



Potential Offender's Decision...

- ◆ Expected Benefits of Criminal Activity
 - Expected Value of Money Stolen
 - Psychic Benefits from Crime
- ◆ Expected Costs of Criminal Activity
 - Cost of Committing Crime (computer, phones, etc.)
 - Perceived Probability of Detection & Conviction
 - Expected Punishment if Convicted
 - Certainty vs. Randomness of Punishment
 - Length of time between crime and punishment
 - Non-Criminal Sanctions (lost future income, moral stigma, etc.)



Law Enforcement

- Cost of Investigation
- Likely Impact
- Rule of Law
- Political Priorities

Potential Victims

- Avoidance costs
- Crime Rate
- Risk Preferences

Potential Offenders

- $Pr(\text{Detection})$
- Expected Punishment
- Cost of Committing Crime
- Moral Stigma
- Reputation/Future Income
- Risk Preferences
- Opportunities for legitimate employment

Potential Innocent

“Criminals”

- $P(\text{Detection})$
- Expected Punishment
- Legal Standards

Courts

- Sentencing Guidelines
- Goals of Punishment
- Community Standards
- Judge’s Preferences





Issue: Offense Severity Levels

◆ Should severity levels increase?

– Evidence of increased fraud?

- Anecdotal or based on evidence?
- What are other Actors doing?
 - Prosecutors
 - Potential Victims

– Effect of Inflation?

- Compare \$6,000 fraud in 1987 vs. 2000
- Nominal Dollars = \$6,000
 - Base offense level $6 + 2 = 8$
- But \$6,000 in 1987 is \$9,000 in 2000
 - Base offense level $6 + 3 = 9$
- Thus, “inflation creep” built into tables



Issue: What Interest should be Included in Loss Definition?

- ◆ Time value of money is important to both victim and offender
 - ◆ “No interest” calculation encourages delay in process
 - ◆ “Interest” calculation encourages guilty pleas
- ⇒ All interest should be included in loss