

## Economics of Crime: Syllabus – Davide Zufacchi

### **Section 1: determinants of crime**

#### **1. Foundations of the Economics of Crime**

- Introduction of the course
- Emergence of the Economics of Crime as a field
- Gary Becker's foundational 1968 rational-choice model
- **Becker, G. S. (1968).** "Crime and punishment: An economic approach." *Journal of political economy*

#### **2. Deterrence – Probability of arrest**

This lecture examines how increasing the probability of detection and arrest affects criminal behavior, using natural experiments involving police hiring cycles, terrorist attack responses, diplomatic immunity, and DNA database expansions to measure deterrent effects.

1. **Levitt, Steven (1997)** "Using electoral cycles in police hiring to estimate the effect of police on crime." *American Economic Review*
2. **Di Tella, R., & Schargrodsky, E. (2004)** "Do police reduce crime? Estimates using the allocation of police forces after a terrorist attack." *American Economic Review*
3. **Fisman, R., & Miguel, E. (2007)** "Corruption, norms, and legal enforcement: Evidence from diplomatic parking tickets." *Journal of Political economy*
4. **Doleac, J. L. (2017)** "The effects of DNA databases on crime." *American Economic Journal: Applied Economics*

#### **3. Deterrence – Punishment and Incapacitation**

This lecture examines how the severity of punishment affects criminal behavior, analyzing deterrent effects through studies of capital punishment, drunk driving penalties, mass prisoner releases, and compulsory schooling laws to test whether harsher sanctions reduce crime rates.

1. **Ehrlich, Isaac (1975)** "The Deterrent Effect of Capital Punishment: A Question of Life and Death." *American Economic Review*
2. **Hansen, B. (2015)** "Punishment and deterrence: Evidence from drunk driving." *American Economic Review*
3. **Buonanno, P., & Raphael, S. (2013)** "Incarceration and incapacitation: Evidence from the 2006 Italian collective pardon." *American Economic Review*
4. **Anderson, D. M. (2014)** "In school and out of trouble? The minimum dropout age and juvenile crime." *Review of Economics and Statistics*

#### **4. Opportunity Cost**

This lecture examines how the opportunity cost of crime affects criminal behavior, analyzing how access to better schools, legal employment, unemployment benefits, and alternatives to incarceration influence the trade-off between legitimate activities and criminal pursuits.

1. **Cullen, J. B., Jacob, B. A., & Levitt, S. (2006)** "The effect of school choice on participants: Evidence from randomized lotteries." *Econometrica*
2. **Pinotti, P. (2017)** "Clicking on heaven's door: The effect of immigrant legalization on crime." *American Economic Review*
3. **Britto, D. G., Pinotti, P., & Sampaio, B. (2022)** "The effect of job loss and unemployment insurance on crime in Brazil." *Econometrica*
4. **Aizer, A., & Doyle Jr, J. J. (2015)** "Juvenile incarceration, human capital, and future crime: Evidence from randomly assigned judges." *The Quarterly Journal of Economics*

## 5. The cost of crime

This lecture examines the broader economic and social costs of crime beyond direct victims, analyzing how criminal activity affects international trade, mental health, human capital accumulation, and educational outcomes in affected communities.

1. **Besley, T., Fetzer, T., & Mueller, H. (2015)** “The welfare cost of lawlessness: Evidence from Somali piracy.” *Journal of the European Economic Association*
2. **Dustmann, C., & Fasani, F. (2016)** “The effect of local area crime on mental health.” *The Economic Journal*
3. **Brown, R., & Velásquez, A. (2017)** “The effect of violent crime on the human capital accumulation of young adults.” *Journal of development economics*
4. **Monteiro, J., & Rocha, R. (2017)** “Drug battles and school achievement: evidence from Rio de Janeiro's favelas.” *Review of Economics and Statistics*

\*\*\* Reading week \*\*\*

## Section 2: Institutions

### 6. Criminal justice system, police performance and corruption

This lecture examines how incentive structures and biases operate within the criminal justice system, analyzing racial disparities in police searches and death penalty sentencing, and exploring how compensation schemes for police and selection methods for judges (appointed vs. elected) influence decision-making and performance outcomes.

1. **Knowles, John, Nicola Persico, and Petra Todd (2001)** “Racial bias in motor vehicle searches: Theory and evidence.” *Journal of political economy*
- a. **Alesina, A., & La Ferrara, E. (2014)** “A test of racial bias in capital sentencing.” *American Economic Review*
- b. **Mas, A. (2006)** “Pay, reference points, and police performance.” *The Quarterly Journal of Economics*
- c. **Lim, C. S. H. (2013)** “Preferences and incentives of appointed and elected public officials: Evidence from state trial court judges.” *American Economic Review*

### 7. Gun control and drug laws

This lecture explores how changes in gun and drug legislation affect crime rates, examining the contentious "more guns, less crime" debate through right-to-carry laws and analyzing the effects of cannabis decriminalization and anti-drug trafficking policies on criminal activity.

1. **Lott (2000)** “More Guns, Less Crime: Understanding Crime and Gun-Control Laws.” *Chicago: University of Chicago Press*
2. **Duggan, Mark (2001)** “More Guns, More Crime.” *Journal of Political Economy*
3. **Adda, J., McConnell, B., & Rasul, I. (2014)** “Crime and the depenalization of cannabis possession: Evidence from a policing experiment.” *Journal of Political Economy*
4. **Dell, M. (2015)** “Trafficking networks and the Mexican drug war.” *American Economic Review*

## Section 3: Criminal organizations

### 8. Organized crime

This lecture examines organized crime as a distinct form of criminal activity, analyzing how weak state capacity enables groups like the Sicilian Mafia to emerge and exploring the economic costs of organized crime on local development, violence, and political institutions.

1. **Acemoglu, D., De Feo, G., & De Luca, G. D. (2020)** “Weak states: Causes and

- consequences of the Sicilian Mafia.” *The Review of Economic Studies*
2. **Alesina, A., Piccolo, S., & Pinotti, P. (2019)** “Organized crime, violence, and politics.” *The Review of Economic Studies*
  3. **Fenizia, A., & Saggio, R. (2024)** “Organized crime and economic growth: Evidence from municipalities infiltrated by the mafia.” *American Economic Review*
  4. **Pinotti, P. (2015)** “The economic costs of organised crime: Evidence from Southern Italy.” *The Economic Journal*

## 9. The IO of crime

This lecture analyzes criminal markets from an industrial organization perspective, examining how criminals respond to economic incentives, the organizational structure of drug-selling gangs, extortion markets, and competition dynamics within illegal sectors including gang governance systems.

1. **Draca, M., Koutmeridis, T., & Machin, S. (2019)** “The changing returns to crime: Do criminals respond to prices?” *The Review of Economic Studies*
2. **Levitt, Steven and Sudhir Venkatesh (2000)** “An Economic Analysis of a Drug-Selling Gang’s Finances.” *Quarterly Journal of Economics*
3. **Brown, Z. Y., Montero, E., Schmidt-Padilla, C., & Sviatschi, M. M. (2024)** “Market structure and extortion: Evidence from 50,000 extortion payments.” *Review of Economic Studies*
4. **Blattman, C., Duncan, G., Lessing, B., & Tobon, S. (2024)** “Gang rule: Understanding and countering criminal governance.” *Review of Economic Studies*
5. **Zufacchi, D., Sales, I., Leotta, S., Persico, G., Lombardi, L. (2025)** “Competition and Self-Regulation in Illegal Sectors”

## Section 4: Forensic Economics

### 10. Forensic economics

This lecture introduces forensic economics as a methodology for detecting and analyzing various forms of fraud and corruption, using statistical techniques to uncover cheating by teachers, political corruption, international bribery schemes, and other white-collar crimes through data analysis.

1. **DellaVigna, S., & La Ferrara, E. (2010)** “Detecting illegal arms trade.” *American Economic Journal: Economic Policy*
2. **Jacob, B. A., & Levitt, S. D. (2003)** “Rotten apples: An investigation of the prevalence and predictors of teacher cheating.” *The Quarterly Journal of Economics*
3. **Hsieh, C.-T., & Moretti, E. (2006)** “Did Iraq cheat the united nations? underpricing, bribes, and the oil for food program.” *The Quarterly Journal of Economics*
4. **Zitzewitz, E. (2012)** “Forensic economics.” *Journal of Economic Literature*