THE COST OF CRIME.
A MONETARY ASSESSMENT OF OFFENDING IN 1996

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The CESDIP has been studying costs connected with offending since the early 1970s. These studies generally come under the overall heading of *the cost of crime*. Our approach differs somewhat from the one initially inaugurated in the United States in that it considers two aspects of the economic consequences of offending:
1° Spending for safety: societal expenditures for controlling offending.
2° The monetary assessment of offending: estimation of monetary value of committed offences.

Our report on the assessment of *spending for safety* (Palle, Godefroy, 1998) has been summarised in a previous issue of Penal Issues (1998, XI-1). The present paper discusses the findings of our *monetary assessment of offending for 1996*.

Our purpose is to evaluate the **monetary equivalent**, the amount of money involved in different categories of offences. Use of this monetary unit of measurement is another way of assessing the extent of offending as a phenomenon, somewhat less habitual than police or judicial statistics. With this indirect estimation of offending the picture of "crime" is a bit different but in our opinion complementary to the one yielded by approaches based on measuring recorded acts or arrested suspects.

Material damage and monetary equivalents

Although the expression "cost of crime" is now time-honoured, it is in fact quite improper.

Actually, when speaking about costs or losses we should specify those economic agents to whom we are referring. The cost for victims is not the same as the cost for the community or for society as a whole. To calculate the latter, one should theoretically deduct the benefits derived from the offences from the material losses of victims. These include the net income of thieves and receivers of stolen goods and the sums economised by consumers who purchase the goods at a price below the normal retail rate. The indirect cost represented by spending to control offending should be added to direct cost to victims.

These material losses may either be covered by the victims themselves or spread over a larger group through various insurance schemes. They may also be financed by the State. In the case of violent offences (murder, assault and battery, accidents resulting from offences), the cost of medical treatment is essentially covered by the French national health system or the offender's insurance company in the case of accidents. But in the last analysis, it is the entire group of insurance-payers who must shoulder these costs. It is undoubtedly the victims themselves who suffer most from definitive losses of human potential, obviously more difficult to evaluate. In case of thefts, it is the insurance companies that pay for losses to the extent of coverage, while victims pay for what insurance companies do not reimburse, and must also pay when they are not insured.

For these reasons we will not undertake to analyse the overall economic consequences of offending, since this would require analysis of *the economic circuit of crime and of fear of crime*.

Our approach only includes *direct losses* for individual and collective victims.

Theoretically, these *offence-linked direct material losses* seem relatively easy to assess. For property offences, one may generally refer to the replacement value, using current market prices. The case of offences involving physical violence is more problematic. There is the cost of the medical and social care required by the state of the victim. But in the case of physical damage, the person's potential is often irreversibly reduced, and there is no market value susceptible of assessing losses of this type. We must therefore apply specific assessment methods, such as the estimation of the value of human life. The losses connected with psychological damage should also be taken into account. Given the problems raised by the assessment of such damage, and in the absence of data and studies on these points, we were not in a position to include the latter costs in our evaluations.

The existence of a common monetary unit does not necessary guarantee the total compatibility of all figures. As a cost, the value attributed to human life in case of a death is not quite comparable to other costs. The loss suffered by the victim of a theft is a material cost. The cost of the loss of a person's life has no monetary equivalent. What we use, then, is a socially acceptable representation of this loss. It should be kept in mind that when a real cost and a constructed cost are compared, as in the case discussed here, the gap between the two also depends on the choice of a given method of evaluation of human life.

There are several other fields in which it is not easy to determine the proportion of losses to be ascribed to an offence. This is the case for traffic accidents, for instance. The use of hindsight to determine exactly what caused an accident and whether any particular act was definitely criminal is a delicate matter. Between the decisions of judges, the facts reported by the police forces in their written records and the findings of researchers there is a vast grey area concerning the link between offence and accident. We are faced with the same difficulty for tax evasion. Here too, the distinction between the honest mistake and intentional evasion leaves a broad margin for interpretation.

In other cases, such as business dealings concerning an illegal substance, there does not seem to be any damage for victims; the monetary equivalent is then the estimated amount exchanged, and does not literally involve any loss.

Finally, for each type of offence we have simply attempted to calculate the sums involved, the monetary equivalent, be it for private damage (theft for instance), for loss of income for public finances, for transfers in dealings in illegal substances (drugs) or a loss of wealth for the community (attacks on human life).

This assessment is grounded in the notion of damage, a convenient fiction for calculations. An outcome of conventions and choices, it yields a plausible picture.

A plausible picture

The table below summarizes the monetary equivalents of the different categories of offences studied.

Our estimations are based on available information, which is not necessarily coherent and the quality of which depends on the type of offence. As a rule, the information pertains either to recorded damage, often connected to cleared cases only, or to estimations of losses attempting to include all offences, including those never reported to the law enforcement agencies. There is obviously a hiatus between these two types of data, and caution must be exerted in comparing them.

This table is not *exhaustive*. Clearly, an assessment of the monetary equivalent could not be made for all offences.

 ❖ Among violent offences, for instance, child abuse, rapes and other sexual offences raise methodological problems with respect to assessment in monetary terms.
 ❖ In the case of thefts, those committed in public places escape monetary evaluation, but the amounts involved are probably rather small.
 ❖ The cost of the destruction and deterioration of property is no doubt quite imperfectly assessed in the case of public property, but also for vehicles and other private property. For this category as a whole, 468 500 offences have been recorded for 1996. The corresponding costs unquestionably amount to a large sum.
 ❖ Last, there is the large category of white collar crime, which causes enormous damage in monetary terms but is extremely difficult to evaluate, and has not been taken into consideration for lack of study or of access to information.

It is a *plausible* table. We make no pretence of providing accurate measurement, but rather, we show rationally grounded magnitude. In this table, we differentiate:

 ➤ *The sums recorded*, observable sums such as compensation paid by insurance companies (for thefts) or the amount of counterfeit money discovered by police services.

These recorded sums correspond to cleared offences (with the exception of thefts) : they are expressed here in gross value, that is without deduction of recovered or recoverable sums. The recoverable sums vary from one offence to another. In the case of thefts, only a negligible portion will ever be recovered, since these are not cleared cases. In the case of defrauding such as tax evasion, readjustment has been operated by the income tax bureau, and the arrears are potentially recoverable. In the short and middle term, a proportion of close to two thirds will actually be recovered. The counterfeit money seized by the police only represents a loss for the coiners, since the bills were never circulated. The counterfeit money recovered by the Bank of France does represent an unrecoverable loss for the victims, on the other hand.

 ➤ *Estimated sums*[1] are reconstructed on the basis of the various sources available and on the basis of postulates and quotas.

we attempt to show a magnitude of the sums involved for a given offence. sometimes we were obliged to resign ourselves to leaving a rather wide margin, given the very different similar parameters between which we had to choose.

[1] To estimate, meaning "to calculate approximately without disposing of the elements required for strict calculation" (Dictionary *Le Robert*).

 ❖ *Violence* : the estimation is based on the value of human life (for the killed, severely injured and slightly injured) and the number of victims of deliberate assault and accidents. given the number of parameters used for these calculations (severity of the damage, proportion of accidents involving criminal liability of the offender...), the bracket is relatively wide, but does nonetheless frame some plausible value of those damages.

 ❖ *Thefts* : for insurable damage, losses are established on the basis of compensations paid by insurance companies. this is a low estimate, since it does not include non-insured individuals or losses incurred by people who were not insured for theft. the estimation for shoplifting is based on the unexplained stock loss and the proportion of the latter ascribable to theft; an average estimation of 15 billion francs seems plausible.

 ❖ *Means of payment* : legislative changes have decriminalised bad cheques, which have practically disappeared from police statistics. However, the losses incurred by recipients may nonetheless be observed through the delayed payment or definitive non-reimbursement of some of these cheques as registered in the central chequing register (Bank of France). For credit cards, the data are based on the frauds recorded by the credit card association. The defrauding rate has been divided by four over a four-year period.

 ❖ *Computer malevolence* : data are provided by the insurance sector. The assessment is based on an extrapolation of recorded problems. This can only yield a magnitude, given the scarcity of the information available on the subject and the evaluation methods.

 ❖ *Drugs' dealing* : Given the impossibility of measuring damage connected with drug use, we suppose that it is equal to the expenditures of users. The data that we were able to collect are based on the models and postulates adopted as to consumption, substances and quantities. Depending on the hypotheses chosen, income from the sale of drugs would be somewhere between 28 billion francs (using bottom estimations for every factor) and 41 billions (using ceiling estimations).

 ❖ *Tax evasion* (income tax and other) : this category includes customs frauds (duty evasion and receipt of undue payment) and income tax evasion. For the former group of offences, there is no data or model available for estimating losses, so that we have confined ourselves to recorded facts. For tax evasion, a number of approaches are possible. Depending on the method of calculation and therefore the hypotheses preferred, the cost of the latter may be multiplied by four ! We have opted for what we view as a probable range : between 50 and 100 billion francs.

 ❖ *Defrauding of social welfare contributions* : This item shows losses of social contributions through the employment of non-registered workers (moonlighting) or through regular employment for which the contributions due are only partially paid (the loss for the Internal Revenue being considered in the previous paragraph). For moonlighting, the available data comes from two highly contrasting approaches leading to estimations ranging from 17 to 63 billion francs. We have opted for the low estimation based on an up-dated version of calculations

made in the late 1980s and arriving at a 1.1 % readjustment of the Gross Domestic Product for moonlighting. In the case of unpaid contributions for regular work, we accept the amount of readjustments calculated by tax-services as a basis for the estimation of fraud.

❖ *Other frauds :* the items in this category were taken from published data, and the defrauding rate is assumed to be the same as for tax evasion.

❖ *Other offences :* We have very little information about these two offences. For industrial counterfeiting, we took the figure issued by the Ministry of Industry; for procuring, an earlier estimation was used.

An indirect estimation

The estimated sums are usually derived from indirect calculation. Our attempt at estimation raises a number of problems : the sources are heterogeneous (administrative studies, studies by professional agencies, expert estimations, etc.), we are often dependent upon figures established for other purposes, the solidity of the postulates on which our assessments (more or less easy to arrive at, depending on the offence) are grounded is variable, often we use quotas to determine what elements of

an overall figure should be considered. There is not enough room in the present paper to account for all of our options, but all are discussed in the report itself.

Use of a general equivalent (money in this case) facilitates comparisons, at least to some extent. This monetary estimation of offences (a sort of false but operational, simplified representation) is one of a number of indirect estimations of criminal activities .These offer a complementary image of the extent of the phenomenon, different from that yielded by the allegedly direct means such as statistics on offenders and offences.

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Abbreviations:
URSSAF : *Union pour le recouvrement des cotisations de la sécurité sociale et d'allocations familiales* = Agency in charge of recovering dues to the public welfare system.
ASSEDIC : *Association pour l'emploi dans l'industrie et le commerce* = Agency in charge of paying unemployment compensation.

<u>Table</u>: Amounts at stake for various categories of offences in 1996

	Recorded losses	Estimated losses
⇒ **Attacks on human life**:		**25 100 - 53 000**
√ Deliberate assault		7 200 - 11 200
√ Involuntary violence due to traffic accidents		16 800 - 39 200
√ Involuntary violence due to industrial accidents		1 100 - 2 600
⇒ **Thefts**:		
√ Car thefts	9 400	> 9 400
√ Other insurable thefts	4 200	> 4 200
√ Shoplifting		13 000 - 18 000
√ Armed robbery	250	< 250
⇒ **Means of payment**:		
√ Cheques		3 900
√ Banking cards	270	> 270
√ Coining	140	> 140
⇒ **Computer malevolence**		**7 850**
⇒ **Drugs' dealing**:		**28 000 - 41 000**
√ Heroine		15 000 - 22 000
√ Cannabis		5 000 - 7 000
√ Cocaine		8 000 - 12 000
⇒ **Income tax and other tax evasion**:		
√ Customs frauds (including receipt of undue payment)	870	> 870
√ Income tax evasion including convictions in court	15 000 1 500	50 000 - 100 000
⇒ **Defrauding of social welfare contributions**:		
√ Moonlighting (loss of contributions)		17 000
√ Contributions to URSSAF not paid		1 400
√ Contributions to ASSEDIC not paid		400
⇒ **Other frauds**:		
√ Social benefits (receipt of undue payment)		2 000
√ Audio-visual licence fee		1 000
⇒ **Industrial counterfeiting**		**25 000**
⇒ **Procuring**		**12 000**

<u>Source</u> : CESDIP.   In millions of francs