

# **Economic Perspectives on Incarceration and the Criminal Justice System**

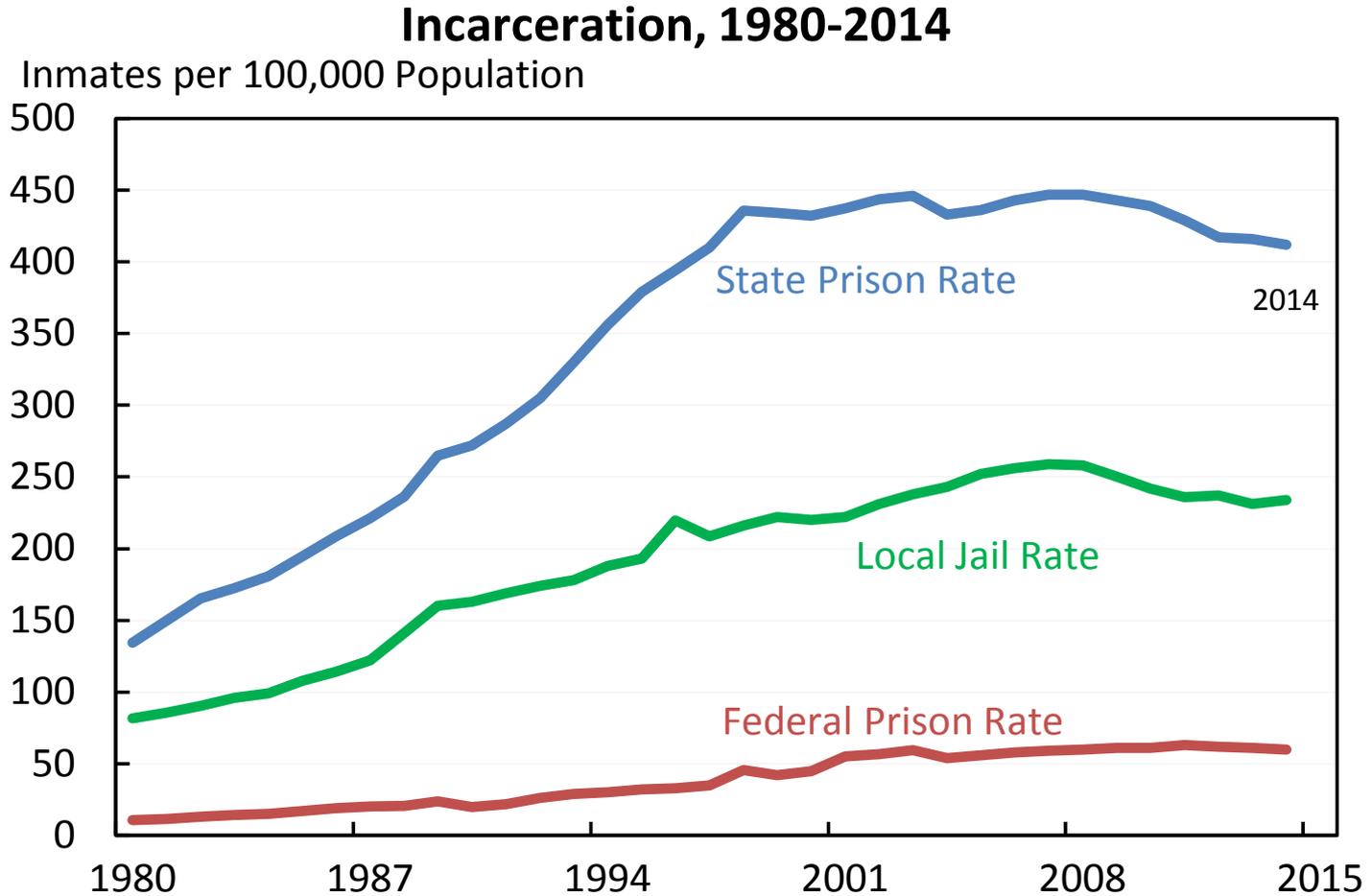
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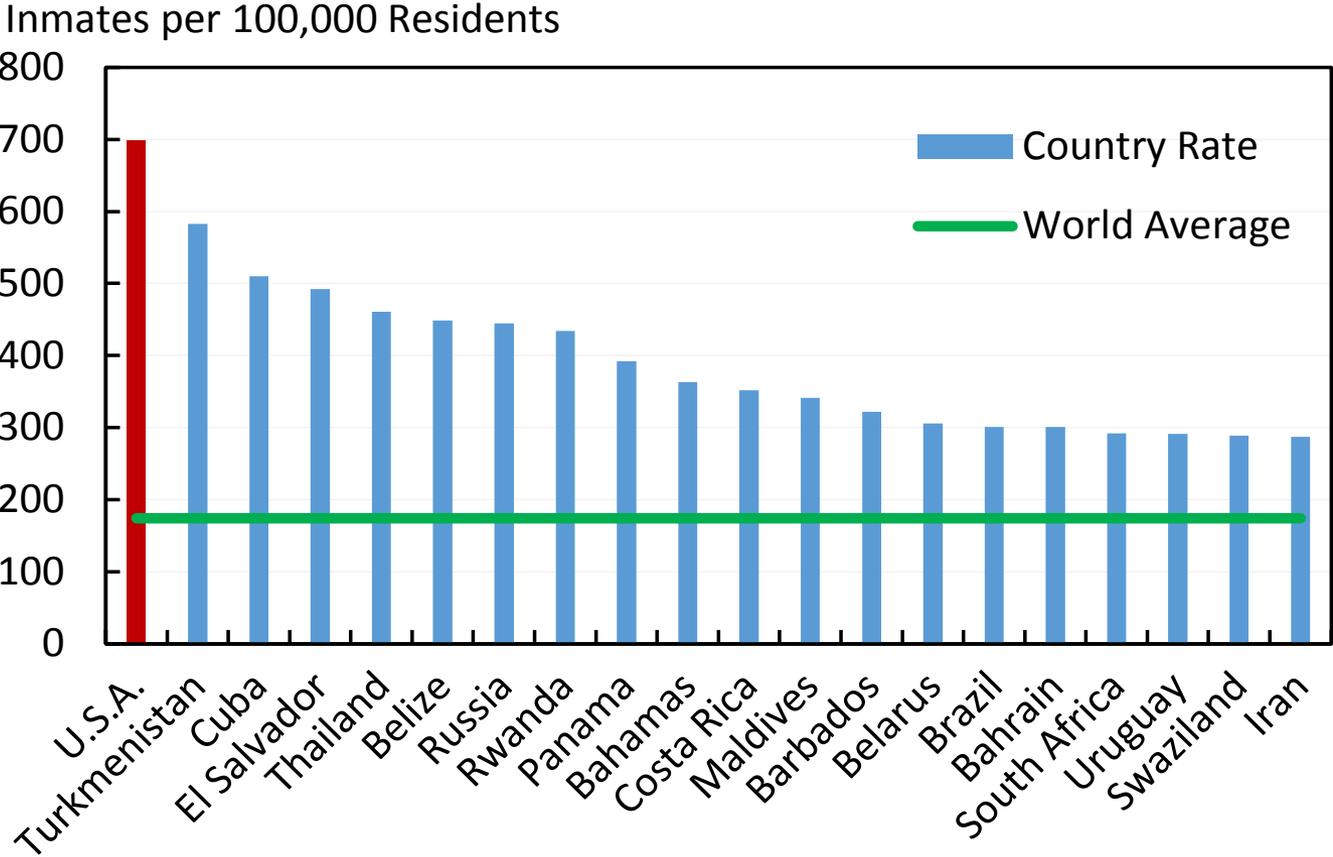
**April 25, 2016**

# U.S. Incarceration Has Grown Rapidly in Recent Decades



# U.S. Incarceration Rate is the Second-Highest in the World and Four Times the World Average

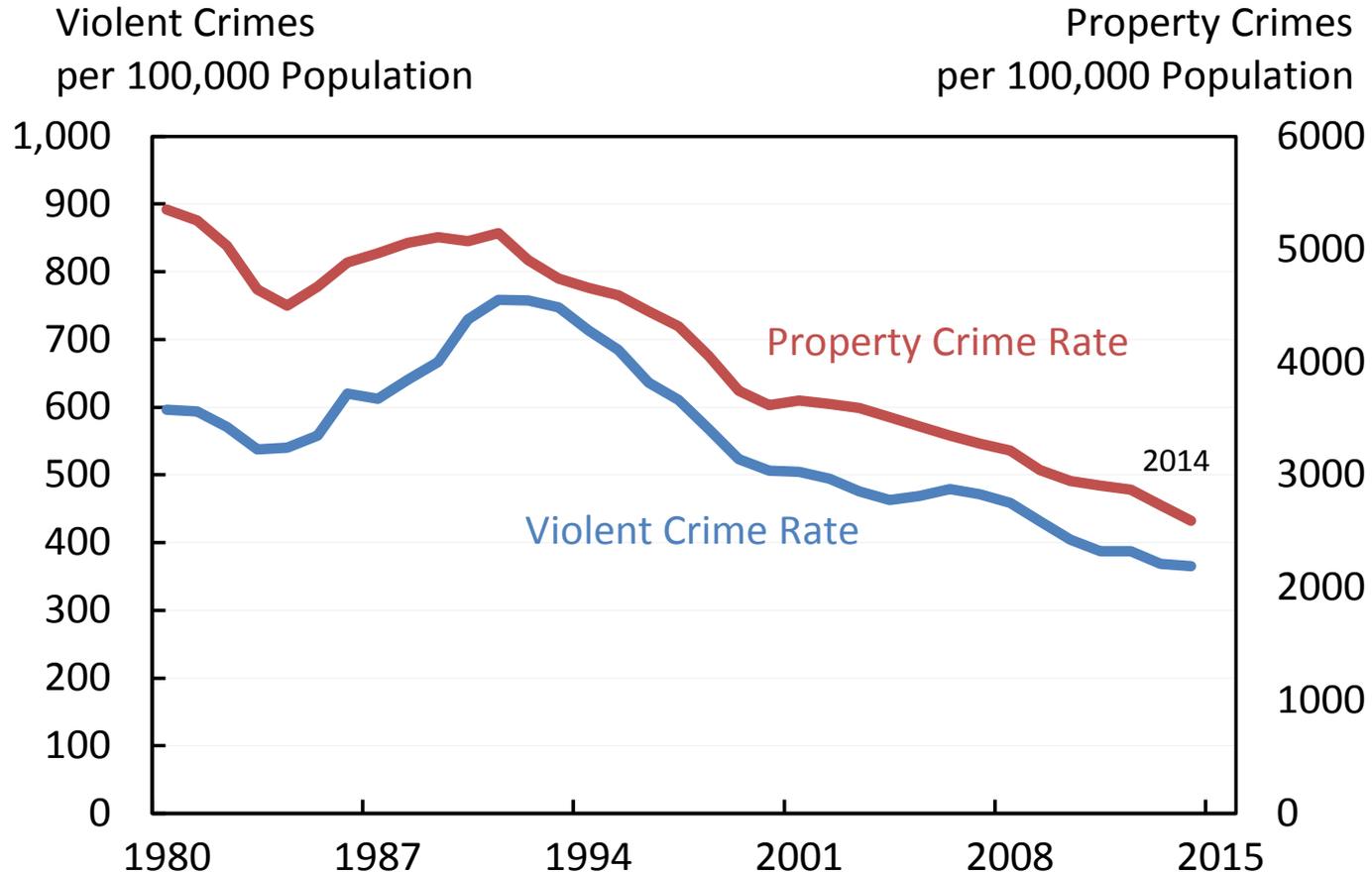
## Incarceration Rate by Country, 2015



Note: Includes 20 countries with highest incarceration rate. Ranking excludes territories and countries with populations less than 200,000. Source: World Prison Population List.

# These Trends Have Occurred Despite Falling Crime Rates

## Violent and Property Crime, 1980-2014



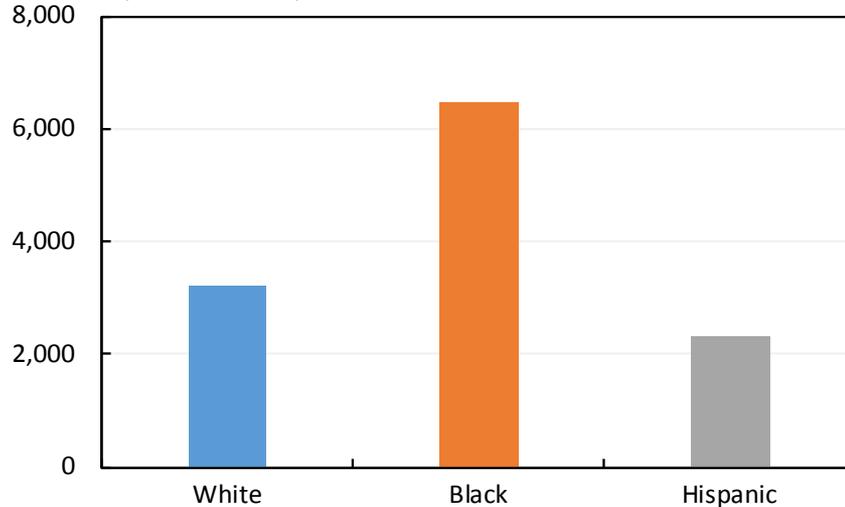
# Economic Research Has Found that Incarceration Growth is Unlikely to be a Material Contributor to the Drop in Crime

- **Since the U.S. has the largest prison population in the world, further increasing incarceration is not likely to materially reduce crime.**
  - When incarceration rates are high, further incarceration entails incapacitating offenders who are on average lower risk.
  - Research finds that the impact of incarceration on crime is small, and decreases as the incarcerated population grows.
- **Economic research suggests that longer sentence lengths have little deterrent impact on offenders.**
  - A recent paper estimates that a 10 percent increase in average sentence length corresponds to a zero to 0.5 percent decrease in juvenile arrest rates.
- **Emerging research finds that longer spells of incarceration increase recidivism.**
  - A recent study finds that each additional sanction year causes an average increase in future offending of 4 to 7 percentage points.
- **Instead, the decrease in crime is likely attributable to a number of other factors.**
  - These may include demographic changes, improving economic conditions, and changes in policing tactics.

# Interactions with the Criminal Justice System are Disproportionately Concentrated Among Blacks and Hispanics

### Arrest Rate Demographics, 2014

Arrestees per 100,000 Population

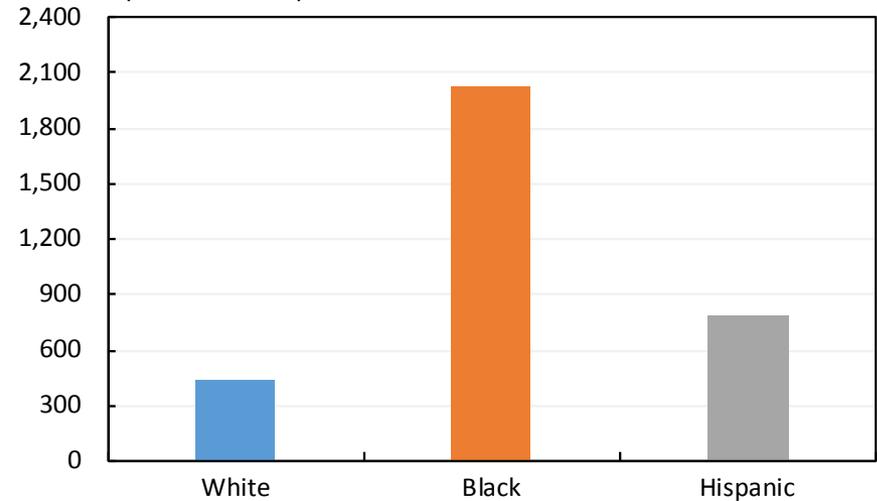


Note: Rates are calculated within group.

Source: FBI Uniform Crime Reports, Bureau of Justice Statistics, Census, CEA Calculations.

### Incarceration Rate Demographics, 2014

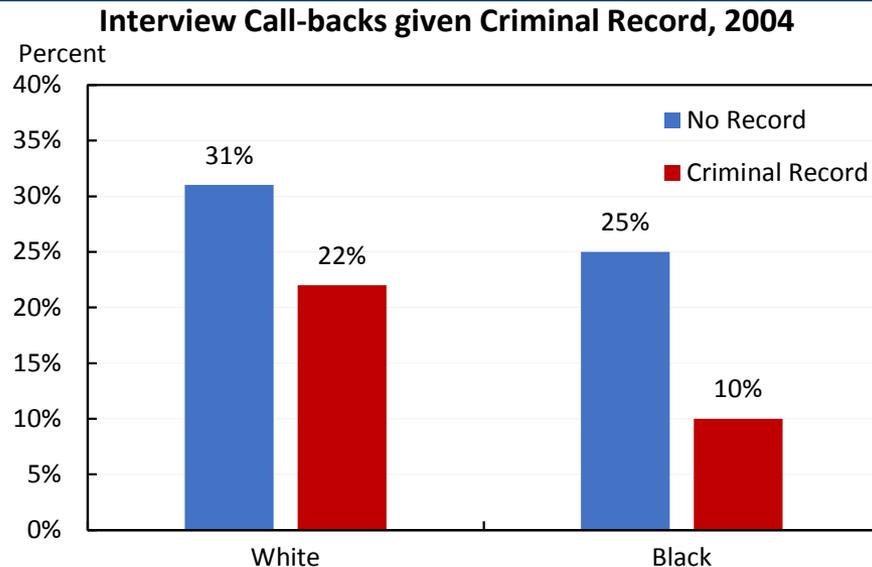
Inmates per 100,000 Population



Note: Rates include prison and jail inmates and are calculated within group.

Source: Bureau of Justice Statistics, Census, CEA Calculations.

# Criminal Justice Sanctions Generate a Number of Collateral Consequences for Individuals with Criminal Records, their Families, and Communities



- **Having a criminal record makes it more difficult to find employment.**
  - Recent job application experiments find that applicants with criminal records were 50 percent less likely to receive an interview request or job offer, relative to identical applicants with no criminal record, and these disparities were larger for Black applicants.
- **Criminal sanctions can also have negative consequences for individuals' health, debt, transportation, housing, and food security.**
- **The probability that a family is in poverty increases by nearly 40 percent while a father is incarcerated. Parental incarceration is a strong risk factor for antisocial and violent behavior, mental health problems, school dropout, and unemployment.**

Note: Call-back rates are from a randomized audit experiment that varied race and criminal record on otherwise identical job applications.

Source: Pager, Western, and Sugie (2009).

# Crime Has a Substantial Cost

## **Estimates of the Social Cost of Crime, 2014**

<b>Real (2015 \$Billions)</b>	<b>Mean</b>
<b><i>Cost of all Crimes by Category</i></b>	
Murder	110.6
Rape	21.1
Assault	53.0
Robbery	56.0
Burglary	38.2
Larceny	23.1
Vehicle Theft	6.0
<b><i>Implied Total Cost</i></b>	<b>307.9</b>

Source: FBI UCR crime data; CEA Calculations; Ashenfelter 2006; Cohen 1988; Cohen, Rust, Steen and Tidd 2004; Donohue 2009; McCollister, French, and Fang 2010; Miller, Cohen, Wiersema 1996; Mueller-Smith 2015; Viscusi 2000.

# Some Criminal Justice Policies, Including Increased Incarceration, Fail a Cost-Benefit Test

## **Tally of Cost-Benefit Analyses of Criminal Justice Policy: Evidence from Economics Literature**

	<u>Percent of Studies</u>		
	Number of Studies	Consider Indirect or Collateral Consequences	Cost-Effective Policy
Police	6	17%	83%
Incarceration	7	43%	29%
Sentencing	5	40%	20%
Education	9	67%	100%

Note: Estimates are derived from economics studies that focus on the United States and conduct cost-benefit analyses. The studies differ in policy setting, outcomes, time frame and methodological approaches. Conclusions about the cost-effectiveness of policies are taken from the analysis and expertise of the authors in each study.

Sources: Police: Levitt 1997; Cohen and Ludwig 2003; Evans and Owens 2007; Caetano and Maheshri 2013; Chalfin and McCrary 2013; DeAngelo and Hansen 2014.

Incarceration: Levitt 1996; Spelman 2000; Kuziemko and Levitt 2004; Spelman 2005; Donohue 2009; Hjalmarsson 2009b; Lofstrom and Raphael 2013.

Sentencing: Owens 2009; Helland and Tabarrok 2007; Iyengar 2008; Kuziemko 2013; Mueller-Smith 2015.

Education: Donohue and Siegelman 1998; Reynolds et al. 2001; Lochner, 2004; Lochner and Moretti 2004; Schweinhart et al. 2005; Belfield et al. 2006; CPPRG 2007; Deming 2009b; Oreopoulos and Salvanes 2011; Anderson 2014.

# Higher Wages Are More Effective At Reducing Crime Than Increased Incarceration

	Impact on Crime Rate	Net Societal Benefit from Reduced Crime
Increase spending on incarceration by \$10 billion (or a 12 percent increase)	1% to 4% reduction	-\$8 billion to +\$1 billion
Raise minimum wage to \$12/hour in 2020	3% to 5% reduction	\$8 billion to \$17 billion

# The Obama Administration Is Committed to a Holistic Approach to Criminal Justice Reform

- **The Community**

- Early Childhood Education and Targeted Prevention Programs for Youth
- Community Policing and Policing Transparency
- Employment Restrictions: Record Expungement, “Ban-the-Box”, and Occupational Licensing Exclusions
- Access to Housing and Health Care
- Criminal Justice System Databases and Reporting

- **The Courtroom**

- Sentencing Reform
- Fines, Fees, and Bail
- Drug Court Diversion Programs and Problem-Solving Courts

- **The Cell Block**

- Correctional Education, Rehabilitation Programs, and Job Training
- Solitary Confinement

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