**Economics of Crime and Corruption**

Final Exam, Summer 2021

**Question 1.** (10 points) Consider prohibiting drugs. Explain why prohibiting drugs may increase incentives of drug dealers to fight for their profit. Hint: explain whether demand for drugs is typically elastic or inelastic.

**Question 2.** (10 points) Consider *human capital model* of crime. From a point of view of this model what would happen to crime if juveniles received a subsidy for working. Hint: explain both short term and long term effects.

**Question 3**. (10 points) Describe *two* ways to measure corruption *across countries*. Describe the limitations/issues with at least one measure.

**Question 4.** (15 points) Answer the following question using *Becker's model of crime:* Is eliminating crime completely a good idea from the point of view of society? Explain why: *Use social loss function* to describe what are the *costs and the benefits* from having crime rates close to zero.

**Question 5.** (10 points) *Hypothetical question*. A researcher observes that neighborhoods with lower incomes have higher crime rates. Based on this information can a researcher conclude that low income causes crime? Provide detailed *explanations with examples* supporting your answer.

**Question 6**. (15 points) Does conscription increase crime? Describe an empirical study answering this question: where does the study come from, what method does it use (describe the context), what are the assumptions for causal interpretation of the results, what are the main results?

**Question 7.** (15 points) Do harsher prison conditions increase or decrease recidivism? Describe

an *empirical* study answering this question: what country does the study come from, how does it measure prison conditions, what method does it use, what are the main assumptions for causal interpretation of the results, what is the effect of prison conditions on recidivism.

**Question 8.** (15 points) What is the effect of Female Justice Centers on female safety? Describe an empirical study answering this question: where does the study come from, what method does it use, what are the main assumptions for causal interpretation of the results, what are the results of the study?