UNIVERSITÀ
DEGLI STUDI DI MILANO-BICOCCA

COURSE SYLLABUS

Economic Analysis of Organized Crime

2526-2-F8803N016

Learning objectives

Introduction to the principles, concepts, and tools of economics of crime, with a specific focus on the topic of organized crime.

Upon completing this course, students will be able to:

- *Knowledge and understanding*: Demonstrate a knowledge of the fundamental principles and main theories of crime economics, including rational choice models and their extensions. Understand key concepts of welfare economics and cost-benefit analysis applied to crime prevention and enforcement policies. Acquire specific knowledge of economic theories on the origin, nature, and effects of organized crime, as well as related anti-crime policies.
- *Applying knowledge and understanding*: Apply microeconomic models to analyze criminal behavior and enforcement decisions. Utilize cost-benefit analysis tools to evaluate the effectiveness of anti-crime policies. Interpret and discuss empirical economic analyses related to crime and organized crime.
- *Making judgements*: Develop critical thinking regarding empirical evidence and different theoretical perspectives in the economics of crime and organized crime. Autonomously assess the economic and social impact of criminal activities and enforcement policies.
- *Communication skills*: Clearly and coherently communicate economic concepts and analyses related to crime, to both specialists and non-specialists. Present and defend their analyses and conclusions on specific topics within crime economics.
  Learning skills: Develop the necessary skills to independently delve deeper into the scientific literature on the economics of crime and organized crime.
  Continue learning and staying updated on advancements and new challenges in the field.

Contents

The course is composed of four parts.

The first part, after a brief introduction to the microeconomic theory of decision-making, presents the rational choice theory in criminology and the main microeconomic models of criminal behavior.
The second part introduces the principles of welfare economics and cost-benefit analysis, and examines the economics of criminal law enforcement and the cost-benefit analysis of crime prevention and control policies.
The third part introduces the statistical and econometric problems and methods in the economics of crime. In this part, we will consider empirical analyses and evidence on a selection of classic topics in the economics of crime.
Finally, the fourth part specifically addresses the economics of organized crime, discussing the different theories on the origin, nature, and causes of organized crime, and presenting economic analyses of the activities of criminal organizations, the relationship between institutions and criminal organizations, and policies against organized crime.

Detailed program

Unit 1. Economic models of criminal behavior: Introduction to microeconomic decision theory (Consumer theory; Labor supply; Uncertainty, Expected utility, and risk aversion; State-preference approach); Rational choice theory in criminology and Becker's model (1968) (Rational choice theory: origin and distinctive features; Model of criminal behavior and offence supply in Becker; Risk aversion and deterrent efficacy of punishment); Tax evasion model (Production Possibility Frontier, preferences, and indifference curves; optimal combination; model implications; empirical evidence); Other extensions of the basic model of criminal behavior (Income allocation models; Time allocation models); Limitations and developments of rational choice theory (maximizing vs. satisficing behavior; intertemporal optimization and time inconsistency; prospect theory and framing effects).

Unit 2. Economics of criminal law enforcement: Introduction to cost-benefit analysis and principles of welfare economics; Economic approach to criminal law (Economic justification of the distinction between civil and criminal law; Interaction between criminal and civil law; Efficiency criterion in the economic theory of enforcement); Becker's (1968) analysis of optimal enforcement (Social loss function and costs of crimes and punishments; Equilibrium and optimal number of offenses; Comparative statics analysis; fines and damages); Developments in the economic theory of criminal law enforcement (Imprisonment vs fines; General vs. marginal deterrence: Punishment and recidivism; Imperfect information and judicial errors; Contributions of behavioral economics to enforcement economics); Cost-benefit analysis of enforcement and prevention policies (distinctive features of CBA; estimating the costs of crime: data sources, aims, and methods; Estimating the costs of crime; Cost-Effectiveness vs. Cost-Benefit Analysis of criminal justice policies).

Unit 3. Methods, analysis, and empirical evidence: Introduction to probability, statistics, and regression analysis (Introduction to probability; Introduction to statistics; Regression analysis); Causal inference and experimental vs. observational data (Causal inference; Randomized Control Trials (RCT); Causal inference and endogeneity); Natural experiments: definition and examples of empirical analyses (Natural experiments; Racial discrimination and use of force: a natural experiment; Open vs. Closed prisons: the Bollate natural experiment; Deterrent effect of imprisonment); Econometric methods for causal inference (Difference-in-Differences (DiD): Terrorist attacks, policing, and crime; Recession, mafia, and new businesses; Synthetic Control Method (SCM): Effect of mafias on economic development; Instrumental Variables (IV): Foster care and crime; Drought, fascists, and Cosa Nostra; Regression Discontinuity Design (RDD): Drunk driving and recidivism). Student presentations on selected topics.

Unit 4. Economics of organized crime: Definition and scope of organized crime (Activities of organized crime; Organized crime, monopoly of illegal (and legal) activities, and rent-extraction; Organized crime and governance; Transaction cost approach to the study of organized crime); Dimension and spatial distribution of organized crime (size of organized crime; Global Organized Crime Index); Origin and spread of organized crime (Exploitation of illegal markets and drug cartels; Theories and evidence on the origin and spread of Cosa Nostra in Sicily; Weak institutions, natural resources, and mafia organizations; Spread of mafia organizations); Effects of organized crime (Measures of mafia effects; Estimating the effect of mafia on economic development; Mechanisms of mafia effects on economic development; Mafia and politics).

Prerequisites

Lectures and slides are in Italian. However, many references are in English. A good understanding of written English is therefore recommended.

The course has a quantitative emphasis. No specific knowledge of mathematical or statistical methods is required. However, good motivation to approach quantitative working methods is important, like reading graphs and tables, interpreting scientific studies, and using economic and statistical terminology. Basic notions of infinitesimal calculus, microeconomics and statistics are useful, though not strictly needed.

Teaching methods

The course consists of 56 hours, of which approximately:

- 60% didactic teaching (lectures with slides and videos);
- 40% interactive teaching (real-time questions, group presentations and debates).

In lectures, student participation is strongly encouraged. Students will often be invited to express their opinions with respect to the topics covered. Lectures will be based on slides (made available to students after each lecture) and include a variety of interactive methods, such as real-time questions and debates.

The course will include a series of presentations by students, with subsequent class discussion.

Assessment methods

The final exam consists of a written exam with closed-ended questions (true/false, multiple-choice, matching, fill-in-the-blank, ordering, with images or graphs) (60% of the final grade) and open-ended questions (40% of the final grade).
The exam will last 90 minutes.

During the course, willing students can actively participate in the lectures with group works and presentations. Students who undertake these activities will receive a grade and will have the option of allocating this grade to the "open questions" part of the written exam, thus only having to complete part of the written exam.
The presentation will be on a topic related to the course. The list of topics will be communicated to students during the course. The size of each group and the duration of each presentation will depend on the number of students willing to give the presentation. The presentation will be evaluated on the base of: clarity of presentation; clarity of slides; originality and critical approach to the topic addressed; ability to make connections between the topic addressed and other topics in the course.

Failing an exam does not make students ineligible to retake the test on the following exam date.

Textbooks and Reading Materials

References:

- Albertson, K. & Fox, C. (2012), *Crime and Economics: An Introduction*, Routledge, ISBN: 9781843928423.
- Buonanno, P., Vanin, P. & Vargas, J. (eds.) (2022), *A modern guide to the economics of crime*, Edward Elgar, ISBN: 78-1035338986;
- Catino, M. (2020), *Le organizzazioni mafiose. La mano visibile dell'impresa criminale*, Il Mulino, ISBN: 978-88-15-28595-9;
- Fiorentini, G. & Peltzman, S. (eds.) (1997), *The economics of organised crime*, Cambridge University Press, ISBN: 0-521-62955-1;
- Winter, H. (2020), *The economics of crime. An introduction to rational crime analysis*, 2nd Ed., Routledge, ISBN: 978-1-138-60752-1;
- Yezer, A. M. (2014), *Economics of crime and enforcement*, Taylor & Francis, ISBN 978-0-7656-3710-9.

Slides, papers, additional references and further material will be made available at the course page on the e-learning platform.

Sustainable Development Goals

QUALITY EDUCATION | DECENT WORK AND ECONOMIC GROWTH | REDUCED INEQUALITIES | PEACE, JUSTICE AND STRONG INSTITUTIONS