

# Economic Impacts of Incarceration

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# Economic Impacts of Incarceration

- I'll focus on crime rates, economic costs, and budget.
- Economists distinguish between fiscal costs (that are borne in a given year and are subject to balanced budget requirements) and broader notion of resource or opportunity cost.
- Conclude with thoughts on improving research on economic impacts.

# Impact of Incarceration on Crime Rates

- Important because social costs of crime are high and because salient to public debate.
- The best recent studies find small reductions in crime from expansions of prison population.
  - Much smaller magnitudes than found in studies of earlier decades
  - Finding is quite consistent using a variety of research methodologies
  - Pattern is consistent with diminishing returns
  - Note that these are an “average effect” as reasons for expansion of population are not isolated (e.g., across crime types)
- These studies are based on data several years old. With continued increase in incarceration rates, expect the impact to be yet smaller.

# Current Economic Situation

- Pressures restrict options. And places new options on the table.
- Annual government expenditure on corrections: \$70 billion.
- For states: 3.4% of all spending, 6.7% of general funds expenditure. (Medicaid is 21% and 17%, respectively.)
- States are working to reduce fiscal costs in the near term (note the difference between this and working to reduce long term social costs).

# State Efforts to Reduce Fiscal Costs

- Improve efficiency.
- Innovate, esp. relying on evidence-based practices.
- Raises the issue of whether we can effectively do these things at scale.
- [Sidesteps the issue of purposes of punishment.]
- Note that some responses to reduce fiscal costs do not change social costs, but rather shift to another budget.
- Some jurisdictions actually hurt by any reductions in prison populations – those who were making money from renting out cells.

# What Makes a Good Investment?

- Jurisdictions vary tremendously, but the literature has identified several general characteristics of good investments.
- Target population.
  - Keeping marginal people from penetrating more deeply into the system has high payoff. Focusing corrective interventions at those on the cusp, as they are the most likely to have behavior altered by the intervention.
- Program fidelity.
  - Providers who deviate most from prescribed program elements have the weakest results.
  - Ideal world simulations often based on the best results out there, not an average from a set of replicated initiatives.
- Scale. If a wing or unit or prison can be closed, savings can be substantial.

# Renewed Interest in Alternatives to Incarceration

- In 2004, of those convicted of a felony:
  - 32% prison                      40% jail
  - 25% probation                      3% other sanctions
- Jurisdictional boundaries inhibit intermediate sanctions (e.g., clunky handovers). Some agencies building capacity (such as NJ halfway back parole beds). Specialized courts also can be seen as solution to this issue.
- Cautions from history.
  - ISP more expensive than baseline.
  - Diversion programs may widen net rather than divert.

# Can a reduction in economic impacts be achieved?

- Multiple individuals, agencies and branches of government can make changes hard to manage.
- But we know that when population is an explicit goal of a sentencing body, it matters to outcomes.

# Research to Estimate Economic Impacts of Incarceration and Reforms

- Sentencing commissions frequently have the greatest research capacity in a state. Great information on convicted, with variables necessary for assessing compliance.
- But this makes it impossible to study prosecutorial discretion, to consider additional factors in sentencing, to study modifications to terms (by judges or parole boards), etc.
- To evaluate outcomes, need to link longitudinally to later convictions. To evaluate options for alternative sanctions, sometimes need richer criminal history information. (Harder without a sentencing commission.)