

Crime, Labour and Inequality

MSc, PhD

SYLLABUS

(last update: September 02, 2024)

Winter term 2024/25

Prof. Anna Bindler, PhD

Course Description

The aim of the course is for students to learn about research and the research frontier in the economics of crime at the intersection of crime, labour and inequality.

The seminal economic model of crime (Becker, 1968) puts forward a theory of rational choice between legal and illegal activity. Starting in the 1990s, an empirical literature has taken the model to the data, testing its implications in terms of economic incentives and determinants of crime as well as with respect to crime control and criminal justice policy. The course will introduce students to the rational-choice framework of the economic model of crime, as well as to the fast-growing empirical literature in economics, focusing on questions that are relevant from a societal and policy perspective and highlighting empirical approaches that allow for causal inference. The course will further cover recent advances in assessing the social and economic costs of crime, including labour market and inequality perspectives, and discuss the role of economic and social policy as crime control.

The course will highlight the following topics:

- Rational-choice model of crime
- Common challenges in the empirical analysis of crime (*e.g., measurement, identification, methods*)
- Economic incentives and social determinants of crime (*e.g., labour markets, economic returns to crime, education, social conditions, inequality and equality of opportunity*)
- Economic and social costs of crime (*e.g., costs of victimisation and productivity losses, human capital costs, public health, local economic impacts of crime, discrimination*)
- Criminal justice and crime control policy (*e.g., deterrence and sanctions, police, substance use legislation, court outcomes and biases in decision-making, economic and social policy as crime control*)

Throughout, different types of crime and specific policy implications will be discussed (*e.g., property versus violent crime, domestic violence, organised crime, gangs and youth crime*).

Learning Objectives

On completion of this course, the students shall:

- a. have been exposed to and be familiar with research and literature on the core course topics,
- b. understand the research frontier and be equipped to critically assess current policy debates on the core course topics,
- c. be equipped with the tools to develop research designs that allow for evidence-based assessment of policy-relevant questions on the core course topics.

Assessment

For *MSc students*, the assessment in this course will be based on a portfolio examination, consisting of a 20-minute presentation (25%) and a 15–20-page long written term paper (75%). For *PhD students*, the assessment will be based on a portfolio examination, consisting of a 30-minute presentation (25%) and a 20–25-page long written term paper (75%) on an extended topic.

Forms of Instruction

This course will be in the form of a seminar with three elements:

- *Lecture-type sessions*: The first part of the course will consist of lecture-type sessions. Students will receive an introduction and overview of the core topics, questions and current research in the economics of crime and at the intersection with labour and inequality as covered in the course. The students are expected to attend these sessions, be well-prepared using the material provided and to actively participate during class. There will continuously be opportunities for questions and discussions during the sessions.
- *Student presentations*: The second part of the course will consist of presentations by the students (25% of the portfolio assessment). Students will receive a topic for their oral presentation and their written term papers (see below). Exact dates of the presentations depend on student numbers and will be communicated at the beginning of the course. Students are expected to attend all sessions, including the presentations by their peers, and to come well-prepared using the material provided.
- *Independent work*: Students are expected to work on their written term papers (75% of the portfolio assessment) in independent work. Students will receive the topic for their term papers together with the topic for their presentation (PhD students will receive extended topics). The term papers have to be submitted after the last session of the course; the exact date will be communicated at the beginning of the course.

Language of instruction: English.

Communication

A course page will be available where students can find course material and course information. Students should regularly check the course page for potential updates and changes to schedules/rooms.

Course Dates

- Course dates: Tuesdays, 10:00–12:00 (University of Potsdam, room: TBA)

Office Hours and Contact

- Office hours during term time: TBA. Please register for office hours in advance (by email).
- For course contents and details: Prof. Anna Bindler (email: TBA).
- For administrative support: TBA.

Final Notes

- This syllabus is subject to change. Students will be notified in case of any changes.
- The reading list highlights example readings and will be finalised in due course. Students will be handed out the final reading list at the beginning of the course.

Detailed Description: Topics and Example Readings (to be finalised in due course)

[1] Introduction to the Economics of Crime

Topics:

- Rational-choice model of crime
- Common challenges in the empirical analysis of crime (e.g., measurement: measuring the unobservable, identification: causation versus correlation, methods: experiments, RCTs, quasi-experiments)

Example readings (final readings to be selected):

- * Becker (1968) "Crime and Punishment: An Economic Approach," *Journal of Political Economy*.
- * Chalfin and McCrary (2017) "Criminal Deterrence: A Review of the Literature," *Journal of Economic Literature*.
- * Draca and Machin (2015) "Crime and Economic Incentives," *Annual Review of Economics*.
- * Pinotti (2020) "The Credibility Revolution in the Empirical Analysis of Crime," *Italian Economic Journal*.

[2] Economic Incentives and Social Determinants of Crime

Topics:

- The role of labour markets (unemployment, wages/income, youth employment/summer jobs)
- Economic returns to crime (illegal earnings, prices)
- Education
- Social conditions, inequality, equality of opportunity
- Immigration
- Substance use (alcohol, drugs)

Example readings (final readings to be selected):

- * Bell, Bindler and Machin (2018) "Crime Scars: Recessions and the Making of Career Criminals," *The Review of Economics and Statistics*.
- * Britto, Pinotti and Sampaio (2022) "The Effect of Job Loss and Unemployment Insurance on Crime in Brazil," *Econometrica*.
- * Braakmann, Chevalier and Wilson (forthcoming) "Expected Returns to Crime and Crime Location," *AEJ: Applied Economics*.
- * Kirchmaier, Machin, Sandi and Witt (2020) "Prices, Policing and Policy: The Dynamics of Crime Booms and Busts," *Journal of the European Economic Association*.
- * Damm and Dustmann (2014) "Does Growing Up in a High Crime Neighborhood Affect Youth Criminal Behavior?" *American Economic Review*.
- * Bindler, Ketel, Hjalmarsson and Mitrut (2024) "Discontinuities in the Age-Victimization Profile and the Determinants of Victimization," *The Economic Journal*.

[3] Economic and Social Costs of Crime

Topics:

- Economic costs of victimisation (labour market effects, productivity losses)
- Human capital costs (youth exposure, family spillovers of incarceration effects)
- Criminal records (discrimination, recidivism)
- Public health (healthcare, substance use, mental health)
- Local economic impacts of crime (neighbourhood crime, gangs, organized crime)

Example readings (final readings to be selected):

- * Bindler, Ketel and Hjalmarsson (2020) “Costs of Victimization,” in *Handbook of Labor, Human Resources and Population*.
- * Bindler and Ketel (2022) “Scaring or Scarring? Labour Market Effects of Criminal Victimization,” *Journal of Labor Economics*.
- * Adams-Prassl, Huttunen, Nix, and Zhang (2024) “Violence against Women at Work,” *The Quarterly Journal of Economics*.
- * Foureaux-Koppensteiner and Menezes (2021) “Violence and Human Capital Investments,” *Journal of Labor Economics*.
- * Agan and Starr (2018) “Ban the Box, Criminal Records, and Racial Discrimination: A Field Experiment,” *Quarterly Journal of Economics*.
- * Norris, Pecenco and Weaver (2021) “The Effects of Parental and Sibling Incarceration: Evidence from Ohio,” *American Economic Review*.
- * Dustmann and Fasani (2016) “The Effect of Local Area Crime on Mental Health,” *The Economic Journal*.
- * Mirenda, Mocetti and Rizzica (2022) “The Economic Effects of Mafia: Firm Level Evidence,” *American Economic Review*.

[4] Public Policy: Criminal Justice and Crime Control

Topics:

- Deterrence and sanctions (punishment severity and probability, prisons)
- Crime control (police, substance use legislation)
- Criminal justice (court outcomes, biases in decision-making, crime-inequality cycle)
- Economic and social policy as crime control (education, labour markets, health)

Example readings (final readings to be selected):

- * Bindler and Hjalmarsson (2018) “How Punishment Severity Affects Jury Verdicts: Evidence from Two Natural Experiments,” *AEJ: Economic Policy*.
- * Bhuller, Dahl, Løken and Mogstad (2020) “Incarceration, Recidivism and Employment,” *Journal of Political Economy*.
- * Owens and Ba (2021) “The Economics of Policing and Public Safety,” *Journal of Economic Perspectives*.
- * Facchetti “Police Infrastructure, Police Performance and Crime: Evidence from Austerity Cuts,” *Working Paper*.
- * Anwar, Bayer, and Randi Hjalmarsson (2012) “Jury Discrimination in Criminal Trials,” *Quarterly Journal of Economics*.
- * Mueller-Smith and Schnepel (2020) “Diversion in the Criminal Justice System,” *The Review of Economic Studies*.
- * Bell, Costa and Machin (2022) “Why Does Education Reduce Crime,” *Journal of Political Economy*.
- * Heller (2014) “Summer Jobs Reduce Violence among Disadvantaged Youth,” *Science*.
- * Cullen, Dobbie, and Hoffman (2022) “Increasing the Demand for Workers with a Criminal Record,” *The Quarterly Journal of Economics*.
- * Pinotti (2017) “Clicking on Heaven's Door: The Effect of Immigrant Legalization on Crime,” *American Economic Review*.