

The U.S. Prison Economy:
A Capitalist Ideology in the U.S. Prison System

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ABSTRACT

The globalization of the capitalist ideology is growing at an alarming rate and is now penetrating state and federally funded institutions, which are elected to service our communities. One institution at risk is the U.S. prison system. While much is needed to rehabilitate the entire criminal justice system, one of the factors preventing its reform is the extension of a capitalist ideology. One of the key factors in a capitalist structure is the concept of cost shifting; in which the institution reduces its costs by placing the costs elsewhere. In the prison system, this practice involves pushing the cost of incarceration onto prisoners. Creating a cycle of poverty for an at-risk population increases the risk to communities who host former inmates after release. Through organizational research, interviews with an activist and the theoretical application of capitalist ideologies and globalization, this paper seeks to understand the U.S. prison economy by unpacking the capitalistic practices that support incarceration as a profit engine and its impact on global perception of the U.S.A as a prison state.

Keywords: U.S. prison economy, capitalist ideology, cost-shifting practices, globalization

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Introduction

The United States supervises approximately 6,937,600 people in the adult correctional system (Glaze & Herberman, 2013). This figure works out to be about 2.9% of the adult population and is recorded as being the highest number of prisoners in the world (International Centre of Prison Studies, n.d.). Add the 61,423 children in juvenile detention (Child Trends Data Bank, 2013) and the percentage point creeps upwards. The truly shocking figure is the number of people who return to prison. Two-thirds (67.8%) of inmates are arrested for a new crime within 3 years of release, and three-quarters (76.6%) are arrested within 5 years (Cooper, Durose, & Snyder, 2014) of release. With the cost per prisoner, on average, being \$28,323 per year (Kyckelhahn, 2012), the U.S. prison system has become unsustainable.

There are many ways to address the growing number of people in prison: rethink the criminal justice system, evaluate the results of the war on drugs, analyze former budget cuts to mental hospitals or investigate social programs that assist in the prevention of crime. One of the ways the United States has decided to address the growing number of people behind bars is to privatize the U.S. prison system. Through organizational research, interviews with an activist and the theoretical application of capitalist ideologies and globalization, this paper seeks to understand the U.S. prison economy by unpacking the capitalistic practices that support incarceration as a profit engine and the impact of this policy on global perception of the U.S.A as a prison state.

Case

Prison Policy Initiative is a non-partisan, non-profit group that focuses on issues associated with mass incarceration. Founded in 2001, the group focuses on the U.S. criminal justice policy addressing three main areas (1) prisoners, (2) communities, and (3) national welfare. The organization addresses a variety of topics covering mass incarceration with the primary goal of inciting change through the power of students and passionate faculty. One of the advocates for this group is James Kilgore, a research scholar at the University of Illinois. Kilgore's connection with the Prison Policy Initiative is based on a long-standing relationship with Peter Wagner, the director of the group. When asked to recollect how they met, Kilgore struggled to remember and simply responded they met through networking events. Kilgore's insights into the prison system are a result of his activist past and the personal experiences of having been incarcerated for six years. In the 1970s, he was a former member of the Symbionese Liberation Army, a left-wing revolutionary group. After fleeing the country for South Africa in 1975, he worked under the pseudonym, John Pape, to evolve his life into an educator, researcher, parent and activist (PM Press, 2013). Kilgore has written several books on the U.S. prison system, to include *We Are All Zimbabweans Now*, *Freedom Never Rests* and *Prudence Couldn't Swim* during his period of incarceration and evangelizes the impacts of mass incarceration. From an economic point of view, Kilgore perceives mass incarceration as a cumulative effort stemming from the war on drugs, which started in 1971 by Nixon and maintained by Reagan in the 1980s. It reached its peak after September 11, 2001 and the attack on the World Trade Center as immigration detention centers played an important role on the war on terror, in which people were profiled and detained in centers for longer

periods until they could be deported or continually detained. The prison system became an economic engine, driving profits for the companies that provided goods or services to the prisons. However, the economic engine could not stop once the war on drugs and the war on terror died down; too many jobs relied upon the misfortune of others, and there is no plan to handle the reduction in prison population from neither a community nor corporate perspective, perpetuating a broken capitalist system that no longer services the country nor its communities.

Concepts

The U.S. has the largest prison population in the world (ACLU, 2008), which has caused alarm from the global community. The United Nations released a report of United States prisons both private and public, in which they declared that some of the prison conditions and policies were tantamount to torture (Méndez, 2013). With the growing global influence of privatization and U.S. policies on the world, it is essential to look at the prison system from a globalized lens.

Globalization is an interconnected experience that is based on the diffusion of an idea and its adaptation to a specific culture (Steger, 2015). Society propagates its beliefs by reinforcing an idea through institutions and people through a process known as social constructionism (Berger & Luckman, 1966). Under this theory, the habitualization of activities, given the same economic effort and performance, will produce the same the outcome (Berger & Luckman, 1966). This habitualization produces a collective consciousness, in which people who do not follow in the path of the majority are punished or dismissed by society. One of the ways society has habitualized, is through

the McDonaldization of organizations, which emphasizes a culture's adaptation of the fast-food restaurant model to other businesses and social programs (Ritzer, 2013).

McDonalization supports the capitalist ideology, which means the majority of the population is habituated to believe they are best served by a system wherein private owners accumulate profit (Schirato & Webb, 2003). This concept is indoctrinated into the population through the constant reinforcement of a consumer-based society through national policies and media. A trademark of this society is best encapsulated by Baudrillard (1998) who commented, "commodities are no longer defined by their use, but rather what they signify." This attitude bleeds into society and reinforces the perception that objects directly reflect an individual's personal identity.

This identification with wealth (or its potential) becomes the keystone to sustaining a capitalist society, wherein individuals feel that at some point they will achieve vast amounts of wealth through hard work or luck (e.g., lottery). However, the real beneficiaries of a capitalist society are the wealthy, who then theoretically generate employment and opportunity for the middle and lower classes (think "trickle down" theory). However, the failure of supply-side economics fell into the spotlight during the Great Recession and the United States became acutely aware that the wealth distribution has now narrowed in favor of the rich, creating an imbalance of power backing the individual rather than the entire voting population.

This unequal balance of power results in alarming decisions that benefit only the wealthiest of private owners, who continue to take advantage of an unfair economic system on a global scale. One of the programs under the threat of obtaining a capitalist model is the U.S. prison system, whose global footprint places prisons in the United States, South Africa, United Kingdom, Australia and the stock exchange.

The risk in shifting socially responsible programs to revenue-based organization comes from its incentives. A privatized prison is incentivized to fill its beds and grow its profit margin year over year for its investors. Once the total of number of beds are filled and the prison has maximized its revenue from government contracts, the only possible area for revenue growth lies within adding new prisons or performing cutbacks to salaries, benefits and operational costs. Privatizing prisons works against the best interest of the inmates and their surrounding communities and is a risk to the global community in the perpetuation of privatization of social programs.

Analysis:

As the federal budget is scrutinized and solutions are being sought with how to address a growing population of prisoners little effort is made to replace outdated drug and immigration policies. Instead, corporate institutions lobby the government and propose to transition socialized programs to privatized solutions. The governing body, faced with dwindling resources and a massive deficit, has been habitualized to approve programs that ultimately reduce government spending. Through this capitalist ideology, social programs are being transitioned to corporations with an economically profitable structure.

The economics of a prison system are seen through the practices of location selection, and cost shifting practices.

Prisons are reported to revitalize depressed rural areas and have become one of three leading rural economic enterprises outside of gambling casinos and animal confinement uses (Huling, 2002). The unsustainably high incarceration rate has become an economic engine in the U.S economy increasing the difficulty in reforming the prison system. And this is not only seen in rural areas with publically funded prisons. The United States government is releasing control of the prison system in favor of privatization, which means private corporations now are responsible for a growing percentage of the United States prison system and have transformed a system originally designed to rehabilitate people into a profit engine (Friedmann, 2012), by creating economic incentives to change both policies and economic practices that benefit the bottom line. One such economic practice is cost shifting. Cost shifting is a theory typically used in health care scenarios in which an individual or group pays for a smaller share of the costs, resulting in another group paying a larger share of the cost (Murphy, 2003). The prison system uses two types of cost shifting to offset the costs of an already dysfunctional criminal justice system: operational and fee-based cost shifting.

Operational Cost Shifting

Two of the major privately owned prison systems are the Corrections Corporation (CCA) and the GEO Group. The publically owned system is the Federal Prison Industries (FPI); better known as UNICOR. The public system from both a guard and prisoner perspective

lies within the fiscal responsibility of the city, state or country. Guards receive an annual salary of \$44,350 on average (Bureau of Labor Statistics, 2013) and the benefit of a government position, which government absorbs the cost of health insurance plans, paid time off, fitness centers, and early law enforcement retirement plans (Federal Bureau of Prisons, 2014). When comparing correctional officer positions, those who work in the private sector earn 37% less (see Table 1) than their federal counterparts and receive fewer benefits. Prison Legal News website claims that correctional officers who work in the private sector also receive less training and are thus less prepared for work life in a prison setting (Friedmann, 2012).

Table 1 - Salary Comparison

	Federal	CCA	GEO Group
Salary	\$44,350 ¹	\$27,050 ²	\$28,810 ³
Insurance	Health, Dental, Vision 72% of costs covered	Health, Dental, Vision	Health, Dental, Vision
Paid Time Off	14-20 vacation days 10 holidays 13 sick days Performance-based time off	Yes	Yes
Retirement	Early retirement Federal Employees Retirement System	401(k)	401(k)
Other	Fitness Centers	Not mentioned	Stock Purchase Program Tuition Reimbursement Theme park discounts

¹ Bureau of Labor Statistics <http://www.bls.gov/oes/current/oes333012.htm>

² Glassdoor http://www.glassdoor.com/Hourly-Pay/CCA-Correctional-Officer-Hourly-Pay-E26961_D_KO4,24.htm

³ Glassdoor http://www.glassdoor.com/Hourly-Pay/GEO-Group-Correctional-Officer-Hourly-Pay-E3661_D_KO10,30.htm

The cost of correctional staff is not the only factor when looking at the current prison economy; the population most impacted is the prisoners and the introduction of fee-based cost shifting practices.

Fee-Based Cost Shifting

An increasing number of prisons are charging prisoners fees for basic things like toilet paper and the prison uniform to offset prison maintenance costs (Eisen, 2013). This places prisoners in a situation if the family cannot afford to help the incarcerated person, they must apply for prison employment in order to pay for daily living. Working in prison is not a new concept; prison providing work opportunities claim that jobs (1) reduce idleness, (2) improve job skills, and (3) reduce cost of maintaining the prison (General Accounting Office, 1993). However an average wage of anywhere between \$0.10 and \$1.15 per hour (Prison Policy Initiative, 2001), the cost of living exceeds the income creating a new level of poverty, in which newly released prisoners may be released with debt and re-incarcerated for not paying the debt they incurred in prison. This is all in addition to the growing number of fees for each offender in each stage of the process: pre-conviction fees, sentencing fees, incarceration fees, probation, parole and other supervisory fees, and poverty penalties (e.g., late fees) (Bannon, Nagrecha, & Diller, 2010; Bannon, Nagrecha, & Diller, 2010). The number of people involved in assessing, managing and collecting fees is also an issue with regards to the total cost of prisons, regardless of whether they outsource the fee management and collection. Outsourcing adds to the issue of poverty, making it impossible for those who have been incarcerated to ever shake free the surmounting debt. The purposeful cycling of prisoners into the

prison system is beneficial for privately run prison systems, as the profit margin increases the more people they can incarcerate.

Using a combination of operational and fee-based cost shifting, cuts to social programs, mandatory sentencing and other policies creates a cycle in which once a person has entered into the system, they have a reduced chance of leaving the system. This creates the last benefit to the U.S. prison economy, recidivism. Recidivism is guaranteed income within five years, as former prisoners are likely to return to prison after release (Cooper, Durose, & Snyder, 2014). If employed, the privatized prison system maintains their skilled labor, decreasing the training cost to the organization and increasing the likelihood of increased production. At the moment, prison labor is less of a concern, since only 0.25% of the millions of people behind bars are employed under the Prison Industries Enhancement Certification Program (PIECP) (Kilgore, *Confronting Prison Slave Labor Camps and Other Myths*, 2013), which provides a myriad of job skills and training to prisoners. However prison employment does speak to the increasing influence of capitalism and engineered opportunities for future revenue streams.

Conclusion:

Capitalism is intertwined with globalization as it is essentially the beginning of and continues to be part of the world economy. Its dependence on cost and the production of resources (labor inclusive) is marked by this need for new strategies in advancing and perpetuating a capitalist economic structure. While the goal of the U.S. prison economy is not necessarily indicative of competition with a growing market of inexpensive labor and

global competition, it does speak to the influence of the capitalist ideology in social programs and the propagation of capitalism as part of a globalized attitude towards all organizational practices. However, the impact of creating a for-profit prison system in an organizational environment dedicated to rehabilitation creates an inherent contradiction: short-term revenue versus long-term investment in people. When assigning more value on revenue than people, it shifts the burden of rehabilitation unto the individual communities. The financial responsibility of repeat criminal activities is shifted back on society in two ways: (1) taxes and (2) individual contributions. Increased crime means an increased need for taxes to be distributed among the last remaining social programs: police and the few federally supported social programs (e.g., welfare). In addition to federal money, a struggling middle and lower class donate their time to community-supported programs that police crime (e.g., neighborhood watch), money (e.g., charitable donations) and pay a high emotional cost to both past and future victims (e.g., support groups, safety programs). Without any incentive to reduce crime or support rehabilitation practices the country will continue to be victimized by the policies and for-profit model designed only to benefit the ruling class. A country known for its freedoms and opportunity is paving the road with policies that support incarceration that has the capacity to ignite a global culture focused on the bottom line instead of each other.

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