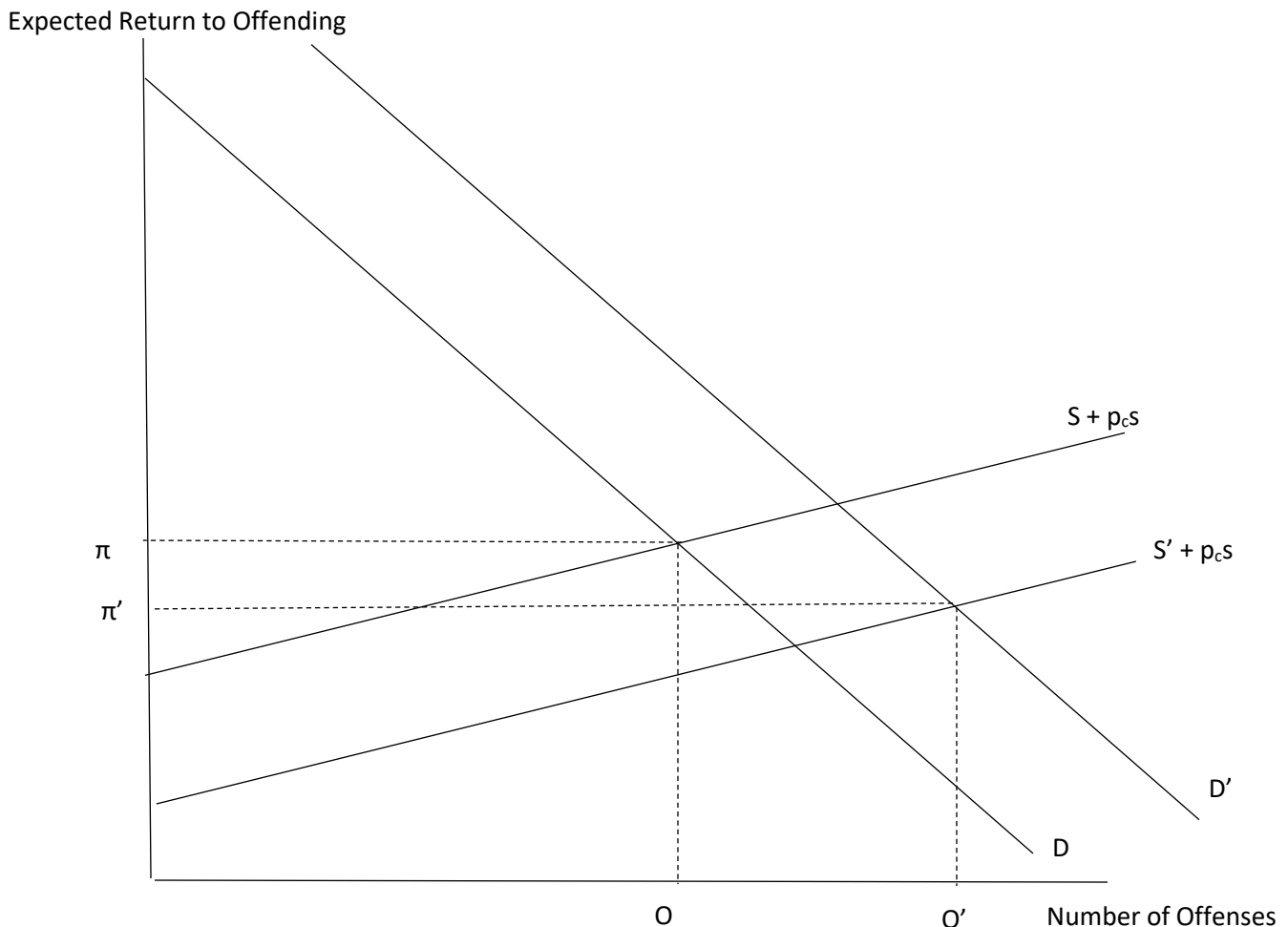


Quiz #3 (Answer Key)  
ECNS 316  
Spring 2021

Name \_\_\_\_\_

1.) (5 points) Consider the market for crime with victims:



Suppose two things in this market happen: i.) potential victims start exercising less caution and ii.) legal market wages fall. What happens to the equilibrium level of offending and the expected return to offending?

Demand and supply both shift outward. Consequently, the equilibrium number of offenses will unambiguously go up. The effect on the expected return to offending is ambiguous and depends on the relative magnitudes of the supply and demand shifts (Note: I just so happened to draw the graph above in a manner such that the expected return to offending has fallen).

**2.) (5 points)** Suppose the DEA is considering a supply-side policy to “crack down” on drug crimes. The goal of the policy is to shift the available supply of drugs inward. You are hired as a consultant for the DEA and tell them that this policy might have the unintended consequence of increasing crimes committed by drug users to fund their habit because:

- a.) If demand is inelastic, total expenditures on illegal drugs will actually go up.
- b.) If demand is elastic, total expenditures on illegal drugs will actually go up.
- c.) Regardless of demand elasticity, the price of illegal drugs will go up.

**3.) (5 points)** Consider again the market for crime with victims. Which of the following are supply shifters?

- a.) Changes in costs of inputs to offending
- b.) Changes in risk preferences among victims
- c.) Changes in the number of potential offenders in the population (i.e., competition)
- d.) A movement among potential victims to hold personal property in forms that are more difficult to steal.