

“CORRECTIONS-INDUSTRIAL COMPLEX” EXPANDS IN U.S.*)

BY JAN ELVIN

Ted Goins, a securities analyst at Branch, Cabell & Co. in Richmond, Va., spent a weekend last spring reading through every detail of the federal Crime Bill and watching the debate on C-Span. He then came up with a list of “theme stocks of the 90s.”

Goins’ highest recommendation went to the Nashville-based Corrections Corporation of America (CCA) - the nation’s most successful operator of private prisons - whose stock had recently hit an all-time high. CCA’s chief financial officer was quoted as saying that the Crime Bill was “very favourable to us”¹⁾.

CCA’s success is but one example of the profits to be made by a rapidly growing constituency of architects, private prison operators, vendors, labor unions, developers, financiers, and other entrepreneurs. Most recently, defense contractors, who have been hurt by cuts in military spending, have been searching for opportunities in the corrections industry.

The combination of these lucrative business opportunities, political posturing, the war on drugs, and deep social divisions within the United States have created a rapid expansion of the “crime control industry”. The buyers and sellers of prison goods and space are lining up to cash in.

Critics warn, however, that the economic interest of industry will always be on the side of oversupply of prison space rather than undersupply, establishing an extraordinarily strong force for expansion. Renowned Norwegian criminologist Nils Christie, one of the most outspoken critics of the emerging “corrections industrial complex”, cautions against the spread of a system of crime control in which ethical questions are suppressed and efficient management supplants justice²⁾.

Will the economic motives of business conflict with the objectives of providing decent conditions of confinement? Will prison business maintain high occupancy rates even in the absence of demonstrated need? And, as Malcolm Feeley asks, to what extent does privatization expand and transform the state’s capacity to punish³⁾.

That the United States is moving full steam ahead to expand this system is unquestionable. In 1980 the total state and federal sentenced inmate population was 329,821. At midyear 1994 that total had risen to 1,012,851⁴⁾. The 1994 federal Crime Bill provides nearly \$ 9 billion for state prison construction. During FY 1993-94 state prisons added at least 105,219 beds, an increase of 13% from the 1992-93 totals of 92,028 beds.

Some of the biggest names in finance have become involved: Goldman Sachs & Co., Prudential Insurance Co. of America, Smith Barney Shearson Inc., and Merrill

Lynch & Co. Many of the companies work to underwrite prison construction with private, tax-exempt bonds which require no voter approval.

A SHOPPERS' GUIDE

Private companies are now available to provide consulting, personnel management, architecture and building design, vocational assessment, medical services, drug detection, transportation, food service and management to state prison systems. Other businesses have been formed to sell specialized products such as body armor, closed circuit television systems, mechanical and electronic locks, perimeter security and motion detection systems, tamper-proof furniture, fencing, flame-retardant bedding, heavy duty furniture, shatter proof plastic panels, plastic bunks, tamper-proof fasteners, and clog proof waste disposal systems. One company sells high-security fire sprinklers designed so that inmates cannot hang themselves.

A quick look through the advertisements in any issue of *Corrections Today*, the ACA's glossy magazine, reveals a certain talent for word play:

- Coastal Correctional Healthcare, Inc.: Put a Lock on Healthcare Problems. Are correctional healthcare problems on the loose in your facility? Let us put the cuffs on them.
- Santana (plastic toilet compartments): "I got 10 years, but Santana is in here for life!"
- AT&T: "Strike Three! 3-way call detect system stops your inmates from getting out. And it's proven 93% effective".
- Point Blank Body Armor: "Some inmates would love to stab, slash, pound, punch and burn you. But they won't get past your S.T.A.R." (Special Tactical Anti-Riot Vest).

The lobbying power of these companies, especially defense contractors with lobbyists in Washington and long-term relationships on Capitol Hill, distorts the dialogue that should be taking place about the effectiveness of incarceration as a policy and drowns more reasonable voices.

"We're not going to be able to lock up everyone", said Bobbie L. Huskey, president of the ACA. "The absence of a noticeable reduction in adult crime rates as incarceration rates have climbed raises serious questions about the efficacy of America's sentencing policies⁵."

YES, IN MY BACK YARD

For many years prison officials faced the "NIMBY" problem: when communities heard about plans for a new prison, the outcry was "Not in My Back Yard!" Times have changed.

"Communities started looking for any kind of economic growth," says Bill Patrick of the Federal Bureau of Prisons. "They started realizing we were a recessionproof, environmentally clean, attractive, safe industry"⁶.

Financially strapped communities are now begging for prisons to be built in their back yards. Town leaders in Coleman, Florida, the former "Cabbage Capital of the world", population 854, lobbied aggressively for a new Bureau of Prisons site. The new prison is now partially completed.

In Texas, some communities have offered free memberships in local country clubs to top officials of any prison that comes to town. Dick Lewis, spokesman for the state jail division of the Department of Corrections, said, "Fifteen years ago, if you wanted to place a prison in a locale, you would have major opposition. Now the turn-around is 180 degrees. They are seeking these prison units. The local media calls it the prison derby"⁷).

Braham, Minnesota, is trying to purchase about 300 acres to donate the land to the state for an \$ 80 million, 800-bed, close custody prison. (The BOP requires that land for a prison be donated by the state). James Bruton, the state's deputy commissioner for institutions, said he could understand why small towns like Braham seek the prison for economic salvation. But he worries about the long run. "We cannot build ourselves out of the crime problem", says Bruton. "Every state that's tried it has failed miserably. You'll never see a reduction in the crime rate by building more prisons. What you're going to find out is that you can't afford to operate what you've built".

PRIVATIZATION

Cornell Cox, a private firm in Houston, entered the California market by buying the state's largest private prison firm, Eclectic Communications, Inc. Cornell Cox is backed by Wall Street investment houses Dillon, Reed & Co. and Charterhouse. Since 1988, Eclectic has received contracts worth more than \$ 50 million. The former owner, Arthur McDonald, sold the company for more than \$ 10 million, according to the Los Angeles Times. "Crime pays. I hate saying that, but it really does", said McDonald from retirement in South Dakota⁸).

The two largest companies in the field are Corrections Corporation of America (CCA) and Wackenhut Corrections Corporation. CCA recently entered the inmate transportation business by purchasing TransCor America. "One of TransCor's biggest expenses is overnight housing of prisoners on transcontinental routes", said Doctor Crants, CCA chairman and chief executive officer. "CCA's network of facilities will give TransCor ready access to quality, secure beds, while CCA will gain incremental occupancy".

Tennessee's \$ 60 million contract with CCA is currently under review by the state legislature.

CCA has come under fire from government audits in Texas of two of their privately run prisons. The 1990 report disclosed that "inexperienced" prison employees had used excessive force on inmates. Additionally, inmates were not getting the services which were required under the state contracts and intended to help inmates return to society⁹).

Another unfavourable report was issued by the Prison Officers' Association in the United Kingdom in 1987, alleging cruelty to inmates at the CCA facility at Silverdale and abhorrent conditions¹⁰.

As for now, fewer than 2% of the nation's prisoners are incarcerated in private facilities, but the new Republican crime bill presently before Congress will add \$ 10 billion for prison construction, some of which will go to private prisons.

STATE SPENDING

According to a survey of 47 states for Fiscal Year 1994-95, the average DOC budget is around \$ 507 million per system, up from an average of \$ 447 million per system in FY 93-94.

Six states have a corrections operating budget of over one billion dollars. California's tops the list with a budget of over \$ 3,6 billion. Here are some examples of what that has meant for Californians:

- In the last ten years the DOC's share of the State's General Fund rose from 3,9% to 8,2% while higher education's share declined from 14,4% to 9,3%.
- The multi-billion dollar prison and so-called crime control expansion will force cuts in education, job training, youth counseling and other social services, the very programs that address the root causes of crime.
- The Los Angeles District Attorney's Office says that three out of four offenders who get life sentences under Proposition 184 ("Three Strikes You're Out") will be non-violent offenders, at a cost of \$ 48 billion over 20 years for Los Angeles' prisoners alone.
- Based on information provided by the DOC, increases in California's prison population will result in additional state operating costs of about \$ 200 million in 1995-96, and will grow by several hundred million each year until the full impact is realized in about 32 years. By the year 2003, the additional costs will reach about \$ 3 billion, and will grow to about \$ 6 billion annually by the year 2026. The DOC predicts that it will incur one-time costs of about \$ 20 billion over the next 32 years to construct new facilities.

CONNECTIONS

Corrections has traditionally operated without political advantage, but can now benefit from the lobbying skills of many private providers.

"An urge for expansion is built into industrial thinking", says Dr. Christie. But the prison industry is one with particular advantage because it provides "weapons for what is often seen as a permanent war against crime. The crime control industry is like rabbits in Australia or wild mink in Norway - there are so few natural enemies around".

With the boom have come lobbyists who have an economic interest in keeping sentences harsh and long, so that prison populations continue to soar¹¹. Thus, we see a system developing where the deprivation of liberty is powered in large part by the

profit motive. Christie warns, "You get private lobbying for prisons and you get private capital interested in building more prisons, in expanding that system . . . The industry has no interest in its own abolition".

"A FORTUNE 500 INDUSTRY"

"By advertising in CorrectCare you will: tap into a \$ 3 billion piece of the health care market . . . reach a market that has doubled its size over the last 10 years and currently grows over 14% each year . . . Don't miss this opportunity!"

- *CorrectCare, Magazine of the National Commission on Correctional Health Care.*

"Corrections - A 'Fortune 500' Industry! . . . Take advantage of the sales opportunities this burgeoning industry has to offer . . . As the industry grows, the billions of dollars spent on daily operational expenditures and construction translates into extensive sales opportunities for suppliers of correctional product and services".

- *Annual conference brochure, American Correctional Association (ACA).*

"Make the connection . . . enjoy the surge! Corrections is facing an explosion . . . Why shouldn't your company profit from this incredible growth?"

- *1994 promotional brochure, ACA.*

"Call on jail administrators, sheriffs, and other jail professionals from across the country! You will be face to face with thousands of buyers in the expanding jail market. You will have the opportunity to personally present your products and services to the decision in this billion dollar industry . . . Put your company in front of this lucrative market!"

- *1994 American Jail Association (AJA) conference brochure.*

"CRIME PAYS . . ."

"Crime pays. I hate saying that, but it really does".

- **Arthur McDonald**, former owner of *Cornell Cox*, a corrections firm in Houston, after selling the company for more than \$ 10 million.

"There's no bigger growth industry in the last two years in Michigan than the corrections department".

- **State Senator Jack Welborn**.

"Prison construction is going crazy all over the country".

- **Jim Hawthorne**, project supervisor of *Lott Constructors Inc.*, prison builders.

"Americans' fear of crime is creating a new version of the old military-industrial complex, an infrastructure born amid political rhetoric and a shower of federal, state and local dollars".

- **The Wall Street Journal**, 5/12/94.

"The prison industry has produced a Pentagon-like bureaucracy - 'the prison-industrial complex' - and, as in the defence business during the days of the cold war, there is lucrative work for all. The incarceration craze involves a vast network of Wall Street underwriters, architects, and computer specialists, as well as builders and developers".

- **Peter Pringle**, *The Independent*, London 11/23/94.

"I already sell \$ 100,000 a year of Dial soap to the New York City jails. Just think what a state like Texas would be worth".

- **Rod Ryan**, representing *Dial Corp.* at the *ACA's annual winter meeting in Dallas*.

"We try to keep eye on all the crime bills".

- **Melissa Crane**, *Prudential Securities vice president*, who is part of the prison-financing team.

"Corrections has spawned its own self-perpetuating interest groups, complete with consultants, lobbyists, burgeoning state bureaucracies and a rising private correctional industry. Like any special interest group, the correctional industry is in business to keep its empire growing".

- **Texas Comptroller John Sharp**, in a 1994 report which described the state prison system as "a troubled giant".

"What can I say, it's a great, great business".

- **Larry Solomon**, vice president of *Florida-based Joy Food Service Inc.*, which delivers food to prisons. *Wall Street Journal*, 1/19/95.

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Notes:

- 1) Paulette Thomas, "Making Crime Pay", the Wall Street Journal, May 12, 1994, p. A1.
- 2) Nils Christie, *Crime Control As Industry: Towards Gulags*, Westens Style, London and New York: Routledge, 1993.
- 3) Malcolm M. Feely, *The Privatization of Prisons in Historical Perspective*, Criminal Justice Research Bulletin, Sam Houston State University 1991, vol. 6, No. 2, pp. 1-10.
- 4) Bureau of Justice Statistics, U.S. Department of Justice.
- 5) Criminal Justice Newsletter, Vol. 26, No. 1, Jan. 3, 1995, p. 5.
- 6) Meddis and Sharp, "Prison Business is a Blockbuster," USA Today, Dec. 13, 1994, p. 10A.
- 7) Edward Walsh, "Strapped Small Towns Try to Lock up Prisons", The Washington Post, December 24, 1994, pA3.
- 8) Dan Morain, "Privately Operated Prisons a Potential Growth Industry," Los Angeles Times, October 19, 1994, p. A15.
- 9) Mike Ward, "Private prisons faulted on services, discipline", The Austin American-Statesman, Wednesday, May 16, 1990.
- 10) "The State and Use of Prisons in England and Wales", Written Evidence to the Inquiry of the Home Affairs Select Committee of the House of Commons, February 1987.
- 11) "Politicians who support prison construction receive money from one of the biggest beneficiaries - the California Correctional Peace Officers Association" from the Los Angeles Times, Oct. 16, 1994. The union gave more than \$ 900,000 to Governor Pete Wilson's 1990 run for governor.