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## Ezra Klein

Economic and Domestic Policy, and Lots of It

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## Is economic freedom another way of saying we need to build more prisons?

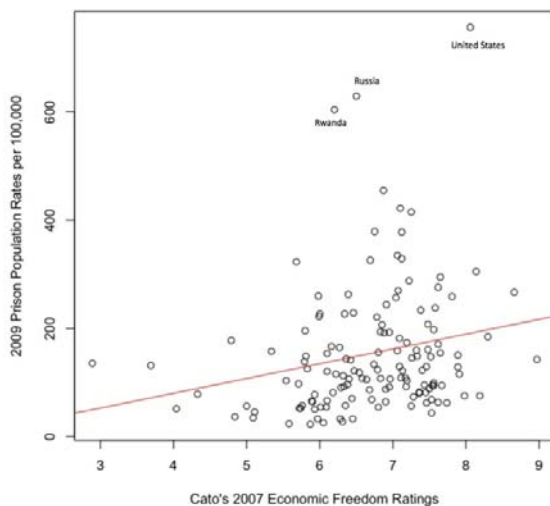
By Mike Konczal

One of the fascinating things about Rand Paul's election and the rise of a new more libertarian mindset in the popular conscience will be a newfound focus on the idea of "economic freedom." I've been thinking of this especially in light of [the Democratic Strategist's](#) forum on what "freedom" means for the left and the right.

I'm a fan of numbers, and the Cato Institute [has](#) a quantitative ranking of the economic freedom of a large group of countries, ranked on a scale 1-10 after considering a variety of measures. This is calculated with the Fraser Institute and many other places, and data are available for 2007 from their [Free the World site](#).

I'm going to plot that against another measure of a certain type of freedom, the percent of people in a country incarcerated ([data](#) from King's College London's International Centre for Prison Studies):

Economic Freedom Versus Prison Population



There's a striking correlation between the two. Increasing economic freedom 1 point is correlated with increasing the prison population 27.27 people per 100,000 (with a t-stat of 2.611).

As opposed to a mile or a kilogram, I don't have a sense yet of what a unit of economic freedom feels like, so if I take the log of both sides and regress I can say that increasing economic freedom by 10 percent is

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correlated with having an 11.8 percent increase in the prison population size (t-stat of 3.2). This correlation is still there if we take out the outliers of the United States, Russia and Rwanda.

I don't think there's a time series correlation, based on my quick view of the historical data. We might get to it later in the week, I'm not sure if we'll have enough time, but the prison rate has been increasing across the G20 at all times from 1995-2009, something that shocked me (as I tended to view this as a U.S.-specific issue), and [in general](#) is increasing across the world. History has ended, and it has ended in a place where governments will be warehousing an increasingly larger proportion of their population.

I know that correlation is not causation. But if anything, I expected the relationship to be negative. Prisoners have limited rights to contract and to provide labor at market rates, their status as citizens are often [co-opted](#) to juke the gerrymandering process, and there's the whole need to finance the prison industry through taxes.

So what are some ideas behind this relationship?

-- One could be a measurement error. At low economic freedom, we simply can't trust that the prison data are accurate and that many people aren't being imprisoned off the books, that terror by the government isn't deployed in a way where everyone is a prisoner at all times, etc.

-- One could be the left-wing critique of someone like [Loïc Wacquant](#), which says that there is segregation across class mobility, space and economic opportunity. As social welfare retrenchment takes place, the state reorganizes to provide, in his term, "prisonfare" to replace welfare (for men, and "workfare" for women).

-- This could be a breakdown in the transition from one type of industrial economy to another type of post-industrial economy; the mechanisms of education, job training and the investment of proper human capital necessary to take advantage of opportunities in the 21st century has stopped working, and what we are left with is an everyone-for-themselves fight that leaves us with a ballooning prison population.

-- This probably has overlap with what Sam Bowles and Roosevelt Institute Fellow [Arjun Jayadev](#) call [in their research](#) guard labor, which is: "the police, private security guards, military personnel and others who make up the disciplinary apparatus of a society." In a recent paper, they show that the amount of labor resources that are devoted to such activities is strongly correlated to inequality across U.S. states and indicate that this relationship also exists across countries.

My favorite statistic from that paper linked above, Garrison America: "By 2012, the Department of Labor predicts, the United States will have more private security guards than high school teachers."

Fantastic.

-- One theory I'm thinking through these days, and I'll be using as a guide in watching dialogue on the right unfold into the 2010 election: We tend to see two distinct political projects. One is a "neoliberal" project that, in the [words](#) of Wendy Brown, is a project of "extending and disseminating market values to all institutions and social action ... the production of all human and institutional action as rational entrepreneurial action, conducted according to a calculus of utility, benefit or satisfaction." There is also a more familiar "neoconservative" project of dismantling the welfare state, reversing progressive taxation, Christianizing the state, reversing civil liberties, projecting military strength abroad, etc.

I'm curious as to how the two interplay. The way that the neoliberal dream of growing the pie blurs into the neoconservative dream of punishing the wicked, parasitic unproductive class and rewarding the rich who make the world into what it is. In some ways they tend to repeal each other ("I'm socially liberal, but fiscally conservative"). But in some ways, I wonder whether there is a synthesis that has been happening between the two. And if so, we may see some additional avatars of this cross-dream in the 2010 election.

*Mike Konczal is a fellow at the Roosevelt Institute. He blogs about finance, economics and other topics at [Rortybomb](#) and [New Deal 2.0](#).*

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By Washington Post editor | May 24, 2010; 12:00 PM ET

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Hogwash. More evidence that Ezra Klein is an apologist for the Democratic Party, as opposed to being a free thinker.

Prison population is an endogenous variable.

For example, greater economic freedom leads to greater prosperity which leads to greater funding of law enforcement. Practically anything could explain away this high school level analysis done by Dr. I mean Mr. Ezra Klein.

Posted by: RandomWalk1 | May 24, 2010 12:33 PM | [Report abuse](#)

Hey Random,

Byline read fail.

Posted by: tsgauh | May 24, 2010 12:52 PM | [Report abuse](#)

You should check out Bernard Harcourt's upcoming book, "The Illusion of Free Markets: Punishment and the Myth of Natural Order." He traces how the idea of a perfectly ordered "free market" (from the Physiocrats of the 18th century to its modern form in the Chicago School) has disallowed the state from interfering in economic matters and relegated its proper role to the penal realm.

I suspect that this mythic free market—which is still imbued with government organization and regulation, if in a different form—is the sort of "economic freedom" the Cato Institute purports to measure. The growth in the prison system then reads as a correlated augmentation in what has become government's only legitimate enterprise.

Posted by: fish1324 | May 24, 2010 12:55 PM | [Report abuse](#)

Huge Comment Fail by Randomwalk1 @12:33 PM - This post is not even written by Ezra Klein. Thus, your bias is clearly exposed and we all can be assured that your "analysis" is as big a failure as your comment.

I'm struck by the huge difference between Russia, Rwanda, the US and the rest of the world. We really know how to lock 'em up.

Posted by: Vaughan1 | May 24, 2010 12:56 PM | [Report abuse](#)

It is pretty clear that social/economic mobility has effectively frozen in the US for the vast majority of people. Permanent inequality creates a great deal of unrest at the bottom, because if people see the whole game as rigged and see no way to advance through legal means, at least some of them will try illegal means. Especially when the example of "ethics" set by the people at the top has been so pitiful over the last 15 or so years. It then becomes necessary to have this vast security apparatus to keep people in line. Plus, as we have seen in California with the prison guards' union, this is one of the few job growth areas, so the guards constantly lobby for laws and policies that will increase the prison population and thus create more guard jobs.

What we need is a better path of advancement for both the prison and guard populations.

Posted by: Mimikatz | May 24, 2010 1:17 PM | [Report abuse](#)

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This result strikes me as expected, not unexpected. 'Economic freedom' exists in the state of nature even less than other freedoms: not only does it cease to exist if you don't protect it, but it never exists in the first place without a relatively ponderous cultural, political and legal apparatus to sustain it. That apparatus includes not only contract, tort law and civil courts, but also their criminal ancillaries.

More such 'freedom' almost necessitates more such apparatus, and the size of the criminal apparatus likely if imperfectly proxies for the size of the necessary civil apparatus.

Posted by: wcowhiner | May 24, 2010 1:25 PM | [Report abuse](#)

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The outliers are the most interesting part of this in my view. What accounts for the differences?

One guess might be that income inequality combined with relative high GDP probably accounts in part for the U.S. and Russia's outlier status. (In order to imprison people for crimes you need to have both the resource to house the population and resources to pay for law enforcement officers, so it may be that Russia and the U.S. are no more lawless than poorer countries with the same level of economic disparity as measured against the CIA's GINI Index -- it may simply be that the U.S. and Russia have the economic capacity to enforce law). Rwanda's numbers one might guess are probably a by-product of a return to some civil order, coupled with the fact that it went through a genocide (although there may be some other factor at work -- e.g. better reporting).

Another question that the comparison raises is: What's the apples to apples comparison?

With a number of these countries you have different laws meriting incarceration. How do countries match up on incarceration for the most common crimes? (e.g. the aggregate prison population might have a skew based on one or two factors).

In the U.S. our drug enforcement policy probably accounts for some of the differences between the U.S. and other industrialized democracies. In the case of Rwanda, if the genocide is in fact part of the equation, than the disaggregated numbers might make Rwanda's numbers look more typical. Of course this is all pure guess-work.

Intuitively it makes sense that countries with higher levels of GDP would also have more people incarcerated.

If a country has weak civil and legal structures, then criminal activity is likely to result in fewer incarcerations simply because the state doesn't have the capacity to enforce its own laws. The opposite is probably true with respect to the developed economies (e.g. greater enforcement capacity = higher rate of incarceration for common crimes).

Posted by: JPRS | May 24, 2010 2:28 PM | [Report abuse](#)

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Maybe you need to define economic freedom. Does a guy that is unemployed or homeless have economic freedom?

Posted by: paul89 | May 24, 2010 4:03 PM | [Report abuse](#)

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Starting off thinking that CATO institute is rational, reasonable, or meaningful is the first mistake. It's bought and paid for propaganda no less than if it had come from the lips of Pete Peterson or David Koch or Roger Ailes. Might as well roll in some Bell Curve and Rand Paul's Medicare income statements.

Posted by: sparkplug1 | May 24, 2010 5:24 PM | [Report abuse](#)

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Correlations like this are very dangerous. I'm not willing to draw any conclusions from it.

My guess is that there is some sort of common cause that drives both variables.

For example, I would imagine that CATO defined economic freedom in such a way that countries with high per capita income have greater economic freedom. But countries with high per capita income also have more money to spend on law enforcement. It might be that those populations are more willing to spend money on prisons and employ the police necessary to find people to fill those prisons.

Posted by: zosima | May 24, 2010 5:54 PM | [Report abuse](#)

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To me, the correlation looks like quite the shotgun blast. I'd suggest a lot of caution to infer anything from it. For that matter, only looking at the relationship between economic freedom and incarceration rates just screams that you're

omitting relevant variables (culture, political freedom, personal freedom, inequality - which you did admittedly mention - etc).

The country that CATO ranked as a 9 on the economic freedom manages around 150 per 100,000.

Looking at the chart, 7 of the top 10 countries in terms of economic freedom (~7.8+ on the CATO scale) have incarceration rates at 200 per 100,000 or less. It hardly looks like economic freedom causes higher incarceration rates - there is just an (ever so slight) correlation.

Another thing to notice is that it appears lots of countries have very low incarceration rates no matter their economic freedom, and then outside of the United States the highest incarceration rates decline as one moves from modest to high economic freedom. I don't think that means anything in particular, only that there are lot of ways to interpret the data.

I think the biggest take away from the chart is that while the U.S. is fairly free from an economic perspective, we're mediocre at best on personal freedom, in particular with regard to vices, and that does a good deal of lifting - although by no means all of it - in terms of why our incarceration rate is so high.

Posted by: justin84 | May 24, 2010 7:52 PM | [Report abuse](#)

I think you should throw in the Gini Index and see how that relates to both (i.e., CATO's "economic freedom" = high income inequality = lack of mobility = increased incarceration).

Plus, the US looks like it has high leverage -- how strong would that correlation be without the US, Russia and Rwanda?

Posted by: kcar1 | May 24, 2010 10:51 PM | [Report abuse](#)

@Justin84

"To me, the correlation looks like quite the shotgun blast. I'd suggest a lot of caution to infer anything from it."

I agree wholeheartedly with the latter statement, but disagree with the former. The aesthetics of a correlation are not relevant, and the t-score shows them to be significant with a reliability around 99%. The log-fit relates the variables in a way that is unit and scale independent...so it certainly sounds like there is something going on there.(as much as it can without doing it myself). Although, that said, what is going on may have little to do with the two particular variables picked out by the author.

Posted by: zosima | May 25, 2010 1:16 AM | [Report abuse](#)

p.s. To really convince me, though. I'd want to know the slope and the t-score on the log-log fit with the outliers removed.

Posted by: zosima | May 25, 2010 1:21 AM | [Report abuse](#)

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