

Abstract

The United States has the largest incarcerated population in the world. Since the 1980s, tough-on-crime policies have led to a sharp, dramatic increase from 300,000 people to over 2.3 million people imprisoned today, with just 5% of the world's population accounting for 25% of the world's prisoners (Greene, 2006). As the prison population grew, it gave rise to the "prison industrial complex" — a system where governments and private companies profit from mass incarceration through industries like prison construction, food services, and healthcare, creating economic incentive to maintain and expand prisons (Davis, 2003, p. 12). To alleviate prison expenditures, federal governments have awarded prison contracts to private businesses to lower costs, improve the quality of correctional facilities, and increase accountability (Greene, 2006, p. 6). However, the privatization of prisons has only increased costs for cities and counties, higher incarceration rates, and exploitation of poor, marginalized communities. This qualitative research paper focuses on the exploitative practices of the prison industrial complex and how it incentivizes mass incarceration without accountability and transparency to the public caused by global capitalism and racism through peer-reviewed articles and non-profit organizations.

Keywords: prison industrial complex, mass incarceration, prison for profit, private prisons, forced consumerism, prison retailing, back door financing, kickbacks

Introduction

During the 1980s, known as the Reagan Era, politicians argued for "tough on crime" stances — including certain imprisonment and longer sentences to keep communities free from crime. Although crime rates in the United States have been declining for over two decades, the number of prisons and prison populations have increased dramatically. Since the late 1970s, the state and federal prison system has expanded to more than 1.4 million prisoners. Including local jails and other lockups (juvenile facilities, immigration detention, etc.), the number of people behind bars have increased to almost 2.3 million. Expenditures for corrections increased by 573 percent between 1983 and 2003, with the bulk of the increase going for expansion and operation of prisons (Greene, 2006, p. 4).

As the United States prison system expanded, it increased corporate involvement in construction, provision of goods and services, and use of prison labor, creating the prison industrial complex. (Davis, 2003, p. 12). As the federal government handed contracts to private corporations to build and oversee private prisons, the private prison companies prioritized maximizing profits. The more inmates they housed, the more money they made. As a result, private prisons lobbied for increased sentencing policies, pushing for more inmates in beds. The two leading private prison corporations are Corrections Corporation of America (CCA), now CoreCivic, which holds a net worth of \$2 billion, and the GEO Group, with a net worth of \$327 million, both have lobbied in the past with the federal government (Greene, 2006, p. 11).

The Rise of the Prison Industrial Complex

Many believe the rise of the prison industrial complex is related to the rise in crime. However, during the late 1970s and early 1980s, crime was going down, so why were prisons being built? Political economists argue that prisons are a geographical fix to the socio-economic problems caused by global capitalism and create the conditions for incarceration. Gilmore (1999) argues that prisons are built to manage the surpluses of capital, land, labour, and state capacity (pp. 180-183).

Drawing on Marx, Gilmore (1999) writes, the tax struggle reflects the oldest form of class struggle. Capitalists in California demanded tax reductions in the 1960s, leading to the homeowner's tax revolt of 1978 (p. 182). As a result, in the early 1980s, the federal government reduced their participation in state and local social programs, pushing the responsibility to states such as California. The new tax measure in combination with federal austerity contributed to states like California's inability to act as a Keynesian state. The actions of a Keynesian state would focus traditionally on social safety nets such as mobility boosters, educational opportunity, and government employment programs. The imposition of austerity and neoliberal ideology has impacted the nation's ability to propose valid solutions to socio-economic problems, leading to incarceration to manage the surplus.

With the old market collapsing and producing surplus labor, land, finance, and state capacity, the state turned to prison construction as a solution to socio-economic problems. California's new prisons are now sited on devalued, rural land. Those disproportionately incarcerated were Black working-class men and women from urban cities who fell out from the post-war economy and dismantling welfare state (p. 184). While voters did approve debt to start the building program, their tax breaks caused the government to go behind their backs (p. 184). Investors with extra financial capital would lend money to states to build prisons in the form of revenue bonds, creating incentive for incarceration (p. 180). The state has used its enormous capacity to build prisons, make new laws for more offenses, and create a managerial court system that speeds up convictions and incarcerations. Thus, the state produces an industrial punishment system – the core of the prison industrial complex (p. 185).

Maintaining a prison-industrial complex is an enormous, expensive, and industrial bureaucracy. The state cannot fund it solely through tax revenues. Gilmore (1999) predicts that the U.S. will pay for prisons through privatization or make all prisoners work to pay their own costs and make a profit for the state. She writes, "In such an eventuality, wide-scale slavery, under the provisions of the Thirteenth Amendment, could be the big state's answer to tax struggle" (p. 186). The expansion of prisons can be traced to the crises produced by capitalism, which generated surpluses of land, labor, finance capital, and state capacity. As the tax struggle occurred, the state undermined its legitimacy to act as a Keynesian state, leading to the creation of a punishment system to manage the surplus crisis. Davis (2003) writes, "This is the ideological work that the prison performs – it relieves us of the responsibility of seriously engaging with the problems of our society, especially those produced by racism and increasingly global capitalism" (p. 16). Many people believe prisons are built to manage social deviance, when in reality, it's racism and global capitalism, the structural problems that create the conditions for prisons.

Backdoor Financing Incentives for Mass Incarceration

Before the mid-1980s, states paid for prison expansion by funding new construction with general revenues or by borrowing through the sale of obligation bonds. Obligation bonds are backed by the full faith and credit of the government, and repaid through general taxation (e.g., property taxes). "The issuance of new general obligation bonds often requires approval by taxpayers in the form of a bond referendum." (Pranis, 2007, p. 37). As correctional populations and costs increased, states had greater difficulty funding expansions from their operating budgets or securing public approval for new debt. Failing to secure public approval, the government turned to issuing revenue bonds to finance new prison construction. Revenue bonds are backed by fees or income generated by the prison system (e.g., inmate labor programs, prison retail) and do not rely on general taxation. Revenue bonds create a backdoor financing mechanism to borrow hundreds of millions of dollars to build facilities that the public does not want or cannot afford (Pranis, 2007, p. 36).

Revenue bond financing allows officials to remove restrictions on general obligation debt, such as constitutional debt limits and public referenda requirements. Failing to meet revenue requirements can downgrade a state's bond rating (credit score), making investors reluctant to invest further. This pushes prisons to increase capacity to make money off the beds occupied by prisoners. It also keeps voters unaware of the debt that they will have to pay and "creates large transaction fees for investment bankers and others with deep pockets and close ties to state officials" (Pranis, 2007, p. 41). For example, in 2004, Willacy County faced overcrowding in its 45-bed jail for female detainees and a severe budget crisis. Pranis (2007) explains,

The County had to borrow \$1.5 million for operations, pushing the county's debt load and tax rates to the maximum. Unable to issue county obligation bonds to finance a new jail, they issued a revenue bond that borrowed 'two or three times as much money, at a higher interest rate, to build a jail twice the size needed, marketed as paid for by the inmate population at no cost to the taxpayer. However, when the new jail was built, the detainees did not come. As a result, in May 2006, the county was forced to pay bondholders \$137,000 out of its general funds (p. 42).

Revenue bonds allow governments to overborrow and creates an incentive to overbuild prisons. In the special case of Willacy County, they were already in a budget crisis and couldn't get approval for an obligation bond, so they had to borrow a revenue bond. This creates pressure to build larger facilities than are currently needed, based on demand that does not yet exist. The Willacy County revenue bond failed because they did not secure the number of detainees needed to finance the construction project. This creates an incentive to increase the inmate population with policies advocating for harsher sentencing laws, criminalizing minor offenses, or pursuing contracts with federal immigration authorities.

Prison Labor

After the 13th amendment was passed, it abolished slavery and involuntary servitude except for punishment of a crime where a person has been convicted. Davis (2003) establishes that the prison industry is rooted in slavery. Before the Emancipation Proclamation, "99% of the antebellum prisoners in Alabama were White." After the abolishment of slavery, former slave states passed Black Codes to regulate the behavior of free Blacks; it made a range of actions, "such as vagrancy, absence from work, breach of job contracts, the possession of firearms, insulting gesture or acts" – illegal only when the person charged was Black (p. 28). Prison became the new form of slavery. Black people became the prime targets for the convict-lease system, where prisons would lease prisoner labor to companies, exploited to build railroads and mines. An 1887 report in Mississippi found that six months after 204 prisoners were leased to a white man named McDonald, dozens were dead or dying, the prison hospital filled with men whose bodies bore "marks of the most inhuman and brutal treatment...skin to bone" (Stevenson, 2019). Although the convict lease system was abolished in the 20th century, the use of prison labor (often without pay) continues under threat of punishment today.

An infamous prison today is named Angola, a Louisiana state penitentiary considered to be one of "America's most violent and abusive" and was built on top of a cotton plantation (Stevenson, 2019). Stevenson, a civil rights lawyer, freed their client, Matthew, sentenced to life without parole at the age of 16, from the Angola State Penitentiary in 2010. In the NYT article, Stevenson describes the conditions the incarcerated faced: "Their disciplinary records show that if they refused to pick cotton – or failed to pick it fast enough – they could be punished with time in "the hole," where food was restricted and inmates sometimes tear-gassed" (2019).

AP News reported that many products produced in prisons end up in the supply chains of some of the world's biggest companies. Many of the conditions for prison laborers are unsafe, and some incarcerated laborers have even died in work-related accidents. Corporations such as Cargill, Bunge, Louis Dreyfus, Archer Daniels Midland, and Consolidated Grain and Barge, which together post annual revenues of more than \$400 billion, have in recent years scooped up millions of dollars' worth of soy, corn and wheat straight from prisons (McDowell & Mason, 2024).

Many prisoners incarcerated are disproportionately people of color compared to the US population. "12.2% of the US population is Black, 32.4% of people incarcerated in state and federal prisons are Black. Men, Hispanic people, and American Indian and Alaska Native also make up a larger share of the imprisoned population" (Mast, 2025). Of the 1.2 million people incarcerated, nearly 800,000 are prison laborers by force. 80% are employed in facility maintenance and operations, 17% work for government-run businesses, and 3% work for private-sector companies, getting paid little to none. Their wages go to court-imposed fees and jail/prison sentence fees (Mast, 2025).

Charging Inmates Perpetuates Mass Incarceration

As tax revenue for jails and prisons declined, incarcerated people are forced to pay fees while they stay in jail/prison in order to cover the costs of mass-incarceration. (Swanson, et. al, 2020). These fees can add up and prevent successful re-entry into society, as former offenders are burdened with the debt placed on them. Some states place economic sanctions on convicted individuals to punish them if they don't pay their debts. "At least nine states condition the right to vote on the payment of court-imposed financial obligations: Alabama, Arizona, Connecticut, Delaware, Florida, Kentucky, Maryland, Virginia, and Washington." (Levingston, 2007, p. 74). Employers also conduct credit history background checks to reveal debt and criminal history. This can prevent them from voting and getting a job through legalized

discrimination. These barriers place the burden of debt on families, as they are the only source of financial support.

Bianca Tyler, founder of Worth Rises, a non-profit organization dedicated to dismantling the multibillion-dollar US prison industry and ending the exploitation of justice-impacted people, reports that a mother often had to go without lights in order to pay for a collect call to her son in prison. In her TED talk, *The multibillion-dollar US prison industry – and how to dismantle it*, she says, “Families can pay as much as a dollar a minute to speak to a loved one in prison or jail, creating a 1.2-billion-dollar prison telecom industry.” According to their 5-year-impact report, “one out of three families with a loved one behind bars goes into debt trying to stay connected through visits and phone calls, and 87% of those carrying this burden are women, disproportionately Black and brown women” (2025).

While serving their sentence, incarcerated individuals will have to pay fees known as “pay-to-stay” fees, including room and board and medical copays. As Eisen (2015) writes, these fees force prisoners and their families to become “involuntary consumers” and create financial burdens on them (p. 4). As a result, an estimated 10 million people owe more than \$50 billion in debt from their involvement in the criminal justice system. In addition to pay-to-stay fees, “inmates can also “upgrade” to relatively small, new, clean, and local jails – in the Los Angeles County Sheriff’s Department jail, it’s \$100 per day” (p. 6). It creates a disparity between those who are affluent and can afford it and those who cannot.

Eisen (2015) argues that inmate fees are a bad policy—they force prisoners to pay for services when they are already punished by the state, and create burdens on families, affecting at least 80 percent of individuals in jail who are indigent (p. 4). It will cost \$25,000 per year for an inmate to stay in jail (p. 9). In addition, many inmates reported having a chronic medical condition but are deterred from getting help because of these fees, depriving them of necessary medical treatment and hygiene (p. 4).

In addition to inmate fees, bail also burdens indigent people with costs. According to Nam-Sonenstein (2024), the median bail amount for detained defendants is \$25,000. However, the median annual income for people who are detained pretrial and unable to post bail is \$19,970 and roughly a quarter of all cases are eventually dismissed. Bail keeps people with non-violent offenses and misdemeanors in jail for simply being poor. Jails raise revenue by imposing fines and fees on large numbers of detained people who are there only because they can’t afford to leave.

Kickbacks

According to the Prison Policy Initiative, prisons and jails generate billions of dollars each year by charging incarcerated people and their communities steep prices for phone calls, video calls, e-messaging, money transfers, and commissary purchases (Nam-Sonenstein, 2024). A lot of that money goes back to the correctional agencies as a corporate kickback. Professors Katzenstein, Bennett, and Swanson (2020), authors of *ALABAMA IS US: Concealed Fees in Jails and Prisons*, define “commissions/kickbacks” as a “form of fees” – “fees imposed on prisoners are itemized charges for specific services related to the use of courts, supervision, and incarceration” (p. 260). These go towards the private business and ongoing operation of jails or prisons. Multibillion-dollar private equity corporations such as H.I.G. Capital and Platinum Equity, which owns Securus and JPay, are major players in the prison vendor system. These private equity corporations pay a premium to jails and prisons “to win, secure, and maintain contracts with public carceral facilities” (p. 260). In other words, these corporations are securing a monopoly on carceral facilities. As a result, prisons and jails become “co-beneficiaries of privatization,” accepting corporations that promise the highest commissions/kickbacks (p. 261).

The ethical dilemma is that “private firms are incentivized to find additional ways to shift the cost of incarceration onto prisoners and their families...shouldering more of the costs of incarceration for the state, and it redounds to (the firms’) own profit.” (p. 263). Connecting to revenue bonds, private equity corporations would not only be incentivized to push more costs on incarcerated individuals and families with service fees, but they would also be incentivized to have more prisoners in beds, therefore lobbying for harsher sentencing laws, such as CCA and GEO group.

Inmate Welfare Funds

The revenue collected from commissions/kickbacks go into Inmate Welfare Funds (IWF). These funds are used primarily for the benefit or welfare of inmates. Nam-Sonenstein (2024) argues that the profits made by the prisons go to these unaccounted, ill-defined funds, and are not given back to improve the “general welfare” of the imprisoned population, but go directly to the prison administrators, who can use the money on “practically whatever they want.” He defines the term “shadow budgets” as prisons/jails: “not detailing the expenditures of their welfare funds, using non-specific language in the fiscal reporting/audits of their funds.” In his report, “17 of the 49 prison policies do not mention any form of oversight or transparency measures of their welfare funds” (Nam-Sonenstein, 2024).

An example of vague, non-specific language can be seen in Orange County’s IWF policy where it states, “primarily for the benefit, education, and welfare of the inmates...” (Katzenstein et al., 2020, p. 265). This gives the county great discretion to spend the money. Vague laws create the term “concealment.” Concealment refers to the ways carceral institutions make information out of reach for public scrutiny (Katzenstein et al., 2020, pp. 265-266). An example, mentioned earlier with non-specific language, is the changing of statutory language (written law) by a single word or verbal modifier that is “so inconspicuous and seemingly inconsequential” towards political or public attention. (p. 266). For example, “in 1993, California state legislatures replaced the word “solely” with “primarily” for the benefit of the inmate...the word “primarily” was defined to require only 51 percent of the Fund be spent on the “welfare” of the inmate and 49 percent spent on prison operations” (p. 266-267).

The use of vague language in Inmate Welfare Funds could lead to misuse. In 1998-99, Orange County was being investigated by the Criminal Justice Committee, appointed by the Los Angeles Grand Jury. Orange County’s IWF generated a “total of nearly \$70 million.” Was this \$70 million used primarily for the benefit and education of the jail population as required by the California Penal Code? No, the Committee concluded the IWF was “not being used directly for inmate services.” (p. 264). \$552,000 was spent on the benefit, education, and welfare for inmates, 12% of the fund (excluding salaries), while 41% was used towards construction. (p. 264).

Although it wasn’t mentioned by the Grand Jury, the professors noted that the jail allocated \$32,000 for the library, compared to the amounts for the commissary building and jail expansion. Although it wasn’t legally required to do so, the jail might have considered funding the law library as an essential operational expense, similar, for insurance, to healthcare. Instead, the commissions/kickbacks arrangement in effect requires poor families to subsidize access for their loved ones to legal resources” (p. 265).

Democratic Scrutiny

The problem with concealment under the law is that it is undemocratic towards the public. Katzenstein et al. (2020) argue that “The law, when it is used to conceal changes in our institutions of punishment, foreclose democratic scrutiny, debate, and contestation.” (p. 267). In other words, the state is biased to capitalists, and capitalists can influence the legal order to favor them. The law “exclusively” benefits private equity corporations and the prison/jail industry. It acts as a “weapon of the powerful, as carceral facilities gain additional revenue and private firms accrue ever-increasing profits” (p. 267).

Because of vague language, prisons could use, to their discretion, how much they want to spend on services, such as legal or health services for prisoners. Since prisons are co-beneficiaries of privatization, they would care only about increasing operations and vendor services, spending little on services in the well-being of inmates, such as access to a law library. If there are not enough resources covered by the IWF, families would have to pay more to have access to them, even though families are already burdened with the costs of incarceration. This concealment could lead to prisoners struggling on the bare necessities that prisons give them, and now they have to buy/trade, use the money in their accounts to buy more commissary, which is pocketed in the hands of the industry, creating a cycle of disparity in prison and exploitation of prisoners and their families.

Campaigning Against the Prison Industry

Bills and laws can be passed against the privatization of prisons. Private equity are corporations that face limited reporting requirements with the U.S. Securities and Exchange Commissions. It has been a growing sector since the last two decades. Private equity controlled corporations have staked monopoly control over vendor operations, such as prison and jail phones, digital communications, commissary sales, and health operations. Private equity owns a monopoly of a \$1.2 billion prison phone industry, \$1.6 billion commissary sales industry, and \$2.5 billion in healthcare annually (Swanson & Katzenstein, 2025, p. 298).

Worth Rises focuses on making corporate involvement “so publicly toxic” that corporations will no longer invest in the prison industry. The organization has passed 10 bills “making prison and jail communication free in various jurisdictions.” In their first campaign, they focused on dismantling the telecom industry in prisons. In 2018, they passed their first bill in New York City, “saving families \$10 million dollars annually and increasing call volume by 35% overnight.” Then, they supported ten other jurisdictions in making prisons and jail calls free for thousands of people, and even at the federal level in encouraging the FCC to increase its regulation of prison telecom, saving a total of \$187 million dollars in communication costs (p. 7).

Private equity corporations mentioned in *Alabama is US* were held accountable by Worth Rises. They have challenged Securus, one of the nation’s largest and most predatory telecoms, in their acquisition of ICSolutions, which would have consolidated 50% of the industry, at the FCC and won. They have also successfully diverted a \$150 million investment from Platinum Equity (p.7). Eliminating corporate involvement in the prison industry will abolish the exploitation of people behind bars and their families, returning resources to communities to further enrich themselves and improve chances of successful reentry.

Conclusion

Just as prisons have long been taken for granted, abolitionist critiques have also been widely dismissed. Abolitionist scholars Gilmore (1999) and Davis (2003) have predicted that the rise of the prison industrial complex would result in widespread exploitation, privatization, and corrupt business practices of the prison industry rooted in the form of modern slavery. Gilmore (1999) anticipated that the government would finance prison expansion money without approval of the public, connecting to Pranis' (2007) analysis of revenue bonds – a financing mechanism that incentives on mass-incarceration by requiring prisons to fill more beds in order to pay for itself.

More recent authors confirm these warnings. Authors Katzenstein et al. (2020) and Sonenstein (2024) expose the true scope of the prison industrial complex. They have confirmed that as tax-revenue decreased, more inmates would be charged to cover the cost of mass-incarceration. The government has become co-beneficiaries of privatization, taking kickbacks from private-equity companies and misusing Inmate Welfare Funds – capital belonging to inmates and their families — under concealment of the law. Eisen (2015) demonstrates how pay-to-stay fees imposed by jails and prisons create cycles of debt and poverty for indigent people and their families, creating obstacles for re-entry. In response, Tylek (2021) and the advocacy organization, Worth Rises, challenges the prison-industry by introducing legislation to keep private corporations from profiting from incarceration.

Ultimately, the prison system was made to be a solution to socio-economic problems caused by capitalism and racism, absorbing the surpluses of labor and capital from marginalized communities and exploiting them to incentive on mass-incarceration. Rather than spending money on building more prisons, resources should be redirected towards communities deeply affected by mass incarceration to reduce recidivism and cycles of incarceration. Investments such as higher education, employment, and childcare would not only lower incarceration rates and costs but also address the structural inequities that the prison system failed to resolve.

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