

**SAGE CRIMINAL
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Volume 12

THE COSTS OF CRIME

Charles M. Gray
Editor

THE COSTS OF CRIME

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EDITOR'S INTRODUCTION

In the Spring of 1978, several economists gathered in Washington, DC, at the request of the National Institute of Law Enforcement and Criminal Justice and the Hoover Institution. Each was asked to address some aspect of the costs of crime, recognizing that crime causes an allocation of resources other than that which would exist in the absence of crime. This volume is one of the products of that conference, as it contains several of the papers presented at that time, plus additional contributions solicited to close gaps in coverage.

Most of the contributors are economists or use economic concepts and techniques in their research. While many may regard economics as an esoteric and/or impenetrable subject matter, an attempt is made here to render the analyses and results accessible to a broader audience. Indeed, it is hoped that criminal justice professionals, criminologists, attorneys, and others who have operating, planning, or research responsibilities in the criminal justice system (CJS) will benefit from something contained herein. Some of the chapters do require familiarity with statistical techniques, but knowledge of multiple regression seems the most stringent prerequisite.

The CJS must respond to popular calls for governmental efficiency by trying to "do more with less." As funding growth slows, and actual cutbacks occur, those in criminal justice will be under substantial pressure to maintain service levels; one of the most valuable contributions that research can make

is to clarify the costs and productivity of the CJS. This type of information can guide decision-makers in the proper allocation of resources to and within the CJS.

It is likely that any attempt to assess the costs of crime will spotlight a large number of unresolved issues. The first chapter provides background information in an attempt to unravel some of the difficulties encountered by economists and non-economists alike. While one frequently hears that economists are congenitally unable to agree on *anything*, it may well be that the criminal justice area presents an exception. Economists do in fact seem to agree on the purpose of the CJS, and this is also detailed in the first chapter.

Part II addresses the issue of the incidence of the costs of crime. This refers to the determination not just of the *magnitude* of these costs, but also of who *bears* the costs. Each of the chapters in this section focuses on some dimension of this question, including the burden borne by property owners, the public sector, the offenders themselves, and the direct and indirect victims of homicide. The diligent reader will also find here some guidance in measurement of those pervasive, so-called "intangibles," the program outcomes that often are deemed to be beyond observation or measurement.

A large portion of the actual costs of crime are those which we choose to impose upon ourselves. Part III is devoted to the provision of public services via the CJS to protect the citizenry from the impact of crime. The various contributors illustrate the range of analyses, from the straightforward, seemingly mundane but absolutely necessary, identification, quantification, and summation of program costs, to the statistical estimation of cost functions. The latter link costs to program outcomes, assisting in the determination of optimum scale of CJS operations and the "best" allocation of resources among CJS components.

Finally, most citizens take some self-protective measures to reduce the risk of their own victimization. Part IV considers the private costs entailed in such actions. And lest the reader close the volume without having tasted the flavor of disagree-

ment among economists, the last two chapters assess the concept of "moral costs." The existence of these costs—the violation of our individual perspectives on what is right and what is wrong—engenders all those sanctioned and unsanctioned, public and private responses that we have considered heretofore.

—Charles M. Gray
St. Paul, 1979

PART I

THE POLICY-MAKER'S DILEMMA

Chapter 1

THE COSTS OF CRIME: REVIEW AND OVERVIEW

CHARLES M. GRAY

INTRODUCTION

During most of the last two decades, crime has been a social problem of unquestionable significance. Various levels of government—federal, state, and local—have allocated substantial funds to criminal justice budgets in an attempt to stanch what has been perceived as a highly disruptive social phenomenon: “The existence of crime, the talk about crime, the reports of crime, and the fear of crime have eroded the basic quality of life of many Americans” (President’s Commission, 1967:v). Private individuals and business firms have invested heavily in self-protection and have otherwise changed their behavior to decrease the likelihood of their own victimization.

Figure 1.1 reflects trends in criminal justice expenditures by all levels of government. Like reported crime rates, these expenditures have climbed incessantly, resulting in the con-

AUTHOR’S NOTE: This chapter, adapted from Gray (1979), was completed while the author was on the staff of the Minnesota Crime Control Planning Board and was supported in part by grant number 78-NI-AX-0002 from the National Institute of Law Enforcement and Criminal Justice. Views expressed are those of the author and do not represent the official position of any public or private agency.

Billions of
Dollars

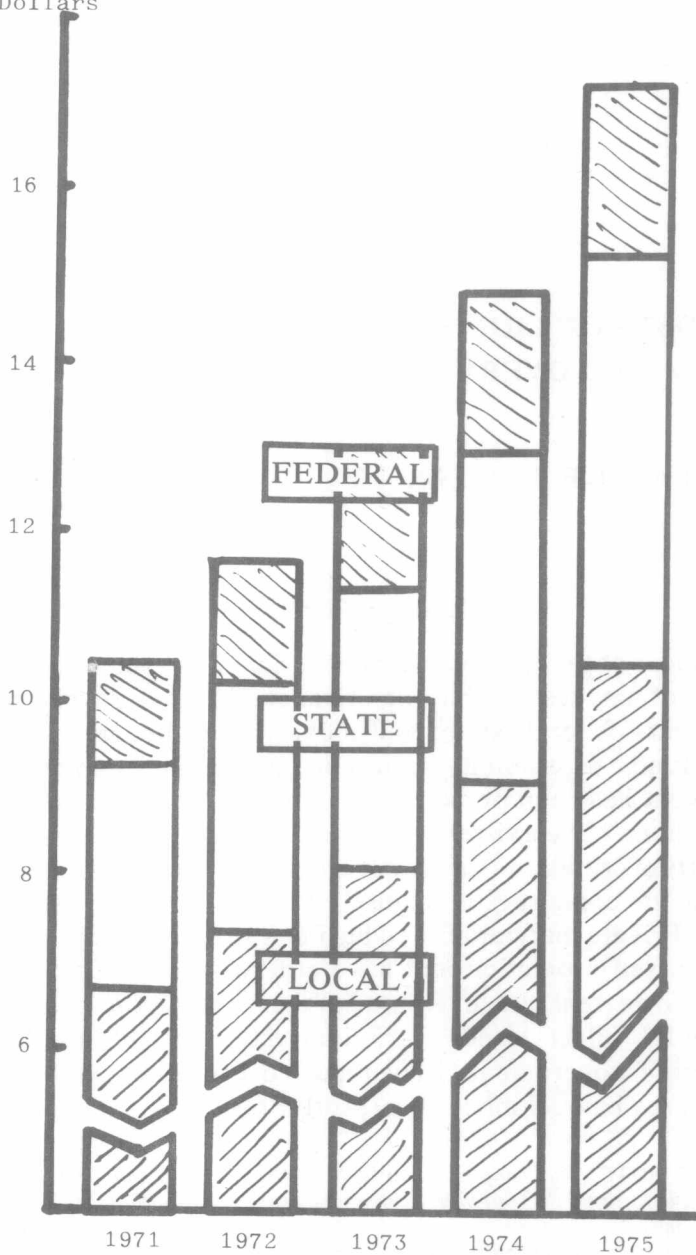


Figure 1.1 Total CJS Expenditures, All Levels
of Government, 1971-1975

tention that increased spending has been ineffective in reducing crime. Of course, these two trends alone are insufficient for making such a determination; this is an issue which will be discussed throughout this chapter, and it is one which requires careful analysis. Table 1.1 depicts the functional allocation of public spending for several recent years, as well as the proportion that criminal justice expenditures comprise of gross national product (GNP). Clearly, CJS spending is increasing relative to total output.

The wise allocation of resources at this magnitude dictates the employment of efficiency criteria, a primary contribution of economic analysis. Yet economists have not, for a variety of reasons, been often consulted, nor have they taken the initiative in exploring the problems of resource allocation in crime and criminal justice until the decade of the sixties.

THE ECONOMIC APPROACH

The Task Force on Assessment of the President's Commission (1967:42) attempted to measure the economic impact of crime, noting that crime "costs all Americans money."

Crime in the United States today imposes a very heavy economic burden upon both the community as a whole and individual members of it. Risks and responses cannot be judged with maximum effectiveness until the full extent of economic loss has been ascertained. Researchers, policy-makers, and operating agencies should know which crimes cause the greatest economic loss, which the least; on whom the costs of crime fall, and what the costs are to prevent or protect against it; whether a particular or general crime situation warrants further expenditures for control or prevention and, if so, what expenditures are likely to have the greatest impact.

The task force further stated, "In view of the importance . . . it is surprising that the cost information . . . is as fragmentary as it is." It is perhaps even more surprising that we have made so little additional progress in the ensuing decade. The reasons seem numerous and complicated; in essence we lack a general

Table 1.1 Criminal Justice Expenditures, All Governments, 1971-1976

	1971	1972	1973	1974	1975	1976
Total expenditures	\$10,513,854	\$11,731,802	\$13,006,721	\$14,842,053	\$17,248,860	\$19,681,409
(Percentage of GNP)	(0.99)	(1.00)	(1.00)	(1.06)	(1.13)	(1.16)
Police protection	6,164,918	6,903,304	7,624,178	8,511,676	9,786,162	11,028,244
Judicial	1,358,282	1,490,649	1,579,457	1,798,153	2,067,664	2,428,472
Legal services, prosecution	491,326	580,381	663,810	770,762	933,126	1,047,929
Indigent defense	128,547	167,630	206,705	244,593	280,270	331,102
Corrections	2,291,073	2,422,330	2,740,208	3,240,208	3,843,313	4,385,512
Other	82,937	7,508	192,363	276,473	338,325	460,150

SOURCE: U.S. Department of Justice (1978).