

**Local Labor Market Inequality and Mass Incarceration**

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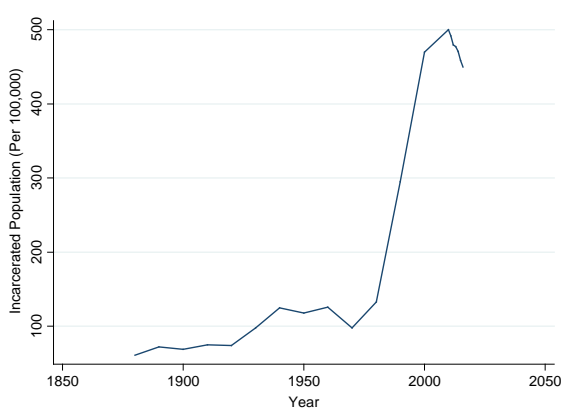
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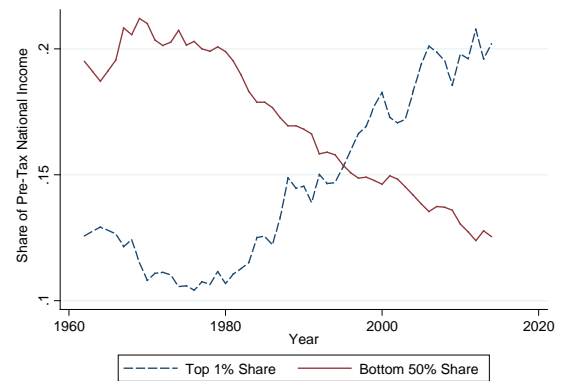
- Using local-level data on incarceration rates by race, we explore the relationship between income inequality, poverty, and incarceration at the commuting zone level from 1950 to the present.
- We find that labor markets with higher levels of inequality experienced larger increases in overall incarceration, and that *relative* rates of poverty play a key role in explaining the differential effects of mass incarceration across race.
- Areas where white poverty rates were large experienced no significant change in white incarceration rates but an *expansion* of non-white incarceration rates, suggestive of race- and class-based discrimination, as well as room for public policies related to economic and judicial systems.

In recent work we explore the extent to which labor market inequality is associated with incarceration at the local level between 1950 and 2010, using Census microdata to construct estimates of the commuting zone incarceration rate (verified by comparison with recently released data on incarceration by county of admission from the Vera Institute of Justice). Figure (1) plots the share of pre-tax income going to both the top 1% and bottom 50% of the income distribution from 1962 to 2014, side-by-side with the incarceration rate. While the incarceration rate skyrocketed, the share of national income claimed by the bottom 50% of the distribution fell from approximately 22% to 12%, while the share claimed by the top 1% rose from 10% to nearly 21%.

**Figure 1: Inequality and Incarceration**



**(1.a) Incarceration Rate, 1880-2016**



**(1.b) Inequality, 1962-2014**

Notes: Incarceration data from the Bureau of Justice Statistics. Inequality data from the World Top Incomes Database. Figure (1.b) plots data on pre-tax national income shares.

The patterns suggested by the aggregate data become even more striking when we examine the impact of inequality on incarceration by race within commuting zones. Income inequality is associated with higher rates of incarceration for all race and ethnicity groups, and the effect is largest for non-white, non-Hispanic individuals. Further, when we examine the relationship between relative poverty and

incarceration, we find a strong, positive relationship between white relative poverty (measured as the ratio of the white poverty rate to the non-white poverty rate) and non-white incarceration, particularly of non-Hispanic blacks. However, we find no significant relationship between white relative poverty and white incarceration.

**Figure 2: Incarceration Trend Plots by Level of Inequality and Relative Poverty**

**(2.a) Incarceration by Inequality**

**(2.b) Non-White Incarceration by Ratio of White/Non-White Poverty**

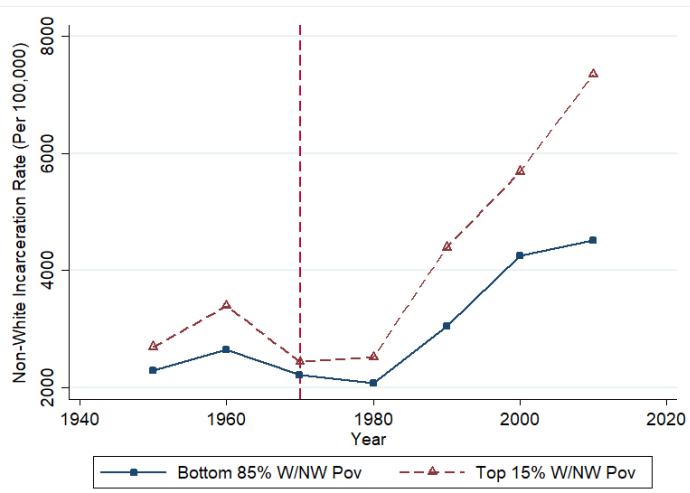
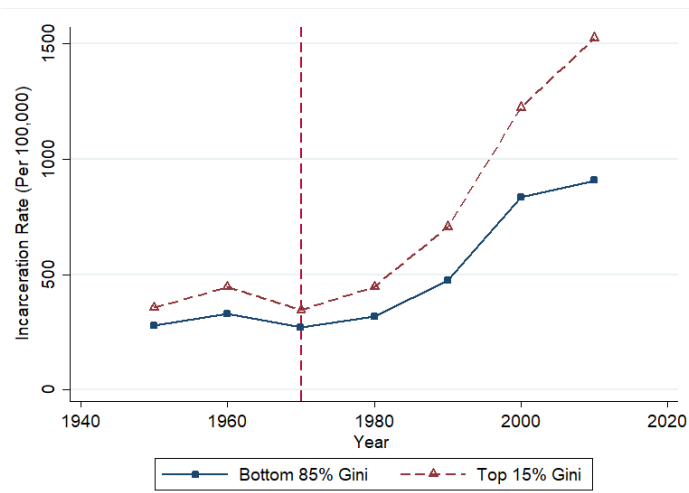


Figure (2) illustrates trends in the overall incarceration rate as well as the non-white incarceration rate for “high” and “low” values of inequality (measured by the Gini<sup>1</sup>) and relative poverty (of white to non-white population), respectively. We divide the sample into “high treatment” and “low treatment” groups, where commuting zones in the top 15% of the distribution of the treatment variable are included in the former. The figure suggests a divergence in outcomes across the two groups following the start of mass incarceration. We formalize our analysis of these patterns in our longer work.<sup>2</sup>

Our findings shed light on the *social* consequences of economic inequality. Our results suggest that the negative social consequences of rising inequality are disproportionately borne by non-white individuals and that there are interrelationships with incarceration rates during the post-1970 prison boom. These distributional inequities have implications for public policies related to economic and judicial systems. We argue here that heterogeneities affect the intersections of economic inequality and prison outcomes. Reforms that aim to reverse course on mass incarceration are unlikely to have long-term success in the absence of policies that (a) lessen the possibly identity-driven positional tensions that led poor whites to lend their support to the policies and politicians initially responsible for mass incarceration, and (b) address inequality so as to minimize the rents associated with positions of racial and economic privilege. Rather than issues to be addressed separately, economic inequality and racial inequality—including racial disparities in the criminal justice system—should be treated as part of the same problem.

<sup>1</sup> The Gini is a statistical measure of inequality where larger numbers correspond to more inequality.

<sup>2</sup> “Local Labor Market Inequality and the Age of Mass Incarceration,” working paper (2019), available upon request.