
Freakonomics

Chapter 4 *Where Have All the Criminals Gone?*



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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).

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- **Theme:**
 - » Demonstrate **basic economical principles** in the population(drop in crime, abortion rate, gun laws)
 - **Economic Principles:**

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 - » Demonstrate **basic economical principles** in the population(drop in crime, abortion rate, gun laws)
 - **Economic Principles:**
 - » **Correlation versus Causation**

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 - » Demonstrate **basic economical principles** in the population(drop in crime, abortion rate, gun laws)
 - **Economic Principles:**
 - » **Correlation versus Causation**
 - » **Supply and Demand**

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 - » 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**

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Correlation versus Causation

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

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Supply and Demand

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

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 - » 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.

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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.