What is the socially efficient level of crime?

Crime is a social construct and thus a very complex subject to define in a singular fashion when it relies on context in how it is managed (1). In UK law, crime is determined when a guilty act violates the law (2). Furthermore, an act is seen as a crime when it is clear that the act was carried out voluntarily and thus had intention. Considering this essay will be focusing on the UK, I will use this as an appropriate definition for my arguments.
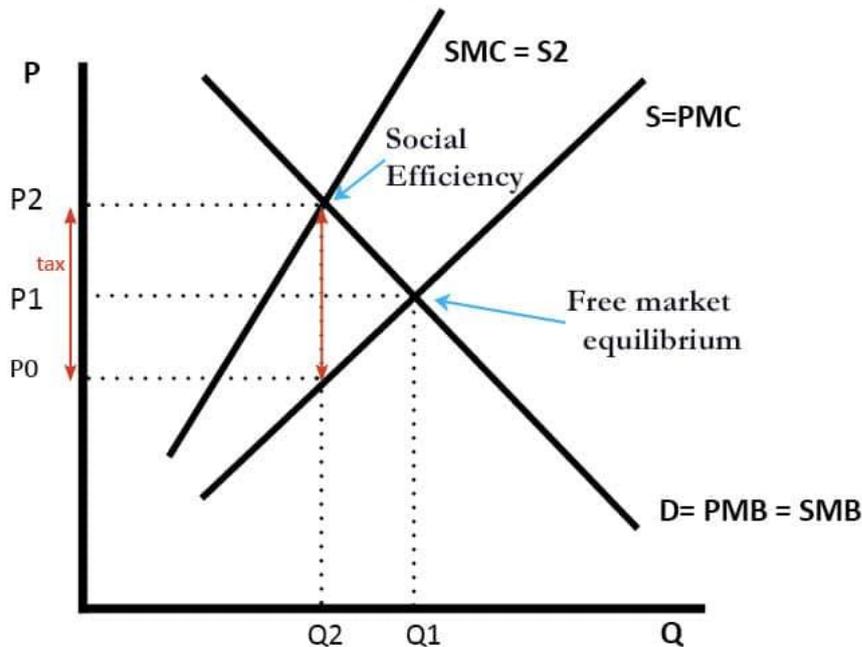
Social efficiency partly describes the economic problem: the optimal distribution and allocation of resources in society so an output is found where marginal social benefit is equal to marginal social cost (3) (4). Crime generates negative externalities (5). Externalities are an effect, either positive or negative, that influence a third party. For example, crime can generate negative externalities ranging from reducing land value to discouraging home owners and investors from settling in an area (6). If something generates a negative externality then it tends to be overconsumed and generally socially inefficient in a free market system. To this extent, societies employ rules and regulations to reduce these negative externalities and ultimately crime itself to a controllable level that is Pareto efficient (7).

For a society to find the socially efficient level of crime – where an increase in the cost of reducing and regulating crime isn't worth the saved cost of said local crime – one must measure both systems. However, there is a wide variety in measuring and subsequently assigning monetary values to the statistics, as most externalities are, because many criminal damages and many systems used to reduce said damages are not quantifiable under a physical resource cost.

It is extremely difficult to measure the social cost of crime. This is due to an inherent reliance on crime that is recorded, as one cannot estimate a cost for an action that occurs an unknown amount of times. This makes assigning monetary values to criminal activity difficult to estimate and ultimately makes all predictions false to some extent. This is especially prevalent in the UK where often the most common type of crime is difficult to quantify in price damage, such as public disorder, drug abuse and domestic violence which all have the effect of reducing the effective economic output of the victim as well as their local economy (8) (9). Even in countries where forms

of theft and robbery are more prevalent; it is extremely difficult to estimate social cost due to the lack of knowledge on external damage. Although potentially harder to stop, it is easier to quantify the private cost of these crime as one usually has a good idea of the potential value of what has been stolen.

As previously mentioned, this problem is evident in crime that is recorded but it doesn't take into account all forms of crime that go unseen. For example the UK black market is currently estimated to be worth £2.6 billion per annum, however this in reality may be much larger and further goes to show how unrealistic trying to estimate the total cost of crime is for use in finding a socially efficient level that most efficiently maximises a reduction in criminal damage (10).

The most common method that is used to regulate and control crime in a society is the use of policing of local law. For one to calculate the socially efficient level of crime in an economy, they must use cost-benefit analysis to find the level of Pareto efficient crime where an increase in the budget for policing isn't worth the decrease in damages costs generated by crime (11). It is relatively easy to estimate the cost of a policeman, their equipment and their facilities as the police is a national service which is completely run by the government and therefore transparent in their financial records (12) (13).

What is not so easy to define is the external costs of policing rather than the private costs which, as shown, are readily available for enquiry. External costs of policing may include items such as over policing (14). A high police force presence may reduce land value for example (15).

The social cost of policing is shown to potentially be extremely difficult to calculate. Although the private costs to produce and cover the services provided by the police are accessible, it is hard to quantify the value of the external cost of policing an area (16). This means that the full picture of the social cost of policing is difficult to navigate.

In order for one to find the socially efficient level of crime where a further expenditure on the police force would not reduce the cost of said reduced crimes by more than one, one would have to be able to accurately estimate both costs. Unfortunately, although one can find the private cost of policing, it is difficult to quantify the social cost of crime and the external cost of police. To this extent it might be more useful trying different programs and exercises that may more efficiently provide an estimate for social costs with which policy makers may use to better define the theme the UK government would use to most efficiently reduce crime.

The most effective way a policy maker could reduce uncertainty around the social cost of crime is through new cannabis legislation. The criminalization of marijuana in the UK, for example, has failed to stop an influx of the drug entering into the national black market (17). This report estimates that if cannabis was legalised then the UK would garner £1 billion in tax revenue. Creating a legal system for a drug that has a smaller external cost than almost any other illegally registered drug, as well as alcohol, would allow the government to better track and influence how the product is used and dispensed.

This policy would help find a socially efficient level of crime in multiple ways. By legalising cannabis, the illegal market would be reduced and potentially eliminated. Current sellers have plenty of red tape to reach the UK market such as border control, supply restrictions, rival dealers and local police. A company that sold the product legally would be able to skip most of this red tape which would reduce supply costs. Depending on items such as the degree of necessity and availability of substitutes, and thus the price elasticity of demand of cannabis, this would greatly reduce the price a legal company would be able to charge for a product (18). Depending on the size of change in price

allowed by the price elasticity of demand, legal companies may even be able to undercut illegal dealers to the extent that they no longer see profit in the enterprise, thus reducing criminal activity even more [19] [20]. This would help find the socially efficient level of crime in the area because it makes it even easier to track who is engaging in the activity. Legalisation would also help to close down a route from which criminal gangs may draw funds for other criminal activities. This would lead to higher crime rates and thus more funds needed to be spent by regulatory bodies in an opposing effort.

The legalisation of cannabis would provide a massive boost to a government's ability to spend. For example, in California 2016, Proposition 64 legalised marijuana in the state. The entire industry tax revenue (minus regulatory costs) has been used in an effort to further boost and fund local schemes and programs that improve quality of life and reduce crime [21] . Cities that allow cannabis dispensaries receive $44.8 million in grants to support public health and safety initiatives and, in 2019 alone, Tulare County received $25.3 million to help facilitate the removal of meth, guns, herbicides and trash from the local area.
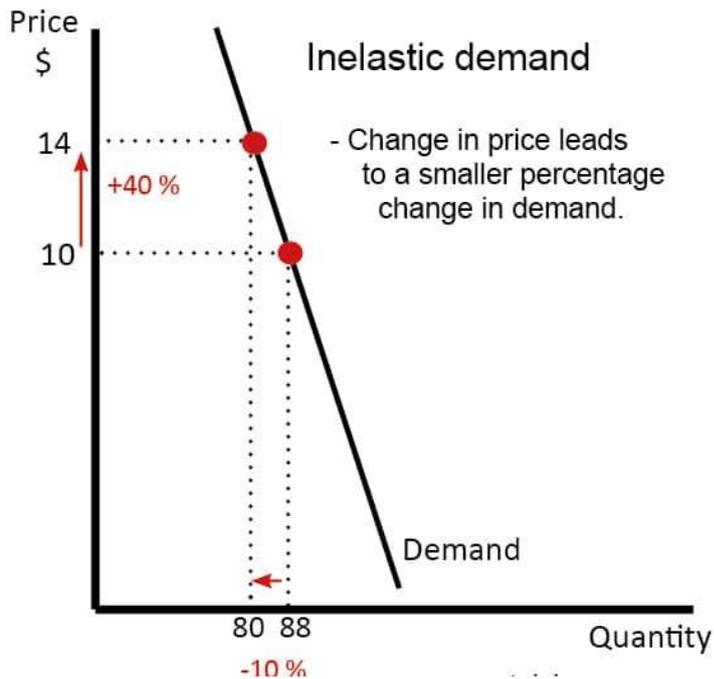
Another financially efficient way of reducing crime is through education. Education is a merit good which provides social benefits [22]. This would help one to define the socially efficient level of crime as it would reduce many forms of law violation which would otherwise be difficult to quantify and thus reduce the accuracy of calculating the 'efficient level of crime' in society. Stronger education directly correlates with a stronger income and quality of life which in turn increases the opportunity cost of crimes such as robbery and thievery [23]. A strong example for this strengthening of funding is in Italy, 2001 - More than 75 percent of convicted persons in Italy had not completed high school. Similarly, incarceration rates among men ages 21-25 in the United Kingdom were more than eight times higher for those without an education qualification, relative to those with a qualification [24].

Education also reduces recidivism – the propensity to reoffend [25]. This is a subsequent external benefit of providing higher education to all those who want and need it. Further increasing one's qualifications directly correlates with their employability. Higher employability would allow a former offender a better chance at a higher quality of life. This in turn would increase said offender's opportunity cost of returning to crime as their job may be worth more to them for various reasons – morality, pay or pure enjoyment. This consequence would further reduce crime and create a lower equilibrium point for police funding to meet criminal activity.

Abortion and prohibition are examples of reducing the social cost of a crime that is difficult to quantify due to unknown external costs and trouble recording all happenings of the crime [26]. Similar to cannabis, abortion has an extremely high price inelasticity of demand [27]. This is due to a lack of alternatives for the lady or couple, and a high necessity for the action to occur if one needs to go through with it. Due to a high price elasticity of demand, many are willing to ignore a high opportunity cost to continue the procedure, despite the dangers of street abortions such as an increased chance of death or permanent damage to one's health, as well as the constant fear of arrest. For this reason it was difficult to police and regulate abortion. In 1967 in the UK, abortions were legalised, and professional clinics were set up to help those who would have otherwise used illegal and dangerous methods out of a lack of substitutes.

This allowed the local government to save resources such as funding and police time that was previously allocated to abortion. It also reduced the external cost of abortion by providing safe

methods that allowed a smaller risk of complications for the woman and her mental health .

Price
$

Inelastic demand

14

+40 %

- Change in price leads
to a smaller percentage
change in demand.

10

Demand

80 88

Quantity

-10 %

Finding the socially efficient level of crime in a society is currently difficult to accurately estimate to an almost impossible extent. The nature of 'crime' – a guilty act violating the law – is that it attempts to avoid record and surveillance. In addition external costs can vary wildly based on context. To this extent calculating social cost and benefit to an accurate estimate would take a large endeavour. Although the socially efficient level of crime in society is difficult to represent; it can be positively influenced to not only be calculated at a more significant level but also at a lower allocation of resources, in order to achieve so. Simple processes such as the legalisation and updating of outdated laws in relation to items such as cannabis, in combination with increased funding for a base cause of crime in education would simultaneously reduce crime and improve our ability to record it, thus providing a more accurate representation of the variety of costs occurring due to the breaking of law. In turn creating a stronger statistical base from which to find the cost benefit analysis used to find a balance of police funding in an effort to fight criminal activity.