



# THE GREAT RECESSION AND STATE CRIMINAL JUSTICE POLICY: DO ECONOMIC HARD TIMES MATTER?

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## Key Findings:

1. Since the onset of the Great Recession, the overall state incarceration rate has declined more than at any point in half a century.
2. Despite this pattern, we do not find a straightforward link between the Great Recession and state criminal justice policy. State spending on corrections and state incarceration rates have varied dramatically since the Great Recession.
3. Although scholars, pundits, and politicians have suggested a strong causal link between the Great Recession and criminal justice policy, it may be that the biggest role of the recession was to draw attention to changes that were already taking place.

In the 1970s, the U.S. incarceration rate began to rise—and it continued to rise for nearly four decades. As a result, the United States now imprisons a higher proportion of its population than any country in the world. In recent years, however, the decades-long trend of increasingly punitive criminal justice policies and a growing prison population has subsided. Changes unimaginable ten years ago, such as the decriminalization of certain low-level drug offenses, the closing of prisons, and a decline in the overall prison population have occurred. By many measures, the United States is still the most punitive democracy in the world, but these changes are real and consequential.

To understand these shifts, many scholars and pundits have drawn attention to the potential influence of the Great Recession. Not only did the Great Recession precede many of these changes, but it seems reasonable to suspect that largest economic shock since the Great Depression could influence criminal justice policy and resulting incarcerations. After all, it costs a lot to maintain the world's highest incarceration rate. Yet, evidence of a relationship between past recessions and the incarceration rate is mixed at best. Were the effects of the Great Recession more substantial than previous recessions or do the recent shifts in criminal justice policy and the incarceration rate reflect factors beyond the economic climate?

To answer these questions, we focus on state spending on corrections (i.e., spending on prisons, jails, and parole offices) and state incarceration rates. Because state correctional facilities house the overwhelming majority of those incarcerated in the United States, states offer a critical window into mass incarceration. States are also central to understanding the link between economic conditions and criminal justice outcomes. Most states have balanced budget requirements, which means that states cannot carry a deficit from year-to-year. If a bad economic climate leads to less state revenue, something

must be cut—and large corrections budgets would be one candidate for reduction. Consistent with this expectation, we do find a relationship between state economic conditions and state expenditures on corrections. We do not, however, find evidence that the Great Recession spurred this relationship. In fact, our analysis suggests that changes in crime rates and the public's punitiveness have been the fundamental factors in recent state criminal justice outcomes.

### The Economic Climate and State Corrections, 1960 to 2012

Before turning to the Great Recession, we begin by examining state incarceration rates and state expenditures on corrections since 1960. Although the magnitude and duration of the Great Recession may produce unique effects, focusing on this extended period allows us to consider the historical relationship between economic recessions and criminal justice outcomes. Figure 1 reports the total state incarceration rate from 1960 to 2012 along with vertical gray bars to indicate recessions. If recessions influence the amount of spending on police, prosecutors, and corrections, we would expect the incarceration rate to decline during and following recessions. Yet, as if impervious to recessionary pressures, the overall state incarceration rate steadily increased from the early 1970s through the early 2000s. It is not until the onset of the Great Recession that we see evidence of a sustained decline in the state prison population. This pattern is consistent with the view that, unlike previous recessions, the Great Recession profoundly influenced state incarceration rates. The analyses below, however, complicate this conclusion.

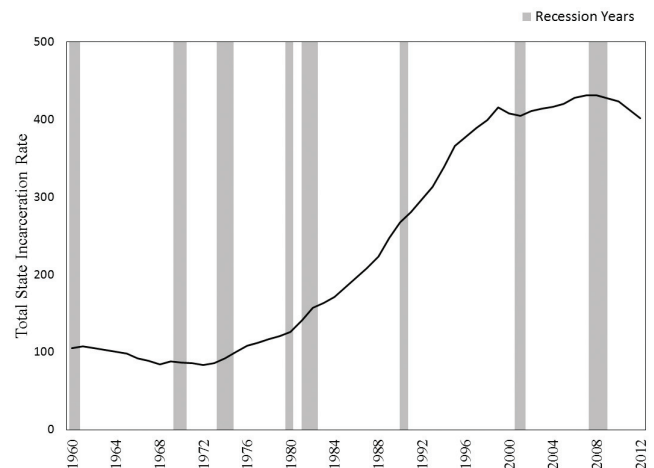


Figure 1: The Total State Incarceration Rate, 1960-2012

Source: Bureau of Justice Statistics, "Historical Statistics on Prisoners in State and Federal Institutions, Yearend 1925-86"; "Prisoners in custody of state or federal correctional authorities, 1977-98" ([www.bjs.gov/content/dtdata.cfm#corrections](http://www.bjs.gov/content/dtdata.cfm#corrections)); "Prisoners under state or federal jurisdiction sentenced to more than one year, federal and state-by-state, 1977-2004" ([bjs.gov/content/dtdata.cfm#corrections](http://bjs.gov/content/dtdata.cfm#corrections)); "Prisoners in 2005" – "Prisoners in 2012"

# THE GREAT RECESSION AND STATE CRIMINAL JUSTICE POLICY: DO ECONOMIC HARD TIMES MATTER? | RESEARCH SUMMARY

Figure 2 plots the overall percent of state budget expenditures devoted to corrections. We focus on the percent of state budgets devoted to corrections to capture the priority state governments placed on corrections relative to other policy areas during this period. The most notable difference between the expenditure data in Figure 2 and the incarceration data in Figure 1 is the decline since the mid-1990s in the percent of state expenditures going to corrections. Although the incarceration rate continued to increase through most of the 2000s, states' financial commitment to corrections, relative to other policy areas, was declining during the same time period. Whether expenditures on corrections reflect recessionary pressures is less clear. The proportion of spending on corrections grew during and after the recessions of the early 1980s, but this pattern was not the case for the subsequent three recessions. Importantly, however, the declines in corrections expenditures following the 2001 recession and following the Great Recession appear to be part of a longer trend that began in the late 1990s. This pattern suggests that the changes that some have attributed to the Great Recession may have been part of a much longer process. To further evaluate this possibility, below we focus on the years immediately preceding and following the Great Recession.

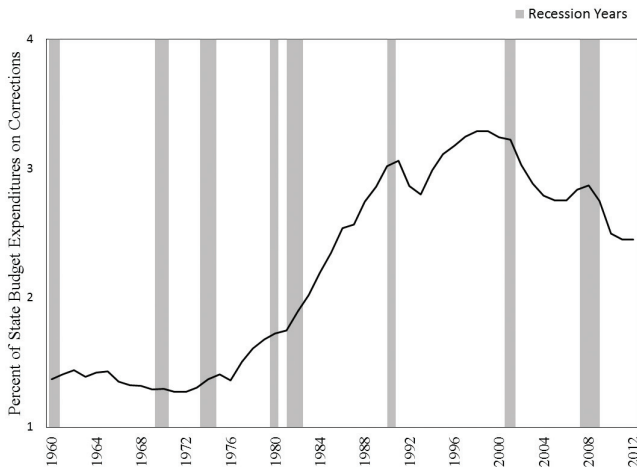


Figure 2: The Percent of State Budget Expenditures on Corrections, 1960-2012

Source: Bureau of Justice Statistics, "Historical Statistics on Prisoners in State and Federal Institutions, Yearend 1925-86"; "Prisoners in custody of state or federal correctional authorities, 1977-98" ([www.bjs.gov/content/dtdata.cfm#corrections](http://www.bjs.gov/content/dtdata.cfm#corrections)); "Prisoners under state or federal jurisdiction sentenced to more than one year, federal and state-by-state, 1977-2004" ([bjs.gov/content/dtdata.cfm#corrections](http://bjs.gov/content/dtdata.cfm#corrections)); "Prisoners in 2005" – "Prisoners in 2012"

## The Great Recession and State Economic Conditions

The previous figures suggest that the historical relationship between economic conditions and state corrections is unclear. In this section, we narrow our focus to the Great Recession. In order to evaluate the Great Recession's potential influence on state criminal justice outcomes, we first need a sense of how the recession affected state economies. Figure 3, which plots the annual percent change in each state's unemployment rate, confirms that the Great Recession was felt across all states. We plot the percent change to illustrate how much each state's unemployment rate changed relative to the previous year. The figure shows that during the Great Recession (December 2007 - June 2009), state unemployment rates rose in all states. We also see that states have begun to recover. Although all but five states had higher unemployment rates

in 2012 than 2003—indicating that a full economic recovery was far from over—the negative values toward the right side of the figure show that state unemployment rates have been declining since their peak in 2009.

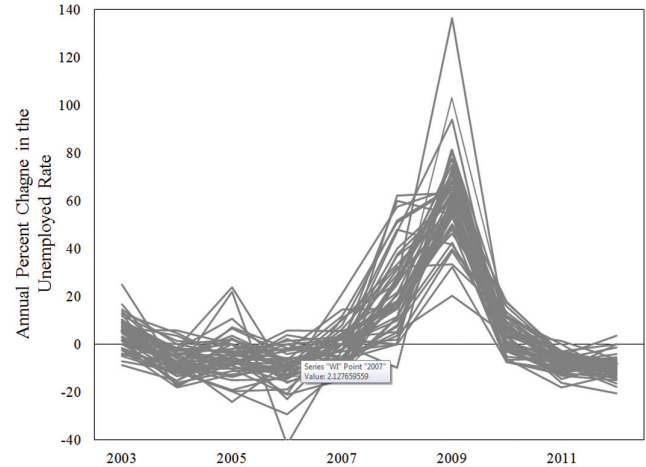


Figure 3: The Annual Percent Change in the Unemployment Rate for Each State, 2003-2012

Source: Bureau of Labor Statistics Local Area Unemployment Statistics ([bls.gov/lau/](http://bls.gov/lau/))

Figure 4 reports the annual percent change in each state's tax revenue. Given the balanced budget requirements in most states, state tax revenue is critical to understanding state budget decisions. In Figure 4 we see more variability than with the unemployment rate because some states, like Alaska, North Dakota, and Wyoming, saw increased tax revenue from natural resources. Nevertheless, the overall pattern parallels that in Figure 3. Most states saw declining tax revenues during the Great Recession and conditions have begun to improve in most states since the end of the recession. In fact, after adjusting for inflation, the tax revenue rate was higher in 2012 than 2003 in all but 15 states.

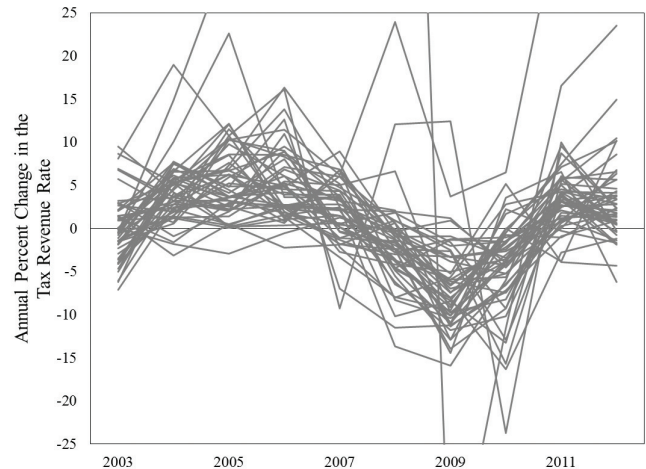


Figure 4: The Annual Percent Change in the Tax Revenue Rate for Each State, 2003-2012 (2012 dollars)

Source: U.S. Census Bureau, "State Government Finance Summary Reports" (2003-2012) ([census.gov/govs/state](http://census.gov/govs/state)); Population data from the U.S. Census Bureau State Intercensal Estimates; [census.gov/popest/data/intercensal/state/state2010.html](http://census.gov/popest/data/intercensal/state/state2010.html)

# THE GREAT RECESSION AND STATE CRIMINAL JUSTICE POLICY: DO ECONOMIC HARD TIMES MATTER? | RESEARCH SUMMARY

The similar patterns across states in Figures 3 and 4 hold important implications for understanding the potential relationship between state economic conditions and state criminal justice policy. If states responded to these changing economic conditions, we would expect a relatively uniform decline across states in how much they were spending on criminal justice through the recession, followed by an increase as state revenues rebounded toward their previous levels. To evaluate this expectation, the following section analyzes expenditures on corrections and state incarceration rates.

## The Great Recession, Spending on Corrections, and State Incarceration Rates

To gain an initial sense of how states may have responded to budgetary constraints, Figure 5 reports the annual percent change in each state's correctional expenditure rate. If budgetary constraints were the primary factor changing correctional expenditures, we would expect a uniform decline in expenditure during and after the Great Recession—just as we saw a uniform increase in changes to the unemployment rate and a near-uniform decline in tax revenue. From 2008 through 2011 there does appear to be some evidence of a decline, but this pattern is much more varied than either of the figures documenting economic conditions above. In fact, in 2010, nearly a third of all states increased their rate of corrections expenditure.

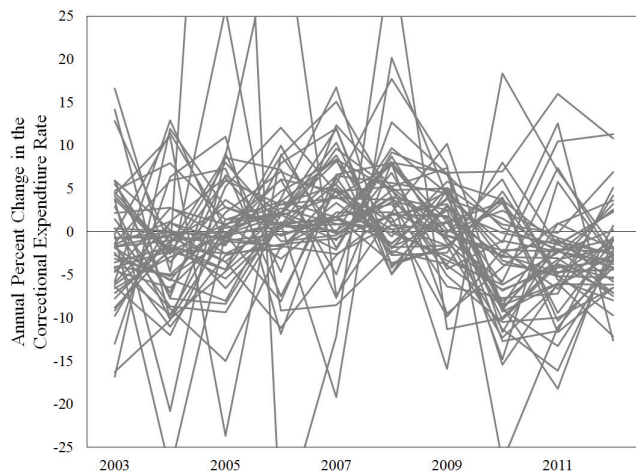


Figure 5: The Annual Percent Change in the Corrections Expenditure Rate, 2003-2012 (2012 dollars)

Source: U.S. Census Bureau, "State Government Finance Summary Reports" (2003-2012) ([census.gov/govs/state/](http://census.gov/govs/state/)); Population data from the U.S. Census Bureau State Intercensal Estimates ([census.gov/popest/data/intercensal/state/state2010.html](http://census.gov/popest/data/intercensal/state/state2010.html)) ([census.gov/popest/data/state/totals/2013/index.html](http://census.gov/popest/data/state/totals/2013/index.html))

Another outcome of interest is actual incarceration rates. We saw in Figure 1 that the overall state incarceration rate decreased following the Great Recession. If this was a response to budget considerations—perhaps a result of decreased spending on police, prosecutors, and corrections—we would expect this pattern to be evident across all states. This pattern does not emerge. Although a slight overall decline is evident in Figure 6, each year the number of states in which the incarceration rate increased is roughly equal to the number of states in which a decrease occurred.

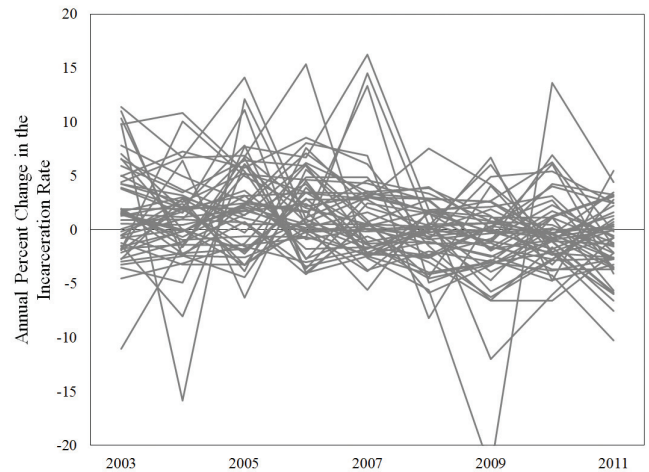


Figure 6: The Annual Percent Change in State Incarceration Rates, 2003-2012

Source: Bureau of Justice Statistics, "Prisoners under state or federal jurisdiction sentenced to more than one year, federal and state-by-state, 1977-2004" ([bjs.gov/content/dtdata.cfm/#corrections](http://bjs.gov/content/dtdata.cfm/#corrections)); Bureau of Justice Statistics, "Prisoners in 2005" – "Prisoners in 2012"

The varied patterns of state corrections expenditures and incarceration rates in Figures 5 and 6 stand in contrast to the homogenous shifts in state economic climates illustrated in Figures 3 and 4. These different sets of patterns suggest that economic conditions have not been the primary determinant of state corrections expenditures or incarceration rates. To get a more precise sense of these potential relationships, we also conducted a variety of statistical analyses. Two results stood out in these analyses. First, the estimated relationship between state tax revenues and state spending on corrections was about two-and-a-half times stronger prior to the recession. This result runs counter to a Great Recession effect. If the declining tax revenue that followed the Great Recession led states to place more emphasis on economic conditions when considering criminal justice policy, we would expect a stronger—not a weaker—relationship between tax revenue and corrections expenditures during and after the recession. Second, even when statistically controlling for tax revenue, the unemployment rate, the crime rate, and the composition of state legislatures, since the onset of the Great Recession we find a statistically significant relationship between the public's punitiveness in each state and state spending on corrections. This result further suggests that we cannot think of state criminal justice policy as a direct reflection of economic conditions. It appears that public attitudes and political considerations (as well as the actual crime rate) also matter.

## Conclusions

Given the dramatic effect of the Great Recession on state economies and the cost of maintaining large prison populations, one might expect a direct relationship between the Great Recession and state corrections. Consistent with this view, in recent years politicians, media, and scholars have increasingly highlighted the fiscal costs of mass incarceration in the United States. The above analyses, however, present a much more complicated picture. In fact, our analyses indicate the relationship between state tax revenues and state spending on corrections has declined since the onset of the Great Recession. This is a staggering result given that tax revenue and spending on corrections represent a most likely place to observe the effects of the Great Recession on criminal justice policy.

# THE GREAT RECESSION AND STATE CRIMINAL JUSTICE POLICY: DO ECONOMIC HARD TIMES MATTER? | RESEARCH SUMMARY

This is not to say that the Great Recession has had no effect on state criminal justice policies. We found evidence that economic conditions matter—but economic conditions are not the only thing that matters; as indicated above, tax revenue actually mattered less after the Great Recession. Of course, the Great Recession may have influenced corrections policies and outcomes indirectly by influencing other factors, like public opinion or the crime rate. To the surprise of many, however, the crime rate has declined during the Great Recession, further suggesting that the effects of the Great Recession are more complicated than initially anticipated.

In sum, recent changes in criminal justice policy and outcomes may have more to do with a long term trend rather than with the Great Recession. Although we have found important variation across states, recall Figure 2, which showed that the overall proportion of state budget allocations to corrections has been declining since the late 1990s. Furthermore, on average, crime rates and public support for being tough on crime have also declined during this period. Although scholars, pundits, and politicians have suggested a strong causal link between the Great Recession and criminal justice policy, it may be that the biggest role of the recession was to draw attention to changes that were already taking place.

## Additional Resources

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