crimes?

If maximum possible punishment is given for all crimes

- The marginal deterrence will disappear
- Once people choose to commit crime, they will go for most serious of crimes
- the conviction rate may also come down
- as a result, the number of heinous crimes can actually go up