Freakonomics
Chapter 4
Where Have All the Criminals Gone?

Plan

- **Today**: Freakonomics Chapter 4
  - Highlights
  - Conclude With Discussion & Questions
  - Quiz (warm-up for midterm next week).
  - Next Week: Continue Correlation & Causation: Hands on Data Sets (Next Project – due 1 week after exam).
  - Review Exam 1 (Wednesday)
- HW: Summary Due next week on Chapter 5
- Hardcopy due: Friday before class (soft copy midnight before class Friday).

Theme:

- **Demonstrate basic economical principles** in the population(drop in crime, abortion rate, gun laws)

Economic Principles:

- **Correlation versus Causation**
- **Supply and Demand**
- **Competition and Economic Profit**
- **Positive (“fact based”) versus Normative (“value based”) Analysis**
Correlation versus Causation

- Two things that are correlated does not provide enough evidence of causation
- Examples in book:

Supply and Demand

- Assertion: Fewer Guns will translate into less Crime
- Why is this not true?

- Two markets:
  - Illegal and Legal Markets
  - Harder to ‘reach equilibrium” price

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Competition and Economic Profit

- What did go away were the huge profits for selling crack.
  - Dealers began to under price
    - Profits vanished.
    - Incentive Matters.
Quiz (Hand in on 1 Piece of Notebook Paper) Sign Name

- Explain how gun control laws, e.g., the Brady Act, affect the equilibrium in the black market for guns.
- Explain why capital punishments have not had a measurable effect on the amount of crime in the United States.