

# **REGULATING THE AMERICAN LABOUR MARKET**

## **The Role of the Prison Industrial Complex**

**First Draft - For Comment, Not Quotation**

**DAVID LADIPO**

### **UNIVERSITY OF NOTTINGHAM**

**School of Sociology and Social Policy**

University Park, Nottingham

NG7 2RD, United Kingdom

Tel: +44 (0) 115 951 5420

Fax: +44 (0) 115 951 5232

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## Introduction

We are often told that the dynamism of the American economy stems from the 'deregulated' state of its labour market and, by implication, the 'non-interventionist' stance of the US government. Nothing could be further from the truth. The American labour market is as regulated (and its government as interventionist) as any of its European counterparts. The difference lies, not in the quantity, but in the **kind** of regulation practised within the United States. To illustrate the point, this paper focuses on a small, but instructive example of the many 'interventions' which have shaped the American labour market, namely the growth of its 'prison industrial complex'.

The American government uses a variety of devices to smooth out the fluctuations in demand and employment which attend the corybantic of the business cycle. During the last two decades its reflationary strategems have included currency devaluations, interest rate cuts, and old-fashioned protectionism. More to the point, and contrary to the 'free market' rhetoric of its political leaders, it has also retained its position as the pre-eminent disciple of Keynesian economics. Pump-priming the economy with billions of dollars of defence spending, Reagan's cold wars were followed by 'hot' wars in the Gulf, Sudan and Kosovo. Like Keynes himself, America's political leaders knew full well that *„when involuntary unemployment exists...pyramid building, earthquakes, even wars may serve to increase wealth, if the education of our statesmen on the principles of the classical economics stands in the way of anything better.“* And, despite the abandonment of Reagan's strategic defence initiative, the national defence budget still absorbed nearly 10% of net public spending in 1998.

But if the impact of the military industrial complex on the US labour market is widely recognised amongst economists and other social scientists, the same cannot be said of its prison industrial complex. It is true that dollar expenditure on the defence industry is double the amount spent on the carceral industry. On the other hand, the 'people intensive' character of America's criminal justice system means that prison spending has a much more immediate impact on the labour market than its more 'capital intensive' defence expenditure. Moreover, the 'regulatory power' of the prison industrial complex is not confined to the transmission of Keynesian stimuli. The extraordinary growth in the country's prison industry has also helped to 'discipline' American labour. Whether by accident or design, the US carceral industry has left the American working classes more frightened, more divided and more disorganised than at any point this century.

The paper itself is divided into two parts. Part 1 examines the 'Keynesian Stimulus' provided by the prison industrial complex and Part 2 considers the 'Foucauldian Discipline' imposed by the growth of this complex.

## Part 1 – The Keynesian Stimulus

Keynes, like his classical forebears Smith and Marx, recognised that economic recessions pose a classic *Catch 22*: employers would love to hire more workers if only they could see a demand for their product; and the unemployed would love to buy their products if only someone would hire them. But Keynes also knew that one of the most effective ways to solve this conundrum was for the government to finance some form of *public works*, be it ditch-digging, pyramid-building, or bomb-making<sup>1</sup>. And, in their different ways, Roosevelt, Hitler and Reagan have all demonstrated the validity of this principle.

America's criminal justice industry is another of these great public works. The whole process of detecting, arresting, trying, sentencing, imprisoning, guarding, feeding, clothing, paroling and then re-arresting people is an immensely labour-intensive business. The people absorbed by this industry include, of course, the prisoners themselves, whose numbers had swelled to more than 1.8 million by the end of 1998 (see Table 1). But the real benefit America derives from its massive prison population is not (just) the artificial reduction in its unemployment statistics but the millions of jobs which have been created and sustained as a result of the country's passion for punishment.

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Table 1: Prisoners and incarceration rate per 100,000 inhabitants, USA, 1980-1998

Year	Number	Rate
1980	501,886	221
1985	742,579	312
1990	1,148,702	461
1991	1,219,014	483
1992	1,295,150	508
1993	1,369,185	531
1994	1,476,621	567
1995	1,585,589	601
1996	1,646,020	618
1997	1,744,001	649
1998	1,825,400	672

Source: US Bureau of Justice Statistics

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<sup>1</sup> „It would indeed, be more sensible to build houses and the like; but if there are political and practical difficulties in the way of this, the above would be better than nothing“ (Keynes 1986, p.129).

## Criminal Justice Expenditure

One way to measure the prison industry's impact on the American labour market is to study the growth in criminal justice expenditure. According to statistics released by the US Bureau of Justice, expenditure – in real terms - by the government's criminal justice agencies rose from \$58bn in 1982 to \$127bn in 1998. And, at the heart of this, was a threefold increase in 'corrections' expenditure<sup>2</sup>. To put these figures in context, I have compared the change in military defence expenditure over the same period. As shown in Table 2, by the end of 1998, the ratio of justice expenditure to defence expenditure had risen from 20% to nearly 50%.

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Table 2: Total Justice Expenditure & Total Military Defence Expenditure, 1982-1998  
(\$billions in 1998 dollars)

	Corrections	Police Protection	Judicial And Legal	Total Justice	Military Defence
1982	15	31	12	58	290
1983	16	32	13	61	315
1984	18	34	14	65	328
1985	19	35	15	70	352
1986	22	37	16	75	371
1987	24	39	17	80	372
1988	27	41	18	85	369
1989	28	41	20	89	370
1990	31	43	21	96	349
1991	34	45	22	101	303
1992	35	47	24	106	323
1993	35	48	24	107	306
1994	37	49	24	111	288
1995	40	52	25	116	272
1996	41	52	25	118	261
1997	42	53	25	120	261
1998	43	55	28	127	256

Source: US Bureau of Justice and US Department of Defense

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<sup>2</sup> The term covers expenditure on prisons, parole and probation.

## Criminal Justice Employment: The Public Sector

Another way to comprehend the employment multipliers created by the US carceral industry is by looking at the growth in criminal justice payrolls. If we confine ourselves to the public sector, the statistics published by the US Bureau of Justice show that the number of persons employed by its corrections agencies rose from 299,000 in 1982 to 723,000 in 1998. And, when we add the increase in police officers and judicial and legal staff, the total increase in criminal justice employment amounts to more than 860,000 persons (see Table 3).

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Table 3: Total Justice Employment by Activity, 1982-1998

Year	Corrections	Police Protection	Judicial And Legal	Total
1982	298,722	723,923	247,697	1,270,342
1983	319,325	733,070	261,436	1,313,831
1984	348,802	746,974	277,578	1,373,354
1985	372,693	757,000	293,025	1,422,718
1986	392,027	771,917	300,126	1,464,070
1987	419,814	792,831	312,331	1,524,976
1988	455,414	804,658	323,641	1,583,713
1989	488,495	811,528	336,872	1,636,895
1990	534,235	825,417	350,761	1,710,413
1991	561,347	837,038	362,178	1,760,563
1992	566,500	857,593	373,611	1,797,704
1993	585,685	865,002	375,266	1,825,953
1994	620,658	890,384	390,731	1,901,773
1995	655,242	925,956	401,476	1,982,674
1996	681,792	938,301	410,170	2,030,263
1997	708,342	950,646	418,863	2,077,851
1998	723,329	976,386	433,485	2,133,200
Increase	424,607	252,463	185,788	862,858

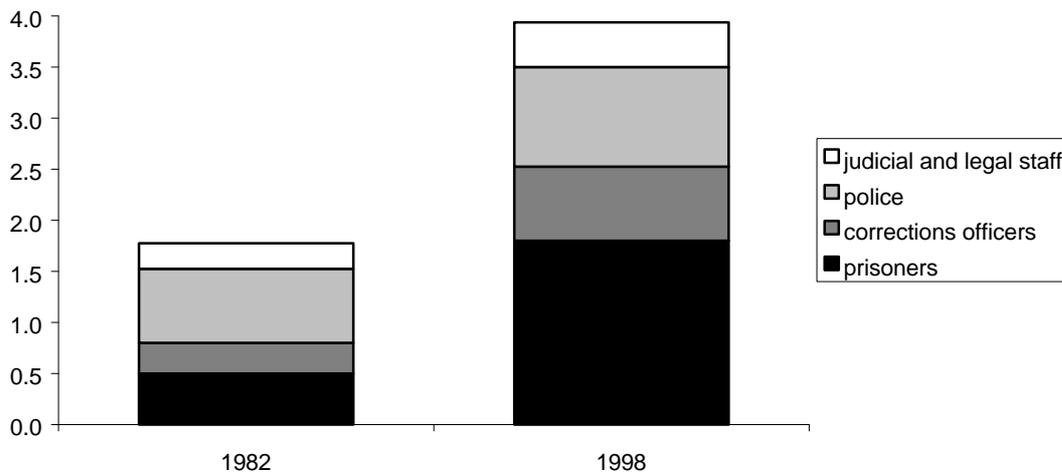
Source: US Bureau of Justice

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Figure 1 shows that in 1982, the three branches responsible for the exercise of criminal justice – police, judiciary and corrections – absorbed just over 1.9 million Adult Americans, consisting of 700,000 incarcerated convicts and 1.2 million justice employees. By 1998 this figure had risen nearly 4 million persons, of whom 1.8 million were prisoners and 2.1 million were justice employees. Any government that is prepared to absorb 4 million people in the exercise of public punishment – and is willing to spend 5 per cent of its tax revenues in doing so – could teach Mr. Keynes a trick or two.

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Figure 1: (millions of persons) directly absorbed by America's public sector corrections industry.



Source: US Bureau of Justice Statistics

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## **Criminal Justice Employment: The Private Sector**

Within the public sector, it is not hard to illustrate the Keynesian multipliers triggered by the relentless expansion of America's prisons. But things get more complicated when we turn our attention to the private sector. Not surprisingly, the mass production of millions of 'ex-convicts' has been a boon for the various commercial enterprises which provide 'security services' to homes and businesses. But the size of this industry, and the number of persons employed within it, involves some rather difficult accounting decisions. Should we restrict ourselves to businesses providing guard and patrol services or should we include a much wider range of 'security related' businesses?

In answer to this question, America's National Institute of Justice (NIJ) released a report entitled *Private Security: Patterns and Trends*<sup>3</sup> which looked at the growth in employment across nine different categories:

- Guard and Patrol Services
- Proprietary (in-house) security
- Alarm services
- Private investigations
- Armoured car services
- Manufacturers of security equipment
- Locksmiths
- Security consultants and engineers
- „Other“ (including drug testing, forensic analysis and honesty testing)

On the basis of this expansive definition of 'private security', the report claimed that private security had become 'the nation's primary protective resource' outspending public law enforcement by 73 per cent and employing 2½ times as many employees. Spending on private security was estimated at \$52 billion dollars in 1990 and the number of persons employed within the industry was estimated to have grown by half a million between 1980 and 1990. And the report went on to estimate that employment within the industry would continue to rise, from 1.5 million in 1990 to nearly 2 million by the end of the century.

Nine years have passed since the publication of the NIJ report and I am curious to see how well their projections have turned out. But until I obtain (and find the time to analyse) the requisite data, I shall refrain from any further speculations as to the employment multipliers generated by America's insatiable desire to house its population either in jails (the convicts) or in secure, gated, and close-circuited, communities (the rest).

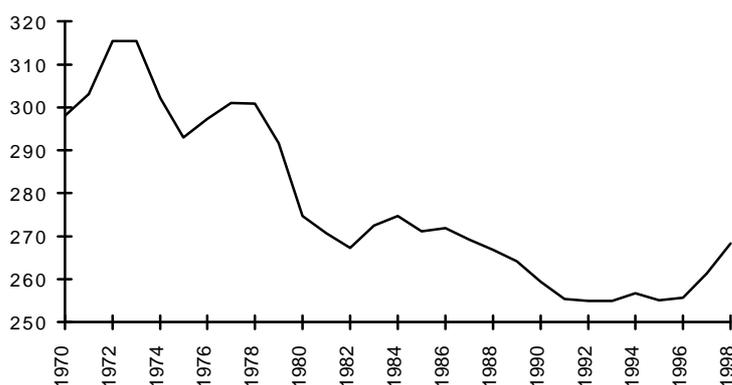
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<sup>3</sup> Cited in Christie 1994 (pp.106-7).

## Part 2: The Foucauldian Discipline

From a European perspective, the tightness of the American labour market and the buoyancy of its consumer demand are not the only objects of fascination. What is equally striking is the extraordinary facility with which the country has escaped the 'wage squeeze' of the 60s and 70s. The last twenty years have witnessed a precipitous increase in the share of GDP accounted for by profits and a concomitant decline in the **real** wages of the majority of American workers (see Figure 2).

Figure 2: Weekly wages (in 1982 dollars) of non-supervisory workers in the US, 1970-1998



Source: US Bureau of Labor Statistics

Over the past two decades, the working classes of most OECD countries have witnessed an adverse shift in their bargaining vis-à-vis those groups traditionally aligned with the interests of 'capital'. The difference is that America has managed to screw its workers more savagely and more profitably than any of its competitors<sup>4</sup>. The success with which it has done so is usually ascribed to the following three factors:

- the calamitous drop in trade union membership;
- the increasing mobility of capital attendant upon globalisation
- the job insecurity created by the continuous waves of workforce restructuring which have swept through so much of the country's economy.

There is no doubt that all three of these trends have helped to bludgeon the American working classes. But they are not the only factors responsible for the quiescent and flexible character of the US workforce. The country's criminal justice system has also exerted a powerful disciplinary effect upon the country's workers.

### Divide and Rule

<sup>4</sup> The BLS category of 'production and non-supervisory workers' constitutes more than three quarters of the US labour force. The decline in their real wages is a phenomenon unparalleled by any European country. Likewise, although several European countries have experienced growing inequalities of income and wealth, not even Britain could match the rise in inequality which took place in the United States.

In the penultimate chapter of 'Discipline and Punish', Michel Foucault argues that the expansion of a country's prison population is a reliable mechanism for the production of delinquency:

*Because the prison facilitates the supervision of individuals when they are released, because it makes possible the recruiting of informers and multiplies mutual denunciations, because it brings offenders into contact with one another, it precipitates the organization of a delinquent milieu, closed in upon itself, but easily supervised<sup>5</sup>.*

And, in turn, delinquency makes it easier to control the working class.

*Delinquency, with the secret agents that it procures, but also with the generalised policing that it authorises, constitutes a means of perpetual surveillance of the population: an apparatus that makes it possible to supervise, through the delinquents themselves, the whole social field. Delinquency functions as a political observatory<sup>6</sup>.*

In other words, by dividing the working classes against themselves and reinforcing the need for police surveillance, 'the prison does not control the criminal so much as control the working class by creating the criminal'<sup>7</sup>. Or as Christian Parenti puts it:

*The politics of punishment works in two ways: it contains and controls those who violate the class-based laws of our society, but prison also produces a predator class that, when returned to the street, frightens and disorganises communities, effectively driving poor and working people into the arms of the state, seeking protection<sup>8</sup>.*

These observations remind us that America's prison population is only a small fraction of the total number of individuals 'under some form of correctional supervision'. By the end of 1997, in addition to the country's 1.7 million prisoners there were more than 3.2 million adults on probation and a further 685,000 adults on parole. In other words, the 'total correctional population' stood at 5.7 million persons or 2.9 per cent of the U.S. adult population (roughly one in every 35 adults). And, not surprisingly, men were the principal recipients of this correctional attention. **In fact, on any given day in 1997, 6 per cent of all American men aged between 18 and 64 were either in prison, on probation, or on parole.** By criminalising such a large percentage of its workforce, America's correctional institutions have disciplined, divided, and demoralised its working class to an extent we Europeans can hardly conceive.

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<sup>5</sup> Foucault 1986, p.281.

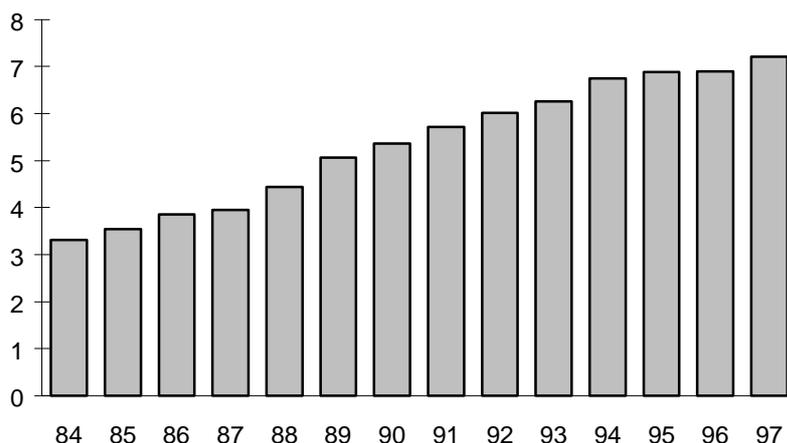
<sup>6</sup> Ibid.

<sup>7</sup> Garland 1995, p.150.

<sup>8</sup> Parenti 1999, p.241.

But, of all the divisive effects of the prison industry, the most pernicious is the gulf which it has opened up between the country's black and white populations. As revealed in the reports of the US Bureau of Justice, the explosion in the American prison population has had a disproportionate impact upon black men. Between 1984 and 1997, the proportion of adult white men in prison rose from 0.49 per cent to 0.93 per cent. By contrast, over the same time period, the percentage of incarcerated adult black men rose from 3.31 per cent to 7.21 per cent (see Figure 3).

Figure 3: Percentage of Adult Black Men Incarcerated in the US, 1984 - 1997



Source: US Bureau of Justice Statistics

By the end of this period there were 758,000 black men in prison, along with 274,000 on parole and a further 902,000 on probation. Altogether more than 18 per cent of all adult black men were under some of correctional supervision in 1997 (see Table 4).

Table 4: Black American Men under Correctional Supervision in 1997

1. number in prison	758,408
2. number on parole	274,356
3. number on probation	901,912
4. population size	10,523,806
% in prison	7.21
% 1+2+3	18.38

Source: US Bureau of Justice Statistics

## Conclusions

- It is clearly nonsense to talk about the ‘unregulated’ nature of America’s labour market.
- A bit of counterfactual analysis would be interesting (i.e. what would America’s unemployment rates have looked like if the rate of incarceration had remained unchanged over the past 20 years?). It is a job I hope to tackle sometime before the end of the year. If anyone would like to collaborate with me on this, I would be glad to hear from them.

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