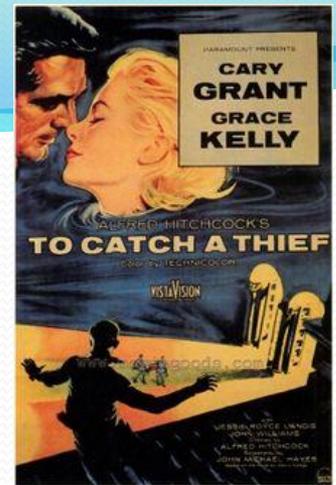


Criminal Careers and Criminal Firms: discussion

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Summary of the paper



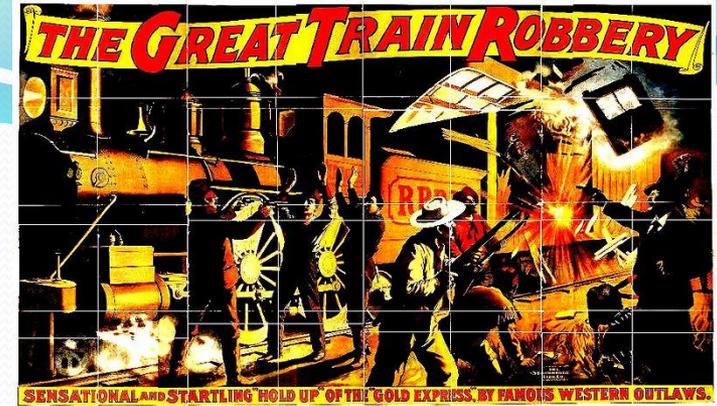
Two key issues addressed through data:

- **Who does commit the robbery? (criminal careers):** data on incarcerated robbers:
 - Robbers' characteristics: age, school experience, outside options, diversification
 - Over time: career path, recidivism, retirement
- **How is the robbery committed? (criminal firm):** data on committed robberies:
 - Robbery: # robbers, age, clearance, loot, weapons
 - Firm: productivity, size, growth, specialization, costs, technology

The approach of the paper and my discussion

- The paper draws from **labor and personnel economics** to analyze several labor supply, career and organization issues and compare the patterns in the illegal and legal sector
- I will take the complementary perspective of using the tools of **industrial organization and the theory of the firm** to comment on the issues and results.

The technologies of criminal activities



- A given criminal activity (e.g. robbery) requires to use certain heterogeneous inputs (skilled labor, monitoring, arms) to contrast the protection effort of the target (guards, CCTV's) and the enforcement effort of the police and obtain a return (loot)
- Loot, inputs, protection and enforcement effort vary with the type of criminal activity:
 - robbing a bank gives a certain return, requires different inputs and faces different protection and enforcement efforts than robbing a pharmacy

Theme 1: individual choices

- A potential criminal has to choose:
 1. Whether to commit a crime, or choose among the available legal activities (outside options)
 2. Which crime (robbery, theft, extortion, etc), among those whose technology is feasible
 3. Which target for given crime
- Dynamic issues involved: along a criminal career
 - the outside options available change (harder to enter in legal activities the longer the criminal career)
 - The inputs available change (skills, network)

Evidence from prison data

- Averaging across the huge heterogeneity:
 - Entry (first crime) related to drug dealing and theft
 - Incarceration creates network of criminal relationships
 - Improved opportunities lead to high recidivism of young criminals
 - Access to more complex crimes (from thefts to robberies)
 - Sorting: someone exits at some point, others remain on high profile crimes

Open issues

- The decision tree implies several layers of selection that determine the sample of observed incarcerated robbers
 - **How the sample selection issue is coped with?**
- We only observe incarcerated robbers
 - **How can we extrapolate for the whole population and careers?**
- What do retired robbers do?
 - **Backstage role or legal activities?**
- The type of crime committed is determined by the evolution of skills and network (supply side) but also by the market dimension and opportunities (demand side)
 - **How demand side factors are considered in the analysis?**



Theme 2 : Forms of organization

Key organizational problem: no external enforcement, generalized moral hazard (splitting the returns, reporting to the police, etc.)

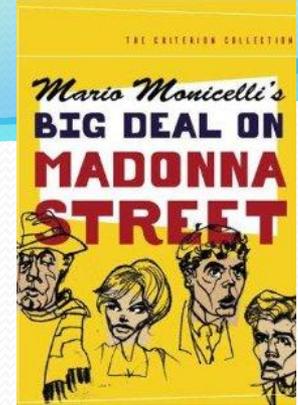
Two main forms of organization:

- **Teams**: weak hierarchy, no residual claimant, sharing of the loot, no (commitment to) long lasting relationship
- **Firms**: stronger hierarchy, chief and soldiers, residual claimant and uneven distribution of the loot, long lasting relationship

Different implications for available skills and network, type of target, clearance, internal cohesion

Evidence from police data

- Not clear in the paper which is the choice variable of the criminal firm.
- In my view: given the inputs available (skills and network) select, among the **crime types** feasible the one that maximizes the return
 - e.g.: a young criminal has poor skills and network, only simpler crimes available
 - e.g.: an experienced criminal that can form a team, or belongs to a consolidated criminal firm, has the access to the technology for more serious crimes (robberies)
- Then, in equilibrium criminals, given their skills and network, are sorted over the different crime types efficiently (inefficient sorting leads to incarceration and exit)



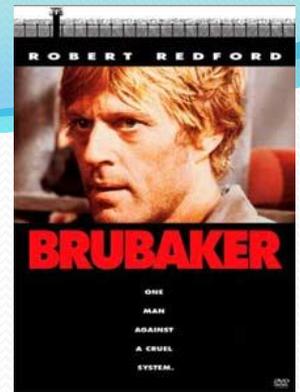
Evidence from police data

- The paper seems to look for causal relationships that explain the loot and likelihood of arrest as a function of criminals (teams) and target characteristics.
- But loot, likelihood of arrest (protection and enforcement effort) and criminal (team) characteristics are jointly determined by the choice of the crime (robbery) and target (bank)
- Example: loot positively depend on the bank dummy, the use of firearms, and negatively on a mix of nationality. But:
 - Banks yield a higher loot and
 - the technology to robber a bank requires a large group of armed robbers, given the protection effort (armed guards), that is harder to coordinate and more exposed to moral hazard if formed by criminals with different nationality.
 - Hence, it seems that the target jointly determines all the other relevant characteristics in equilibrium

Open issues

- Isn't there an issue of **endogeneity**, that is not entirely solved by the use of target dummies (within target variability persists, and is correlated with other variables (e.g. a larger bank gives more loot and requires a larger group of coordinated robbers and more firearms))?
- Any possibility to distinguish **criminal teams** from **criminal firms** (organized crime)? Stability of individual relationships?
- Is **free entry** a reasonable assumption? Alternatively, limited supply of «criminal talent» (quasi rents), or barriers to entry: different implications on the level of criminal activities
- Fixed **costs** per criminal episode rather than start up costs: how is the planning time computed?

Policy implications



- The paper draws interesting policy implications in terms of sanctioning
 - Higher sanctions on recidivism (now introduced in the Italian law)
 - Conditional on recidivism, lower sanctions with age
 - Higher sanctions also when using knives, not only firearms
- What about exploiting the potential moral hazard of criminal teams?
 - Lower sanctions for reporting