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MULTIDIMENSIONAL SECURITY AT THE BORDERS

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The Economics of Crime – Fundamental Concepts Part 1

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The Economics of Crime: Fundamental Concepts

In this section, we will address incentive-driven actions and the dynamic of illicit markets. In order to illustrate incentive-based behavior, consider a local criminal group that specializes in stealing and selling automobiles. If a technological innovation makes it difficult, for example, to start a vehicle after theft, this could make the business less profitable. The costs, in terms of time and investment required to carry out the theft, will increase substantially, as will the risk of being caught during the crime. Therefore, the introduction of a technological innovation acts as a negative incentive for the criminal group. This does not eliminate crime, but it changes the behavior of criminals who now face greater challenges. The group operating in this sector may choose to explore other niches or even cease its activities.

The Economics of Crime: Fundamental Concepts

Now, let's explore different illicit markets and goods, trying to understand what they have in common and how they can be analyzed. The definition of legal or illicit is shaped by the legislation of each country, determining what can be produced, sold and consumed. For example, Uruguay was the first country to legalize the production, trade and cultivation of cannabis, while in neighboring countries, this substance remains prohibited. In some parts of the world, alcoholic beverages are banned, while cocaine has been sold legally for almost seven decades. Furthermore, the regulation of prostitution varies considerably between different countries.

The Economics of Crime: Fundamental Concepts

In this module, we will address the problem of organized crime as an **ongoing criminal enterprise, driven by the pursuit of profit through illicit activities with high public demand**. These groups maintain themselves through the use of force, threats and corruption, especially against public officials and police officers. This definition is provided by criminologist Jay Albanese, one of the leading researchers in the field. It is worth mentioning that a good does not need to be prohibited to foster the interest of criminal groups. Rationing policies, for example, create restrictions that encourage the actions of criminal groups, which aim to equalize the distribution of scarce goods. These groups circumvent rationing laws, charging prices above legal values and guaranteeing the supply of goods. Prohibition and rationing create market niches where criminal groups circumvent legal controls and sell illicit or scarce products. Even excessive taxes on products such as cigarettes and alcohol can create opportunities for illicit activities such as counterfeiting and smuggling.

The Economics of Crime: Fundamental Concepts

Illicit markets can be local, national or transnational. In the case of local markets, such as stolen auto parts, criminal groups often operate at a local level. For example, a group specializing in car theft and dismantling may operate in the same city where the thefts occur. The local dimension of the auto parts market does not affect the nature of the criminal group, which may have its own coordination structure, use violence to intimidate other groups, confront the police and corrupt authorities. This local approach also applies to the cannabis market in Brazil, where different groups explore specific niches in a long logistics chain, from cultivation to sales, operating mainly at a national level.

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