



## Research

# The Economic Costs of the U.S. Criminal Justice System

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### Executive Summary

- The United States spends nearly \$300 billion annually to police communities and incarcerate 2.2 million people.
- The societal costs of incarceration—lost earnings, adverse health effects, and the damage to the families of the incarcerated—are estimated at up to three times the direct costs, bringing the total burden of our criminal justice system to \$1.2 trillion.
- The outcomes of this expense are only a marginal reduction in crime, reduced earnings for the convicted, and a high likelihood of formerly incarcerated individuals returning to prison.
- The value citizens place on the small increases in deterrence is difficult to quantify, but as a matter of logic it must be substantial to merit incurring the measured costs.

### Introduction

A criminal justice system is vital to ensuring laws are obeyed, the public is safe, and rights are protected. Key elements of such a system include incapacitating people who have broken the law, deterring others from doing the same, and rehabilitating offenders to prevent reoccurrence. A fair and just system must provide due process, protect the rights of the innocent, and provide those protections equally to all people. Further, victims of crimes should be compensated for their sufferings and made whole, insofar as it is possible. To the extent these goals are achieved, such outcomes are the benefits of a robust criminal justice system and an indication of its effectiveness. The resources employed to achieve those outcomes, as well as any errors and collateral damage caused in the pursuit of justice, are the costs. The extent to which the benefits outweigh the costs are a reflection of the

system's efficiency.

This paper analyzes the significant costs of the U.S. criminal justice system. Costs are measured in terms of the direct costs (budget outlays) as well as indirect costs (the social and economic consequences of the punishments imposed, arresting and imprisoning the wrong person, unnecessary injuries and fatalities sustained during arrest and imprisonment, etc.). As detailed below, the costs are substantial.

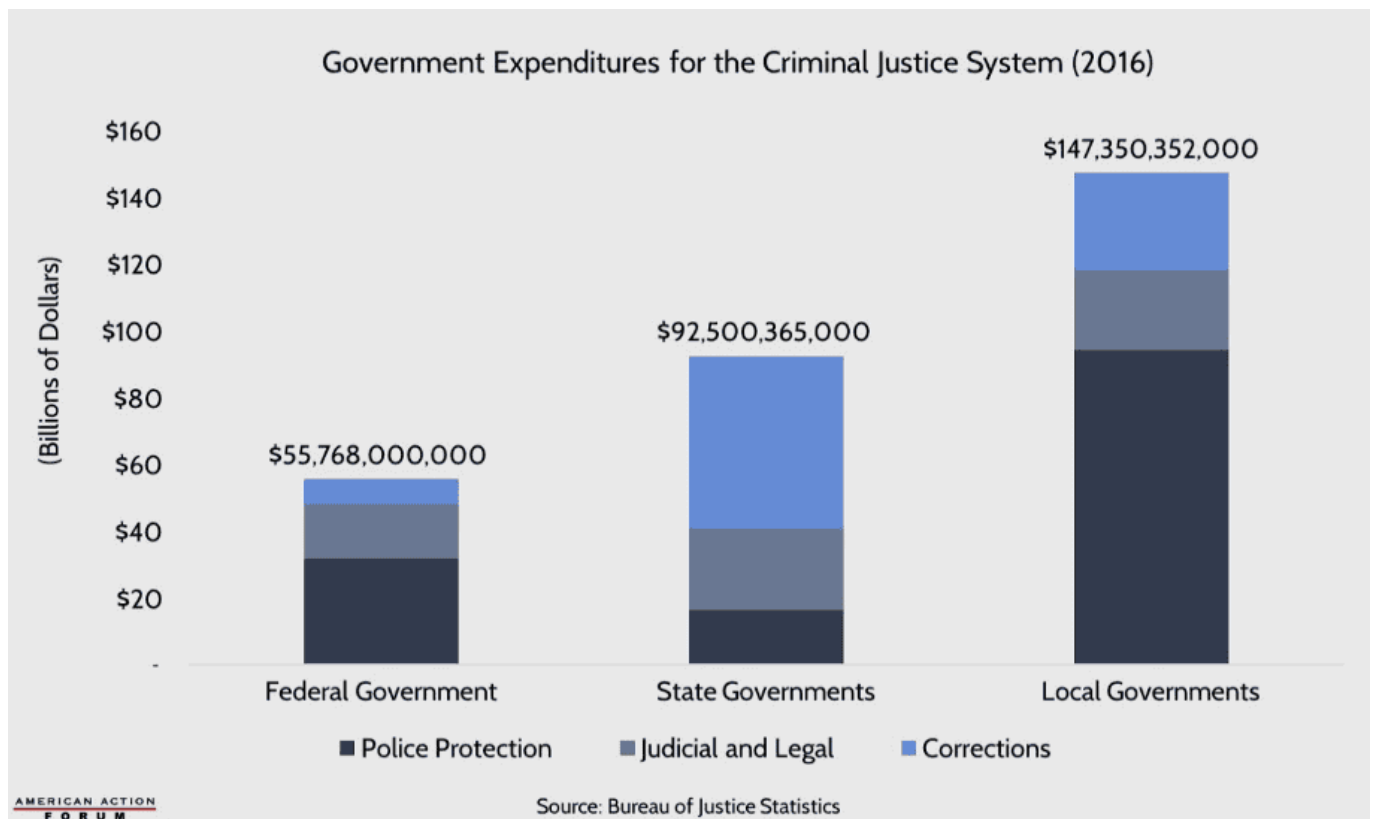
In contrast, the benefits are harder to calculate. A well-functioning criminal justice system may exhibit low or falling crime rates, low recidivism rates, and the ability to move on with one's life after a person's sentence has been served or debt paid, as well as the ability of victims to be compensated for the wrongs committed against them. But the value of these attributes is subjective and will differ from individual to individual based on a personal evaluation of safety, life, and property.

## **The Cost of the U.S. Criminal Justice System**

### *Direct Costs*

The direct governmental cost of our corrections and criminal justice system was \$295.6 billion in 2016, according to the Bureau of Justice Statistics.<sup>[1]</sup> With more than [2.2 million people incarcerated](#), this sum amounts to nearly \$134,400 per person detained.

Roughly half of these funds—\$142.5 billion—are dedicated to police protection. The next largest share of this expense—\$88.5 billion—is the cost of operating the nation's prisons, jails, and parole and probation systems. The remainder—\$64.7 billion—is spent on the judicial and legal systems.<sup>[2]</sup> As shown in the following chart, local governments pay more than half of the total costs—mostly for policing, while the federal government pays just one-sixth.<sup>[3]</sup> States spend the most on corrections, a reflection of the fact that nearly 60 percent of all detainees (1.3 million people) are held in state prisons.<sup>[4]</sup>



Of course, these figures do not include the costs to individuals cited, arrested, and detained, or to their families. A 2015 report found that the average court costs for someone arrested was \$13,607.<sup>[5]</sup> Based on this estimate, the cost to the 2.2 million currently incarcerated individuals and their families would total \$29.9 billion.

### *Indirect Costs*

The cost of the criminal justice system extends far beyond those direct costs of policing, prosecuting, and incarcerating.

### *Economic and Financial Losses*

A study from Washington University in St. Louis estimates that the broader societal costs put the total burden at nearly \$1.2 trillion, after accounting for consequences such as foregone wages, adverse health effects, and the detrimental effects on the children of incarcerated parents, as detailed below.<sup>[6]</sup> Other studies have noted similar indirect costs.<sup>[7]</sup>

For example, the cost of injuries while incarcerated, the three and a half times higher mortality rate experienced by formerly incarcerated individuals, and the detrimental health effects experienced by people imprisoned and their families—particularly higher rates of

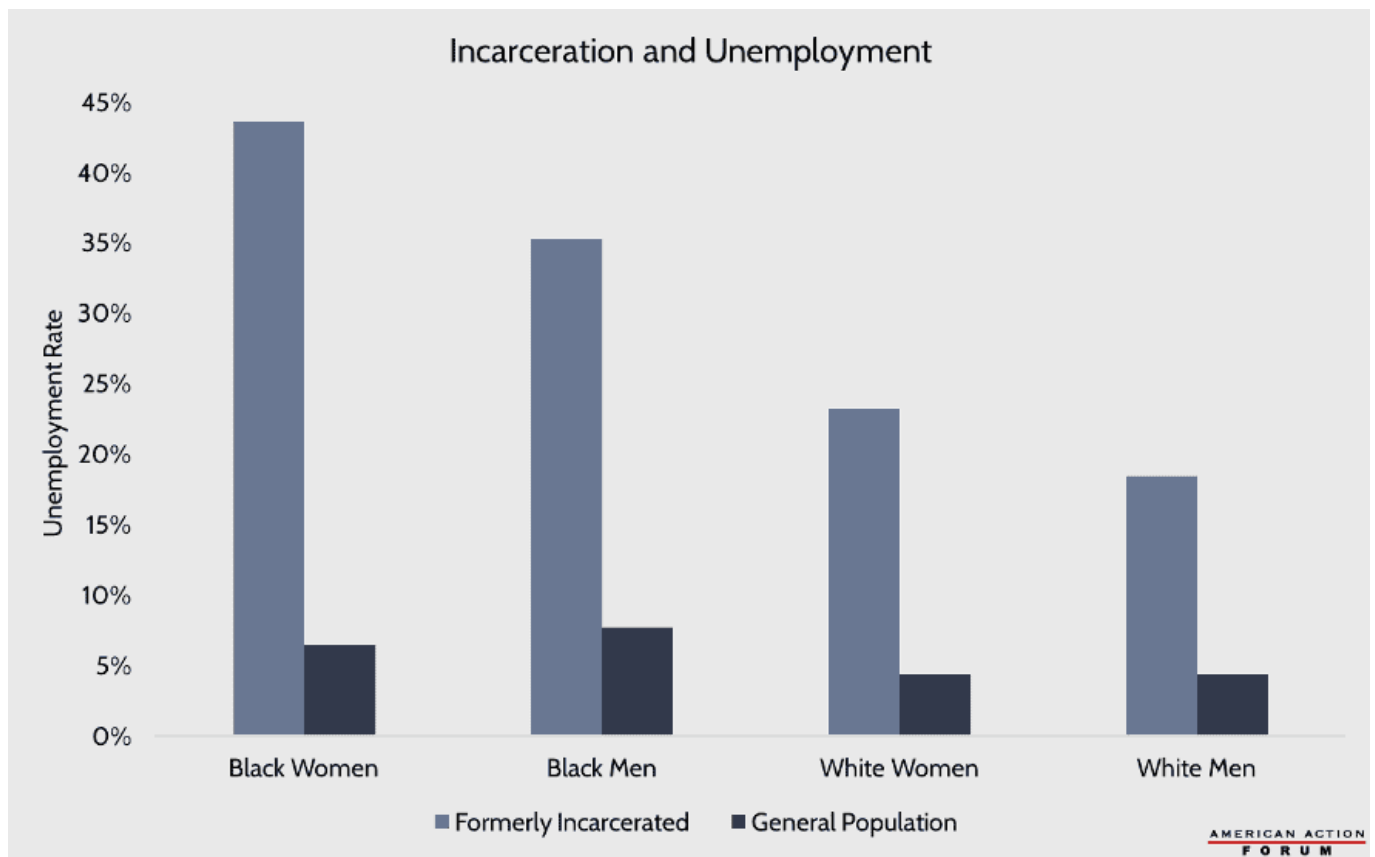
poor mental health and infant mortality—are estimated to cost more than \$100 billion.[8]

Costs related to moving, eviction, and homelessness for incarcerated individuals and their families, as well as the reduction in property values that may result from high rates of formerly incarcerated living in a particular area are estimated at \$14.8 billion.[9]

For many, the personal costs do not end upon release from prison. Being convicted of a crime helps perpetuate, though does not necessarily cause, the cycle of poverty. Incarceration limits economic opportunities and access to public assistance and housing.

The perpetuation of poverty is due to a multitude of factors, including the fact that being arrested or convicted of a crime makes it much more likely an individual will lose job opportunities and thus the ability to earn legal wages. More than 70 percent of employers report conducting criminal background checks on job applicants.[10] Besides employers being less likely to hire someone with a criminal record, many jobs are automatically no longer available: Individuals convicted of a misdemeanor are barred from obtaining more than 1,000 occupational licenses; people convicted of a felony are barred from 3,000 licenses across the country.[11] The cost of foregone wages while people are incarcerated combined with the lifetime reduction in earnings after their release is estimated at more than \$300 billion.[12]

A study by the Brookings Institution found that only 55 percent of former prisoners had any earnings in the year following release, and of those, only 20 percent (or 11 percent of the total) earned more than the [federal minimum wage](#) (roughly \$15,000).[13] While these figures largely reflect the experiences of individuals prior to their time in prison, as noted [here](#), another study found at least a 24 percentage-point drop in employment among those who were steadily employed before being incarcerated for a year or more.[14] Further, the aggregate figures obscure distinctions, and there are stark racial differences in the likelihood of being unemployed, as shown in the chart below. The greatest difference in post-incarceration unemployment rates compared to the general population is for Black women—a difference of 37.2 percent. White men faced the weakest incarceration penalty with a difference of 14.1 percent.



Source: [Prison Policy Initiative](#)

The effects on economic growth extend beyond the individual incarcerated: 10 percent of incarcerated people’s children do not finish high school or attend college (nearly double the national high school dropout rate of 5.4 percent), often choosing to leave school and enter the labor force early in order to make up for the lost wages of their parent.<sup>[15]</sup> The reduced educational attainment and subsequent reduction in wages for these children is estimated as a \$30 billion loss, or roughly \$15 billion more than what might otherwise be expected.<sup>[16]</sup> Further, the children of incarcerated individuals are five times more likely to go to prison themselves, compared with children whose parents are not incarcerated.<sup>[17]</sup> The increased rate of criminality among children with incarcerated parents has a cost of \$130.6 billion.<sup>[18]</sup>

Incarcerated individuals also experience higher rates of divorce and lower rates of marriage, which is estimated to reduce economic growth by \$26.7 billion and increase child welfare costs by \$5.3 billion.<sup>[19]</sup>

Incarceration is also correlated with large discrepancies in wealth accumulation: Among people aged 29-37 in 2000, personal wealth averaged over \$80,000 for those never incarcerated, but less than \$10,000 for those who were.<sup>[20]</sup> Here, the racial disparity is so

severe that formerly incarcerated Whites still accumulated more wealth than never incarcerated Blacks. Ultimately, imprisonment leads to reduced lifetime earnings of up to 40 percent.[21]

Incarceration may limit access to the social safety net. Following passage of the 1996 welfare reform law, anyone convicted of a drug-related felony is ineligible for cash assistance through the Temporary Assistance to Needy Families (TANF) in 74 percent of states or the Supplemental Nutrition Assistance Program (SNAP) in 70 percent of states, as of 2014.[22] Public housing authorities may deny housing assistance to individuals with a criminal record, even for non-violent offenses.[23]

Naturally, the degree to which any of these negative societal outcomes are caused by incarceration or merely correlated with the incarcerated population is difficult to determine. What the data do show is that those who are incarcerated or who rely on the incarcerated for financial support do poorly on multiple fronts compared to those who never find themselves in prison. This fact makes economic mobility and post-incarceration rehabilitation exceedingly, and perhaps unnecessarily, difficult.

### *Social Losses*

Failure to pay debts owed may also result in the loss of voting rights. In 2010, 10 million people across the United States owed a collective \$50 billion in fees, fines, and charges to the criminal justice system.[24] A recent report from the Georgetown Law Civil Rights Clinic found that at least 30 states condition reinstatement of voting rights on the completed payment of legal debt.[25] Those 30 states are home to over half of the formerly incarcerated but currently disenfranchised population.

High rates of incarceration also erode trust in governmental institutions among people who believe they or others were unjustly imprisoned and weaken the connections in communities that are vital to creating a sense of belonging.[26] These consequences may in turn create a cycle of crime and incarceration.[27] Studies have shown that people who lose their connections to a community may be more likely to participate in criminal activity: Similar to the way homeowners tend to take better care of their living space than renters, people who feel a sense of belonging to their community are less likely to engage in destructive behavior.[28] People who feel ostracized may develop feelings of anger, frustration, and hostility which may ultimately result in crime.[29]

### *Errors and Collateral Damage*

Errors made in the pursuit of justice add to the social costs. Errors include arresting the wrong person and wrongful convictions, deaths in police custody, deaths of bystanders, and

damage to property while in pursuit of an offender, among others.

Since 1989, 367 individuals have been exonerated by DNA evidence proving their innocence; these wrongly convicted individuals served an average of 14 years in prison.[30] In nearly half of these cases, the actual offender was later identified and 41 percent had gone on to commit additional violent crimes while they were free.[31] Nearly three out of 10 individuals wrongly convicted had provided false confessions, half of whom were 21 years old or younger at the time of their arrest.[32]

Since 2013, police have killed more than 8,260 people, a rate of 33.5 per 10 million population.[33] [34] The data show no correlation between the violent crime rate in a city and the frequency of police killings.[35] One-fourth of those killed were Black while 44 percent were White, making a Black person three times more likely to be killed by police than a White person, after accounting for population by race in the United States.[36] More than 1,100 people killed by police were unarmed at the time, and Black people killed were more likely to be unarmed: 17 percent of Black people killed by police were unarmed, compared with 13 percent of White people.[37]

## **The Benefits of Incarceration to Society**

A well-functioning criminal justice system should display low crime rates, low recidivism rates, the ability to compensate victims for harms committed against them, and equal access to justice and protection from crimes. As detailed above, the United States' criminal justice system has significant costs—direct and indirect—for both taxpayers and the accused offenders. Despite the significant costs, research has repeatedly shown that the impact of the high incarceration rate is small and diminishing.[38]

### *Crime Rates*

A key indication of the success of a criminal justice system is a low or declining crime rate, and the crime rate in the United States has been declining for decades. [39] The significant increase in incarceration, however, was likely not necessary to achieve those gains. One study found a 10 percent increase in incarceration led to a decrease in crime of just 2 percent.[40] Similarly, longer sentences do not meaningfully increase deterrence.[41] Following a policy change in California, one study found that one additional year of incarceration had no effect on violent crime but led to a decrease of 1 to 2 property crimes per prisoner. Based on the high cost of imprisonment and the study's calculation of the limited societal value of the small reduction in property crimes, the state yielded a net loss of \$40,000 per prisoner.[42]

### *Recidivism*

The high incarceration rates and long sentences that characterize the U.S. criminal justice system also do not yield the low rates of recidivism that are desired. The criminogenic nature of prison—its tendency to cause or reinforce criminal behavior—may lead to increased crime. Evidence shows that one-third of people released from prison will return at some point.[43] A study from the U.S. Sentencing Commission found that nearly half of federal prisoners were rearrested within 8 years of their release, and one-third were reconvicted and one-fourth were reincarcerated.[44] Other studies have found re-arrest and reincarceration rates as high as 77 and 55 percent, respectively, for state prisoners.[45] A study of convicted individuals in Texas, whose average age was 30, found that each additional year sentenced increased the likelihood of post-release criminal activity by 4 to 7 percentage points per quarter.[46] In Chicago, individuals detained as juveniles were 22 to 26 percent more likely than their peers to re-offend and 13 percent less likely to graduate from high school.[47]

### *Restitution and Victim Compensation*

The United States does have systems in place to compensate victims of crime. Every state has laws pertaining to the payment of restitution by convicted offenders. These payments are intended to make the victim “whole” again by paying for damages and financial losses as a result of the crime committed; losses may include the cost of a funeral, lost wages, or medical expenses.[48] Depending on the offender’s financial situation, however, any payment required may be minimal, if anything at all. Every state also operates a crime-victim compensation fund, which similarly makes funds available to crime victims to cover expenses that result from the crime committed against them.[49] Each state has a maximum compensation amount for which a victim may be eligible, which averages \$25,000.[50] Nevertheless, 40 percent of victims indicated that their needs were not met by these programs.[51]

### *Equal Access to Justice*

The U.S. Constitution requires equal protection under the law, but in many ways the criminal (and civil) justice system falls short. Despite the accused having a constitutional right to legal counsel, many states require payment for a public defender. Studies estimate that between 66 percent and 90 percent of felony defendants cannot afford to hire attorneys and nearly 7,000 more public defenders are needed to adequately handle the current case load in the United States.[52] Those who are able to afford a public defender, but not a private attorney, are more likely to be held in pre-trial detention and jailed.[53]

Lower-income individuals are also more likely to be victims of all types of personal crime.[54] People in poor households, relative to people in high-income households, were

more than twice as likely to be a victim of nonfatal violent crime and more than three times as likely to be the victim of serious violent crime.[55] Being a victim of crime can cause emotional harm and lead to lost earnings, perhaps perpetuating the likelihood of remaining in poverty.[56]

## Conclusion

The United States spends nearly \$300 billion annually to police, prosecute, and imprison. As arrest and conviction rates have increased and sentences for many crimes have gotten longer, the country now incarcerates more than 2.2 million people, or nearly 700 people per 100,000. In addition to the direct costs of the criminal justice system, there are substantial societal costs associated with such a high incarceration rate, including considerable reductions in economic growth as well as adverse health effects for both the incarcerated and their families. The impact of incarcerating so many people has been only minimal reductions in crimes. The high rates of recidivism indicate imprisonment does not deter future crime nor rehabilitate offenders.

[1] <https://www.bjs.gov/index.cfm?ty=pbdetail&iid=6728>, Table 1

[2] <https://www.bjs.gov/index.cfm?ty=pbdetail&iid=6728>, Table 1

[3] <https://www.bjs.gov/index.cfm?ty=pbdetail&iid=6728>, Table 1

[4] <https://www.prisonpolicy.org/reports/pie2020.html>

[5] <http://whopaysreport.org/wp-content/uploads/2015/09/Who-Pays-FINAL.pdf>

[6] <https://joinnia.com/wp-content/uploads/2017/02/The-Economic-Burden-of-Incarceration-in-the-US-2016.pdf> The total burden noted here accounts for the increase in direct costs that have occurred since this study was done as well as accounts for a broader range of direct costs, as noted above.

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<https://www.jstor.org/stable/23292002?seq=1>,  
<https://www.publichealthpost.org/research/incarcerations-costs-for-families/>,  
[https://measuresforjustice.org/\\_next/static/files/1c41bf506c73a865fd4d57807ed297bf/Incarceration\\_Weakens\\_Community\\_Immune\\_System\\_Preliminary\\_Results.pdf](https://measuresforjustice.org/_next/static/files/1c41bf506c73a865fd4d57807ed297bf/Incarceration_Weakens_Community_Immune_System_Preliminary_Results.pdf)

[8] <https://joinnia.com/wp-content/uploads/2017/02/The-Economic-Burden-of-Incarceration-in-the-US-2016.pdf>

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