

Notes on Crime and Criminal Law:

We consider the price of a crime as equal to the product of the probability of conviction and the amount of punishment. If we want to keep the price of a crime constant and the probability of conviction (P) declines, the level of punishment (F) must increase. The same logic applies to the case when the amount of punishment decreases instead. The optimal punishment must then be given by price of the crime equal to the harm (H). In mathematical symbols, this is given by

$$PF = H.$$

In real life, it is more complicated than this explanation. Why?

1. Criminal activities substitute a forced conversion for a market exchange. Punishments then encourage the use of voluntary exchange instead.
2. The criminal should pay for the costs of his detection. This is because investigations and detections cost money and we want the criminal to pay for it.
3. Society must consider the *marginal effect* of punishment. Crimes come with a cost but so do enforcement of laws. Hence, costly punishment systems should serve as an incentive to create efficient laws.

Moreover, there are several issues with enforcement. Not only are they costly, fining the criminals for the costs may not be effective since criminals may be judgment proof. This means that the individual is not deterred by fines unless additional costs such as imprisonment are imposed on them. However, prisons are also very costly to society. Another important issue is how punishments would affect other crimes. Hence, we also have to consider the elasticity of response.

Don't forget boxed examples: pages 138, 149, 150, and 160 - 161