

# Costs of the counterculture: Incarceration takes its economic toll

by Marcia Merry Baker and Marianna Wertz

While the essentials of the U.S. physical economy were in decline over the past 25 years, among the financial magnitudes that soared were monies spent on illegal drugs and gambling, shown in **Figure 1**.

Around 1970, according to estimates by law enforcement, medical, and other sources, \$65 billion was being spent a year in the United States on illegal drugs, and \$4.5 billion on illegal gambling. These annual volumes rose over the next two decades, reaching an estimated annual outlay of \$400 billion on illegal drugs in 1990, and \$38 billion on illegal gambling. The rate of increase of the latter was damped down only by the rush of localities and states to *legalize* gambling in order to gain stopgap cash to deal with budget crises. Therefore, illegal gambling flows declined, only because legalized gambling grew.

These money flows are just the most obvious of many manifestations of the counterculture that took hold and spread beginning in the late 1960s—recreational drugs, casinos as a

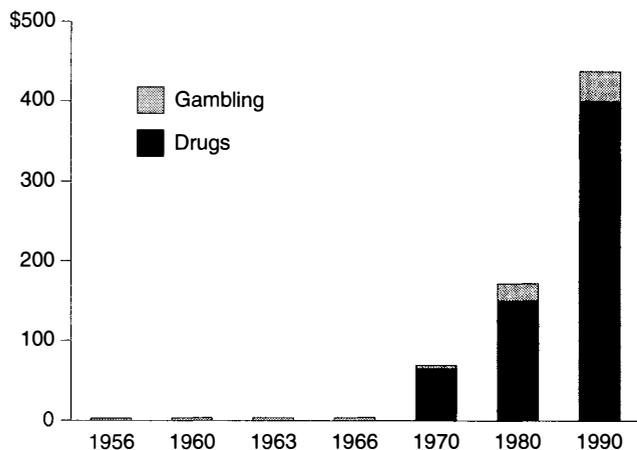
new growth “industry,” Hollywood/video dominance in the arts and sciences, fan club cults of sports figures and celebrities, the Roman Circus role of 24-hour cable television, the “free sex” movement, etc. In fact, much of what, 25 years ago, was the *counterculture*, today is the prevailing culture. The costs to the economy are enormous, and, ultimately, unsupportable.

Many of these costs to the United States economy can be measured and demonstrated. For example, there are statistics for such obvious losses as deaths from drugs, strain on the medical treatment system, workdays lost, productivity losses, and broken families. The spending on drugs and gambling shown in Figure 1 is a measure of the rate of diversion of funds and effort from the needs of the economy.

In this article, we focus on the costs to the economy from the soaring rates of incarceration over the past 30 years. The rising rates of arrests, crimes, and imprisonment are some of the most visible reflections of the impact of the counterculture.

FIGURE 1  
**Money spent on illegal gambling and drugs, 1956-90**

(billions \$)



Source: Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

## High rate of incarceration

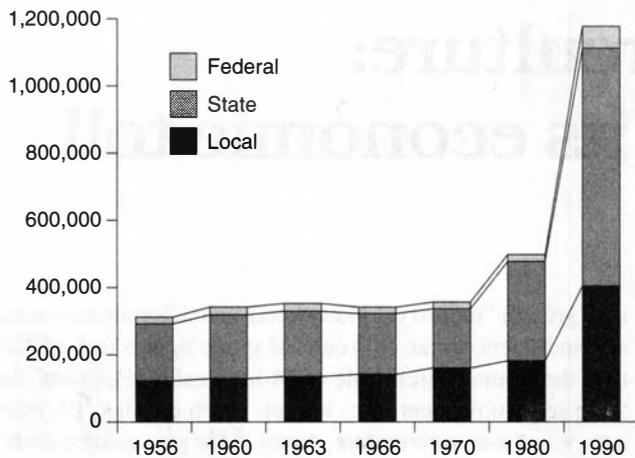
In **Figure 2**, you see how the prison population in the United States was relatively stable over the 1950s and 1960s. The graph also shows proportionately where the prisoners are, whether local jails, or state or federal prison facilities.

In 1970, the total prison population numbered 342,292, with 160,863 in local jails, 176,391 in state prisons, and 20,038 in federal prisons. Then by 1980, the total prison population rose to 498,262, with proportionately the greatest increase in state prisons. In fact, over the earlier time period of relative soundness of the U.S. economy, the number incarcerated in state prisons *declined*. In 1960, there were 181,721 in state prisons; in 1970, there were 176,391. But as the counterculture set in, the rate of imprisonment rose; then, in the 1980s, the prison population soared.

As of 1990, there were 1,179,239 people in prison, most of them in state facilities. Today there are an estimated 1.5 million people in prisons and jails.

The rising rate of incarceration, shown in **Figure 3**, in terms of numbers of prisoners per 100,000 U.S. population, over the past 25 years, has placed the United States, as of 1990, among the countries with the highest rates of incarceration.

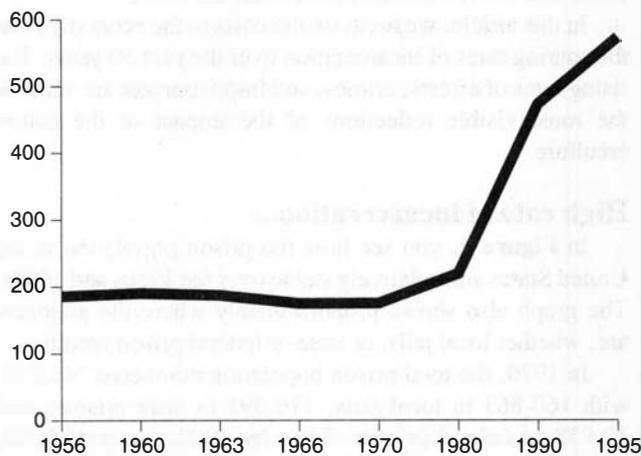
FIGURE 2  
**U.S. prison population, 1956-90**



Source: Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

FIGURE 3  
**U.S. rate of incarceration increases, 1956-95**

(prisoners per 100,000 population)



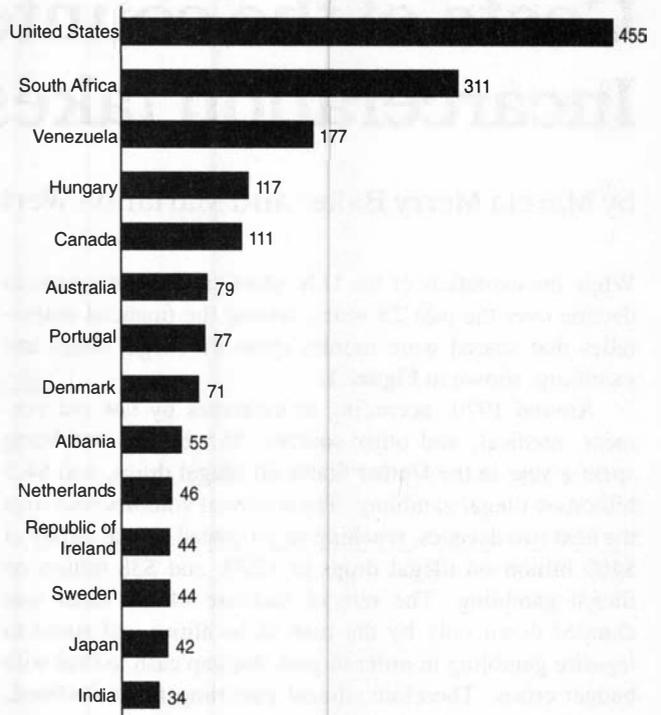
Source: Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

tion in the world. Notice how the U.S. rate of incarceration declined during the 1960-66 period of relative stability and growth of the economy, then took off after 1970, with the advent of the drug counterculture, and in the 1980s, grew at a speed unprecedented since such statistics were first recorded in the 1920s. **Figure 4** gives some selected nations for comparison of their rates of incarceration.

In 1992, the U.S. incarceration rate was 455 per 100,000 people—far higher than South Africa (311), Hungary (111),

FIGURE 4  
**Incarceration rates for selected nations, 1992**

(Rates of incarceration per 100,000 population)



Source: *Americans Behind Bars: The International Use of Incarceration, 1992-1993*, by Marc Mauer (Washington, D.C.: The Sentencing Project, 1994).

and Japan (42).

Since 1992, the U.S. rate of incarceration has increased even more, now at over 550 per 100,000 people. Among the few locations surpassing this rate of incarceration is Russia, where the western-imposed shock therapy “reforms” since the breakup of the Soviet Union, have led to mass impoverishment and demoralization.

In 1993, the Russian rate of incarceration was 558 per 100,000 population; and the U.S. rate was at 519.

A recent study by The Sentencing Project documents that young black Americans are especially targeted (“Young Black Americans and the Criminal Justice System: Five Years Later,” by Marc Mauer and Tracy Huling [Washington, D.C.: The Sentencing Project, October 1995]).

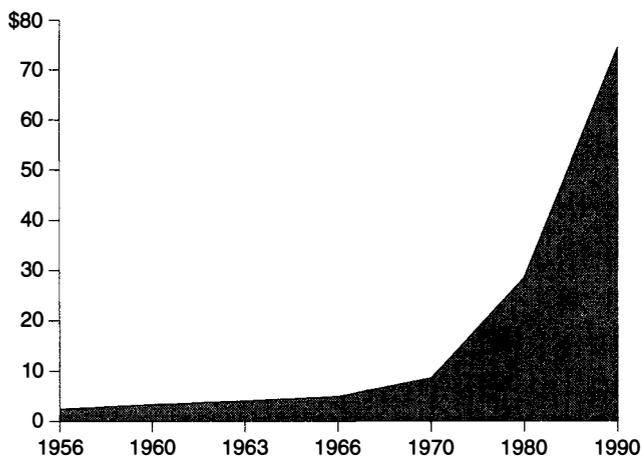
An analysis of 1990 criminal justice statistics for the U.S. population in prisons, jails, or on probation or parole showed that almost one in four (23%) African-American males in the 20-29 age group, was under one or another of those four forms of criminal justice control.

Now, five years later, it is estimated that almost one in three (32.2%) young black men in this age group is in either prison, jail, or on probation or parole on any given day. The

FIGURE 5

**Direct costs of imprisonment, 1956-90  
(federal, state, and local government  
expenditures for law enforcement and prisons)**

(billions \$)



Source: Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

direct costs of this control system are estimated to be about \$6 billion a year, for some 827,440 young African-American males. Thus, for comparison, 500,000 black Americans are in college, while over 800,000 are in the prison system.

African-American women, during 1989-94, experienced an increase of 78% in their rate of criminal justice supervision, the highest rate of increase of any demographic group in the United States.

These high rates of young black Americans thrown into the prison population are associated with the overall rise in the number of U.S. drug offenses, increasing by 510% from 1983 to 1993. Of this increase, black men and women have experienced a disproportionately large share. For example, the number of black women incarcerated in state prisons for drug offenses increased by 828% from 1986 to 1991. Up to 90% of drug possession offenders sentenced to state prisons are African-American and Hispanic.

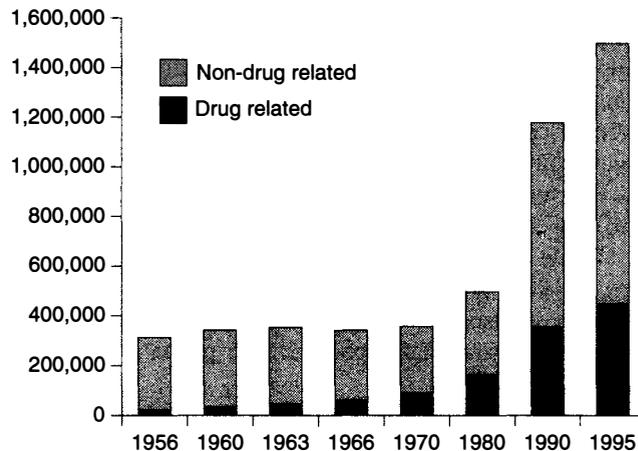
**Government spending for prisons rises**

What are the costs of this imprisonment to the nation? The obvious, direct cost is the rising government expenditure—federal, state, and local—for law enforcement and prisons. **Figure 5** shows the billions of dollars spent per year by combined levels of government, from 1956 to 1990, for these purposes.

You see that for the first ten-year period shown, from 1956 to 1966, the government expenditure for law enforcement and prisons doubled, rising from \$2.43 billion in 1956, to \$4.9 billion in 1966, but this is a far lower rate of increase

FIGURE 6

**Growth in share of drug-related U.S.  
incarcerations, 1956-95**



Source: U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Statistics, various publications, especially, "Drugs, Crime, and the Justice System," December 1992; Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

than 1970 to the present. As the counterculture set in, in the late 1960s, you see the rate of increase in government expenditures grow at an accelerating rate. The 1980 level of spending, \$28.57 billion, was 233% more than in 1970. In 1990, the level of spending, \$74.58 billion, was 161% of 1980.

**Drug-related incarcerations**

The most significant factors contributing to the rising government expenditures on prisons and law enforcement, and the increasing prison population, since 1970, are drugs and the government's drug policies. **Figure 6** shows the growth in the share of U.S. incarcerations related to drugs over the 1956-95 period. This trend starts in the mid- to late-1960s, grows during the 1970s, and then during 1980-90, reaches dramatic rates of increase.

The "background" reasons for this 1970-95 rise in drug-related incarceration are summarized in other sections of this *EIR* report, in terms of the decline in education, jobs, and income opportunity as the economy decayed overall.

However, what the 1980s phenomenon of sweeping drug-related imprisonment reflects, in particular, is the impact in 1983, of the launching of the "War on Drugs" campaign, under the direction of Vice President George Bush and cronies, who, themselves, were interconnected with the drug-trafficking and dirty money flows and political networks (see, for example *EIR*, Oct. 13, "War in Afghanistan Spawned a Global Narco-Terrorist Force").

Under the banner of "getting tough on crime," these net-

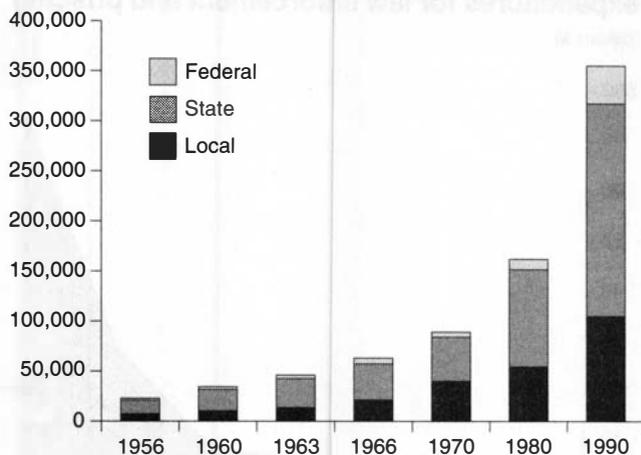
works moved for a number of legal and penal changes, from which they intended to benefit financially and politically, but to the detriment of the economy. First, they focussed on street-level offenders, and continued the protection pattern for high-level banking and financial interests involved in drug money. Second, there was the campaign for lengthy, compulsory prison sentences, mostly on the state level, for street offenders; black offenders were singled out for arrests and lengthy sentences. At the same time, propaganda against the education and rehabilitation of prisoners was intensified, and budgets were cut for these purposes.

While all this was done in the name of "fighting crime" and punishing criminals, the result was the creation of record numbers of prisoners, whom the bogus crime-fighters viewed as a potential slave labor pool for their prison privatization schemes.

Figure 7 shows the estimated numbers of drug-related incarcerations from 1956 to 1990, and the breakdown by federal, state, and local governments. Before 1966, this trend was relatively insignificant; it picked up by 1970, grew through 1980, and then took off during the so-called War on Drugs era. As of 1990, there were an estimated 355,906 prisoners incarcerated for drug-related reasons. (This designation includes not only drug-using or -dealing offenses, but also an estimate of those other offenses—from burglary to murder—in which the individual used or trafficked in drugs

FIGURE 7

## U.S. drug-related incarcerations



Source: U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Statistics, various publications; Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

during the 30 days prior to the offense.)

## Society's loss, privateers' gain

Right on cue, as of 1990, individuals and companies connected to the "get tough" campaign, were bidding and pressuring for contracts to run prisons, set up in-prison contract factories, build and run "overflow" camps, and all manner of related schemes. As of June 1994, there were nearly 50,000 private prison bunks in America, most of them in Texas.

"Society's loss should be our gain," is the motto of the privateer prison companies. In their view, the soaring government expenditures on law enforcement and prisons, shown in Figure 5, are a potential "income stream" to be captured.

On average, when a private outfit takes over a prison facility, they begin by slashing staff, food, and basic costs by 10% to guarantee their own "cut" from the *per diem* payment per prisoner they receive. The largest private prison company to date is Corrections Corporation of America.

Financing for the private prisons is coming from the top levels of Wall Street: Goldman Sachs, Prudential Insurance, Smith Barney, Shearson Lehman, and Merrill Lynch are among those competing to underwrite prison construction with private, tax-exempt bonds.

In addition to running prisons, private companies are running prison-labor factories. The model private prison-labor operation is Unicor, trade name for Federal Prison Industries, Inc., established by an act of Congress in 1934, and run as a for-profit business in federal prisons through the Department of Justice. As of early 1995, Unicor operated its



## LaRouche Campaign Is On the Internet!

Lyndon LaRouche's Democratic presidential primary campaign has established a World Wide Web site on the Internet. The "home page" brings you recent policy statements by the candidate as well as a brief biographical resumé.

**TO REACH** the LaRouche page on the Internet:

<http://www.clark.net/larouche/welcome.html>

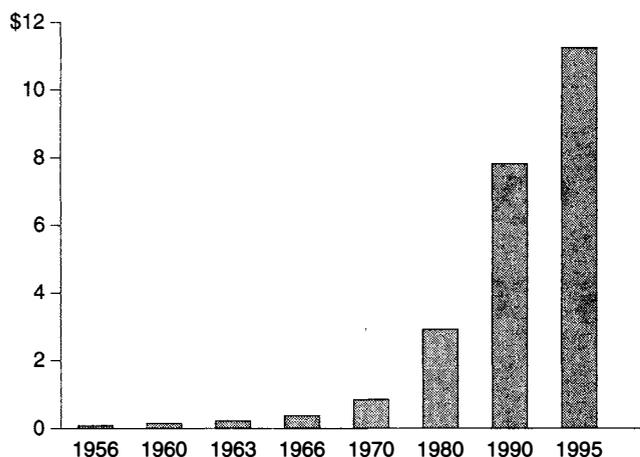
**TO REACH** the campaign by electronic mail:

[larouche@clark.net](mailto:larouche@clark.net)

Paid for by Committee to Reverse the Accelerating Global Economic and Strategic Crisis: A LaRouche Exploratory Committee.

**FIGURE 8**  
**Lost income from drug-related incarceration, 1956-90**

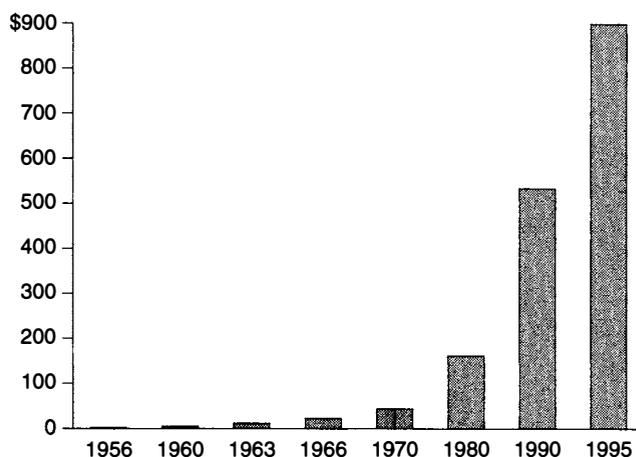
(billions \$)



Source: Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

**FIGURE 9**  
**Lost taxes from drug-related incarceration, 1956-90**

(millions \$)



Source: Historical Statistics of the United States, Bureau of the Census, 1975; U.S. Statistical Abstract, various years.

97 factories at 46 locations, employing over 15,000 inmates. Last year, Unicor had a \$405 million annual income. This derives from a de facto wage of about \$1 to inmates, which is nominally minimum wage, until deductions are taken for room, board, clothing, victim restitution, family support, and fines.

Unicor's prison labor produces the office furniture for the U.S. government, and other goods and services, including metal, clothing and textile products, plastics, electronics, and optics.

On the state level, dozens of privately run prison-labor businesses have come about in the past few years, producing such familiar brand-name items as Spaulding golf balls, Eddie Bauer sportswear, "Prison Blues" denim clothes, logos for Jerry Garcia Band, and Lexus auto insignias.

If this slave labor process is permitted to continue, it is estimated that by 1998, prisoners in America will be producing \$9 billion worth of goods while displacing 400,000 regular workers.

### Lost incomes, taxes, and lives

Apart from these privateer operators and their destructive profit-taking—which is supported by misery and the public tax base—the costs of the mass imprisonment can be measured simply in terms of income and tax revenues lost to the economy and to governments. To make such a rough calculation, look at just the drug-related roster of prisoners.

**Figure 8** shows the estimated income lost at selected years from 1956 to 1995, by locking up individuals, who, if the economy were functioning, would be expected to be

making a modest income at some useful job. As of 1995, instead of being a cost burden, these individuals would be making over \$11 billion a year. This figure is simply the total for each time point of the drug-related roster of the prisons, multiplied by a low average income that such a person might otherwise be making. Lost tax volumes can be figured in the same way.

**Figure 9** shows estimates for the annual amount of taxes (federal, state, and local) lost for selected years because of drug-related imprisonment. Figured at the lowest tax rates (taking into account modest income, deductions, etc.), the total lost taxes for this group for 1995 comes close to \$1 billion.

This is the most limited kind of calculation of losses. The broader costs are indicated by adding up the larger numbers of people associated with the total prison population in various ways, and considering the losses and waste to the nation.

For the 1.5 million men and women incarcerated today in the United States, an additional 8.1 million are involved in the criminal justice control system, in the following ways:

- 3.5 million others are on probation or parole;
- 0.6 million are employees of the corrections system;
- 1 million children have a parent in prison;
- 3 million adult relatives are affected (counting two adults per inmate).

This adds up to 9.6 million people, which begins to reach the range, for comparison, of the total number of 12.7 million production workers that the U.S. Bureau of Labor Statistics now counts as the U.S. manufacturing employment group.