

Criminals and the Price System: Evidence from Czech Metal Thieves*

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Abstract

People steal copper and other nonferrous metals to sell them to scrap yard. Simultaneously, prices at scrap yards are set by the world market. We argue that shocks in metal prices represent a quasi-experimental variation in gains from crime. This allows us to estimate the behavioral parameters of supply of offenses and test the economic theory of criminal behavior. Our estimates suggest that the long-term elasticity of supply of metal thefts with respect to the re-sale value of stolen metal is between unity and 1.5. Moreover, the system tends to equilibrate quickly—between 30 and 60 percent of a disequilibrium is corrected the following month and the monthly price elasticity estimates are around unity.

Key words: economics of crime, gains from crime, metal theft, rational model.

JEL classification: K42, Q31, Q32.

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