

## Chapter 8

1. What is the economic rationale, if any, for enhanced penalties for so-called “hate crimes”?
2. Bike owners on campus sometimes buy locks to reduce the chance of theft. Suppose that the probability of theft without a lock is .25, and the probability with a lock is .05. If the value of the bike is \$200, and the cost of the lock is \$25, is it worthwhile to buy the lock?
3. Suppose in the previous problem that the college police increase their patrols, thereby lowering the probability of theft to .10 with no lock, and 0 with a lock. However, students are assessed an extra \$10 each to cover the cost. Is it now efficient to buy the lock?
4. What is the main difference between tort law and crime as ways of internalizing external harms? Why does it make sense that some acts are both crimes and torts?
5. The posting of rewards in the Old West created a private enforcement mechanism that assisted government agents in the apprehension of wanted outlaws. Explain how this bounty system worked as a kind of “first possession” rule. Was it an efficient system? What might have been the purpose of stating that the outlaw was wanted “dead or alive”? (Think of this provision from the perspective of both the government and the outlaw.)
6. Discuss the normative question of whether or not the gains to offenders should be counted in social welfare when determining the optimal enforcement policy.
7. Discuss the arguments for and against conditioning criminal fines for a given crime on the offender’s wealth.
8. Provide an economic analysis of the following fine policy for overdue items at a public library: There will be a \$1.00 fine per day for every day that an item is late, up to a maximum of 3 times the cost of replacing the item.
9. Discuss the costs and benefits of legalizing drugs.
10. There is considerable statistical and anecdotal evidence that crime rates are higher in cities compared to rural areas, and that crime rates tend to rise with city population. Does the economic theory of crime provide any insights into why this is the case?