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SIEPR Discussion Paper No. 17-001

## Prison Work Programs in a Model of Deterrence

By

A. Mitchell Polinsky

Stanford Institute for Economic Policy Research  
Stanford University  
Stanford, CA 94305  
(650) 725-1874

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## **Prison Work Programs in a Model of Deterrence**

A. Mitchell Polinsky\*

*Abstract:* This article considers the social desirability of prison work programs in a model in which the function of imprisonment is to deter crime. Two types of prison work programs are studied—voluntary ones and mandatory ones. A voluntary work program is socially beneficial: if prisoners are paid a wage that just compensates them for their disutility from work, the deterrent effect of the prison sentence is unaffected, but society obtains the product of the work program. But a mandatory work program is superior to a voluntary work program: if prisoners are forced to work without compensation, the deterrent effect of the prison sentence rises, allowing society to restore deterrence and save resources by reducing the probability of detection or the sentence length, and also to obtain greater output than under the optimal voluntary work program. In an extension of the basic analysis, however, in which prisoners vary in their disutility from work, a voluntary work program may be superior to a mandatory work program because prisoners with relatively high disutility from work can elect not to work.

*Key words:* deterrence; imprisonment; prison work programs; prison costs; prison labor

*JEL codes:* H23; J41; J48; K14; K42

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\* Stanford Law School and National Bureau of Economic Research. Research on this article was supported by the John M. Olin Program in Law and Economics at Stanford Law School. Helpful comments were provided by Christine Jolls, Louis Kaplow, Steven Shavell, Abraham Wickelgren, and two anonymous referees, and valuable research assistance by Paul Riskind.

## 1. Introduction

Many countries require prisoners to perform labor during the terms of their incarceration, and such practices often have been in place for centuries.<sup>1</sup> In the United States, for instance, prison work has been a significant feature of penal policy since the late eighteenth century.<sup>2</sup> Work programs of some kind exist in 88 percent of the nation's prisons and employ approximately 775,000 prisoners,<sup>3</sup> and prison industries have annual sales of \$1.7 billion.<sup>4</sup> Prisoners perform myriad jobs, from farming, to making furniture and clothing, to maintaining the infrastructure of prisons themselves (painting prison buildings, caring for prison grounds, and so forth).

In this article I undertake an analysis of the social desirability of prison work programs within the conventional economic model of deterrence.<sup>5</sup> Work programs have the obvious benefit of generating valuable output, but they can have two conflicting effects on deterrence. On one hand, the disutility that prisoners bear from working increases the deterrent effect of any given prison term.<sup>6</sup> On the other hand, any compensation that prisoners receive for their work decreases the deterrent effect of imprisonment. Thus, an assessment of the desirability of prison

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<sup>1</sup> See generally United Nations (1955) and Gibson (2011).

<sup>2</sup> See Barnes (1921) and American Correctional Association (1986, pp. 1-8).

<sup>3</sup> See Stephan (2008, p. 5, Table 6 & Appendix table 16).

<sup>4</sup> See Seiter (2016, p. 408).

<sup>5</sup> To my knowledge, prison work programs have not previously been addressed in economic literature on crime. For example, this topic is not mentioned in two recent surveys of the economics of crime and punishment — Levitt and Miles (2007) and Polinsky and Shavell (2007) — nor in a survey of the economics of prisons — Avio (1998).

<sup>6</sup> The strength of this effect is diminished to the extent that prisoners enjoy some work; see comment (b) in Section 4.

work programs must take into account both the direct benefits of prison output and the indirect effects on deterrence.<sup>7</sup>

I consider two types of prison work programs: voluntary ones in which inmates are offered opportunities to work, which they are free to accept or reject, and are paid a wage; and mandatory ones that require prisoners to work, and that might include some compensation.<sup>8</sup> I assess the social desirability of a prison work program compared to no work program; derive the socially optimal features of each type of prison work program (such as the optimal wage rate in a voluntary program); and compare the merits of a mandatory work program to a voluntary one.

I first analyze prison work programs in Section 2 in a benchmark model in which individuals are identical except for the potential gain they would obtain from committing a crime. In particular, were they to participate in a prison work program, it is assumed that they would each have the same productivity and would each suffer the same disutility from working.

A voluntary work program is superior to no work program in the benchmark case. To understand why, suppose that the wage in the voluntary program equals the disutility that prisoners would bear from working, and assume that prisoners would choose to work at this wage. A voluntary work program with this wage would leave the disutility of the prison

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<sup>7</sup> I distinguish between a prison *work* program and a prison *vocational training* program. A work program, as I use that term, is for the purpose of producing valuable output within prisons given the present skills of prisoners, whereas a vocational training program is focused on developing prisoners' skills so as to better prepare them for productive work outside of prison after they complete their sentences. In practice, of course, there is not such a rigid distinction since prisoners may learn some useful skills in work programs and may produce some useful output in vocational training programs. But I will not in this paper be concerned with the enhancement of skills by prisoners or with their prospects for employment after serving their sentences (though see comment (d) in Section 4).

<sup>8</sup> Both types of prison work programs are used in practice, though mandatory ones predominate; see comment (e) in Section 4.

sentence—and thus deterrence—unchanged. But taxpayers are better off because they obtain the value of prisoners’ output. Hence, a voluntary work program would be socially desirable.<sup>9</sup>

However, a mandatory work program can function even better than a voluntary work program. In essence, that is because prisoners are made worse off by being forced to work without pay. This results in an increase in deterrence, everything else equal. The level of welfare of prisoners, and hence deterrence, can be restored either by shortening the prison term or by lowering the probability of detection, either of which would improve the welfare of taxpayers by lowering public costs.<sup>10</sup> Because taxpayers obtain this benefit in addition to the value of prisoners’ output, while the level of welfare of prisoners is unaffected, a mandatory work program is superior to a voluntary one.

In Section 3 I reconsider the merits of prison work programs under two extensions of the benchmark model. I first explain that if prisoners differ in terms of their productivity, the ranking of the policies is not affected. For essentially the same reasons as those discussed above, a mandatory work program is preferable to a voluntary one, which in turn is preferable to no work program.

However, if prisoners differ in terms of their disutility from work, the ranking of the policies might change. Although a voluntary prison work program would continue to be superior to no work program, a mandatory work program no longer is necessarily preferable to a voluntary work program. The potential advantage of a voluntary work program is that it allows prisoners with relatively high disutility from work to opt out of working. Everything else equal,

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<sup>9</sup> I demonstrate that the optimal voluntary prison work program offers prisoners the opportunity to work at the first-best number of hours and pays them the lowest possible wage that induces them to work.

<sup>10</sup> I show in the benchmark model that the optimal mandatory prison work program requires prisoners to engage in maximal work (exceeding the level of work under the optimal voluntary program) and does not

this is socially desirable if their disutility from work exceeds the value of their output. For similar reasons, a hybrid prison work program—in which some work is mandatory and some work is voluntary—may be superior to a mandatory work program alone.

Section 4 concludes with several comments, including on the role of prison work programs when the purpose of imprisonment is incapacitation or rehabilitation.

## 2. Prison Work Programs in the Benchmark Model

In this section I begin by describing the standard model of deterrence through imprisonment, in which prison work programs are absent, and then analyze voluntary and mandatory work programs within this framework.

### A. The Benchmark Model<sup>11</sup>

Risk-neutral individuals contemplate committing a harmful act in order to obtain a benefit that varies among them. If they commit the act, they are caught with a positive probability. They are assumed to have no wealth, so that the only sanction that can be imposed on them is a prison sentence.

Let

$h$  = harm caused if the offense is committed;  $h > 0$ ;

$b$  = benefit to an individual from committing the offense;  $b \geq 0$ ;

$v(b)$  = density of  $b$  among individuals;  $v(b) > 0$  for all  $b \geq 0$ ;

$p$  = probability of catching an offender;  $p > 0$ ;

$k(p)$  = cost to the state to maintain the probability  $p$ ;  $k'(p) > 0$ ;  $k''(p) > 0$ ;

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compensate them for this work. The logic used to support this conclusion also would support making prison less desirable in myriad other ways in order to increase deterrence, a point I discuss in comment (g) in Section 4.

<sup>11</sup> This model is well known; see, for example, Polinsky and Shavell (2007).

$s$  = prison sentence for the offense;  $s > 0$ ; and

$c$  = cost to the state per unit time to imprison an individual.

Sentences are measured in units of time corresponding to one dollar of disutility.<sup>12</sup>

An individual will commit an offense if his benefit  $b$  exceeds the expected disutility of the sentence  $ps$ .<sup>13</sup>

Social welfare equals the benefits that individuals obtain from committing harmful acts, less the harms they cause, less the disutility that they bear from imprisonment, and less the state's cost of imprisoning individuals and maintaining the probability of detection. Hence, social welfare in the absence of a prison work program is

$$\int_{ps}^{\infty} [b - h - ps(1 + c)]v(b)db - k(p). \quad (1)$$

The state's problem is to choose the probability of detection  $p$  and the sentence  $s$  to maximize (1). Let  $p_N^*$  and  $s_N^*$  be the optimal probability and sentence in the benchmark model (subscript "N" for "no" prison work program). For present purposes, it is not necessary to characterize these results.<sup>14</sup>

## **B. A Voluntary Prison Work Program**

Now consider a voluntary work program in which prisoners choose whether to participate given the wage offered per unit time. If they decide to participate, I assume that they work for a fixed number of hours specified by the state.

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<sup>12</sup> Implicit in this construction is that the disutility of a sentence is proportional to its length. My results do not depend on this assumption, but it simplifies the analysis.

<sup>13</sup> There is no loss of generality in assuming that an individual will not commit the offense when he is indifferent.

<sup>14</sup> It will also be the case that I do not need to derive the optimal probability of detection and sentence under the voluntary and mandatory prison work programs.

Let

$\bar{\lambda}$  = maximum fraction of time that a prisoner is capable of working per period;  $\bar{\lambda} < 1$ ;

$\lambda_V$  = fraction of time prisoners work per period under a voluntary work program;

$$0 \leq \lambda_V \leq \bar{\lambda};$$

$d(\lambda)$  = disutility of time worked per period;  $d(0) = 0$ ;  $d'(\lambda) > 0$ ;  $d''(\lambda) > 0$ ;

$n$  = output per period if full-time work (that is, if  $\lambda = 1$ );  $n > 0$ ;<sup>15</sup> and

$w_V$  = wage per period if full-time work under a voluntary work program;  $w_V \geq 0$ .

The disutility from working is in addition to the normal disutility of time in prison, so if a prisoner chooses to work the total disutility from a sentence  $s$  is  $s(1 + d(\lambda_V))$ . Output is measured in units that correspond to one dollar of value. For notational simplicity, I will in the present section drop the subscript on  $w$  (other than in the statements of the propositions).

Additionally, I assume that the maximum value of prison work per period is less than the public cost of imprisonment per period, that is,  $\bar{\lambda}n < c$ .<sup>16</sup>

It will be useful to define the level of work that maximizes the net social value of work.

Let

$\lambda^*$  = first-best level of work per period,

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<sup>15</sup> To the extent that work by prisoners increases the unemployment of non-prisoners (for example, by using prison labor for groundskeeping rather than private labor), the social value of prison labor is reduced. This effect, if applicable, can be incorporated implicitly through the value of  $n$ .

<sup>16</sup> This assumption is supported by the following observations. The average annual public cost per prisoner has been estimated to be \$31,286 in fiscal year 2010; see Henrichson and Delaney (2012, p. 9). If prisoners could work up to ten hours a day, seven days a week, fifty-two weeks a year, and if their output were valued on average at the 2010 Federal minimum wage of \$7.25 per hour, the average value of their annual output would be \$26,390. For simplicity, I assume that the public cost of imprisoning individuals is the same whether there are work programs or not, though it is plausible that work programs would cause the state to incur additional supervision costs.



that is, the  $\lambda$  that maximizes the value of the output of work net of the disutility incurred to produce it,  $\lambda n - d(\lambda)$ . I assume that  $\lambda^* > 0$ , which implies that  $n > d'(0)$ , and that  $\lambda^* < \bar{\lambda}$ .<sup>17</sup> Thus,  $\lambda^*$  is an interior solution satisfying  $d'(\lambda) = n$ .

If a prisoner chooses to participate in the voluntary work program, he will earn  $\lambda_V w$  and suffer disutility  $d(\lambda_V)$  per period. Thus, assuming that he will participate if he is indifferent, he will participate if  $\lambda_V w \geq d(\lambda_V)$  or, equivalently, if  $w \geq d(\lambda_V)/\lambda_V$ . Let

$\tilde{w}(\lambda_V)$  = minimum wage at and above which a prisoner would choose to participate in a voluntary work program and below which he would decline to participate, where  $\tilde{w}(\lambda_V) = d(\lambda_V)/\lambda_V$ .

Assuming  $w \geq \tilde{w}$ , an individual will commit an offense if his benefit  $b$  exceeds the expected disutility of the sentence, which is  $ps(1 + d(\lambda_V) - \lambda_V w)$ . Relative to the situation in which there is no work program, he now suffers additional disutility from work  $d(\lambda_V)$ , but obtains wage income  $\lambda_V w$ .

Social welfare will reflect not only the factors that were included in the absence of a work program—the benefit from offenses less their harm, the disutility of imprisonment, and the public cost of imprisonment and enforcement—but also the disutility that prisoners bear from working and the value of their output. Accordingly, if  $w \geq \tilde{w}$ , social welfare under a voluntary prison work program is

$$\int_{ps(1 + d(\lambda_V) - \lambda_V w)}^{\infty} [b - h - ps(1 + c + d(\lambda_V) - \lambda_V n)] v(b) db - k(p). \quad (2)$$

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<sup>17</sup> For example, if the first-best level of work is fifty hours a week, it seems plausible that an able-bodied prisoner would be capable of working more than this.

Note that because the wage  $w$  is a transfer payment, it only affects social welfare through its effect on the level of deterrence (the lower bound of the integral). If  $w < \tilde{w}$ , no one will work and social welfare will be given by (1).

The state's problem is to choose  $p$ ,  $s$ ,  $\lambda_V$ , and  $w$  to maximize (2), subject to the constraints that  $\lambda_V \leq \bar{\lambda}$  and  $w \geq \tilde{w}$ . The optimal values will be designated with an asterisk.

*Proposition 1:* A voluntary prison work program is superior to not having a prison work program.

*Comment:* Even though I assumed that some work is socially desirable—that is,  $d'(0) < n$ —it does not necessarily follow that a voluntary prison work program is superior to no work program. This is because, to motivate prisoners to work, they have to be paid a wage, which will reduce the deterrent effect of the prison sentence, everything else equal. But by paying prisoners a wage that just compensates them for their disutility from work, they can be induced to work without being deterred less, resulting in a social gain due to their productive output.

*Proof:* Set  $p = p_N^*$ ,  $s = s_N^*$ . I will show that, given these values, there exists a voluntary prison work program that results in higher social welfare (2) than without a work program (1). For any  $\lambda_V > 0$  under the voluntary work program, let the wage be  $\tilde{w}(\lambda_V) = d(\lambda_V)/\lambda_V$ . Then the level of deterrence will be the same as that without a work program since  $ps(1 + d(\lambda_V) - \lambda_V \tilde{w}(\lambda_V)) = p_N^* s_N^*$ . Thus, social welfare under the voluntary work program will be higher if the integrand in (2) exceeds that in (1), that is, if

$$b - h - ps(1 + c + d(\lambda_V) - \lambda_V n) > b - h - p_N^* s_N^*(1 + c), \quad (3)$$

which will hold if  $\lambda_V n - d(\lambda_V) > 0$ . Let  $f(\lambda_V) = \lambda_V n - d(\lambda_V)$ . Clearly,  $f(0) = 0$ . Moreover,  $f'(0) = n - d'(0) > 0$ , where the inequality follows from the assumption that  $\lambda^* > 0$ . Hence, there exists a  $\lambda_V > 0$  in the neighborhood of 0 such that (3) holds.  $\square$

The next proposition characterizes the optimal voluntary prison work program.

*Proposition 2:* The optimal voluntary prison work program

(a) offers prisoners the opportunity to work at the first-best level of work,  $\lambda_V^* = \lambda^*$ ; and

(b) employs the lowest possible wage that induces prisoners to work, which is less than the marginal value of the output of prison work,  $w_V^* = \tilde{w}(\lambda^*) = d(\lambda^*)/\lambda^* < n$ .

*Comments:* (i) It is not surprising that the optimal voluntary prison work program sets the level of work at the first-best level, since this maximizes the net social value of work.

(ii) In a private labor market, in which workers can choose how much to work, they would need to be paid a wage equal to the marginal value of their output in order to induce them to choose the first-best level of work. But in a voluntary prison labor market, where the level of work is chosen by the state and can be set at the first-best level, prisoners only need to be paid enough to induce them to prefer working to not working. In other words, they only have to be paid enough to compensate them for their average disutility from work. Since their marginal disutility from work is increasing, their average disutility from work is less than their marginal disutility. This implies that, if prisoners are paid the lowest possible wage that induces them to work, they will be receiving less than the marginal value of their work.

(iii) The reason that the optimal wage to employ in a voluntary prison labor program is the lowest possible wage that induces prisoners to work should by now be familiar. Any higher wage would reduce deterrence and require costly public expenditures on enforcement or imprisonment to offset this reduction.

*Proof:* I first establish that, for any voluntary work program  $\lambda_V > 0$  in which prisoners are induced to work, the optimal wage equals  $\tilde{w}(\lambda_V) = d(\lambda_V)/\lambda_V$ . The optimal wage cannot be lower than this since prisoners would then choose to not work. Suppose the wage were higher, say  $\hat{w} >$

$\tilde{w}(\lambda_V)$ . Then the wage could be lowered to  $\tilde{w}(\lambda_V)$ , which would increase deterrence, and the probability of detection could be lowered to some  $p^\circ < p$  so as to return deterrence to its original level:  $p^\circ s(1 + d(\lambda_V) - \lambda_V \tilde{w}) = ps(1 + d(\lambda_V) - \lambda_V \hat{w})$ .<sup>18</sup> This would have two beneficial effects on social welfare (2). First, the cost of maintaining the probability of detection would decline. Second, the expected sentence length  $ps$  would decline, which would raise social welfare if  $(1 + c + d(\lambda_V) - \lambda_V n) > 0$ ; that this inequality holds follows from the assumption that  $\lambda n < c$ . Hence, the optimal wage is  $\tilde{w}(\lambda_V) = d(\lambda_V)/\lambda_V$ .

Given the preceding result, the level of deterrence,  $ps(1 + d(\lambda_V) - \lambda_V \tilde{w}(\lambda_V))$ , equals  $ps$  regardless of  $\lambda_V$ . Thus, the optimal  $\lambda_V$  can be derived by maximizing the integrand of social welfare (2). The resulting first-order condition is  $-ps(d'(\lambda_V) - n) = 0$ , implying that  $d'(\lambda_V) = n$ ; hence,  $\lambda_V^* = \lambda^*$ .

Since  $d(0) = 0$ ,  $d'(\lambda) > 0$ , and  $d''(\lambda) > 0$ , it follows that  $d'(\lambda) > d(\lambda)/\lambda$ . Thus,  $\tilde{w}(\lambda^*) = d(\lambda^*)/\lambda^* < d'(\lambda^*) = n$ .  $\square$

### C. A Mandatory Prison Work Program

Next consider a mandatory work program in which prisoners are told how much they have to work and might be compensated for this work. Let

$\lambda_M$  = fraction of time prisoners are required to work per period under a mandatory work program;  $0 \leq \lambda_M \leq \bar{\lambda}$ ; and

$w_M$  = wage per period if full-time work under a mandatory work program;  $w_M \geq 0$ .

For notational simplicity, I will drop the subscript on  $w$  when there is no ambiguity.

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<sup>18</sup> In this proof, as in subsequent proofs, it would be possible to obtain the same result by lowering the

Since the expected disutility of the sentence now is  $ps(1 + d(\lambda_M) - \lambda_M w)$ , social welfare under a mandatory prison work program is

$$\int_{ps(1 + d(\lambda_M) - \lambda_M w)}^{\infty} [b - h - ps(1 + c + d(\lambda_M) - \lambda_M n)]v(b)db - k(p). \quad (4)$$

The state's problem is to choose  $p$ ,  $s$ ,  $\lambda_M$ , and  $w$  to maximize (4), subject to the constraint that  $\lambda_M \leq \bar{\lambda}$ .

*Proposition 3:* A mandatory prison work program is superior to a voluntary prison work program.

*Comment:* A mandatory prison work program obviously can duplicate the level of work that would be achieved under a voluntary work program. The fundamental advantage of a mandatory work program stems from the fact that it can make prisoners work regardless of how little they are paid, whereas a voluntary program is constrained by having to offer a wage high enough to induce prisoners to work. Thus, a mandatory work program can make prisoners worse off than they would be under a voluntary work program, in which case the probability of detection or the length of the sentence (or both) can be lowered relative to that under a voluntary work program without lessening deterrence. The resulting savings in enforcement costs or prison costs makes a mandatory work program superior to a voluntary one.

*Proof:* Let  $p$ ,  $s$ ,  $\lambda$ , and  $w$  be the probability of detection, sentence, level of work offered, and wage under a voluntary prison work program, where  $\lambda \in (0, \bar{\lambda}]$  and  $w \geq \tilde{w}(\lambda)$ . The resulting level of deterrence will be  $ps(1 + d(\lambda) - \lambda w)$ . Under the mandatory work program, set  $s_M = s$ ,  $\lambda_M = \lambda$ , and choose a  $w_M < w$ . Then it will be possible to select a  $p_M < p$  such that  $p_M s(1 + d(\lambda_M) - \lambda_M w_M) = ps(1 + d(\lambda) - \lambda w)$ , so that the levels of deterrence under the voluntary and mandatory

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sentence length  $s$  rather than the probability  $p$ , or by lowering both to some extent. For simplicity in the proofs I just lower  $p$ , though in the comments following the proofs I refer to the possibility of lowering  $p$  or  $s$  (or both).

work programs will be the same. Social welfare under the mandatory program will exceed that under the voluntary program if

$$b - h - p_M s(1 + c + d(\lambda_M) - \lambda_{MN}) > b - h - ps(1 + c + d(\lambda) - \lambda n), \quad (5)$$

which follows from  $\bar{\lambda} n < c$  (implying that the expression in parentheses is positive) and  $p_M < p$ . Moreover, the cost of enforcement will be lower under the mandatory work program,  $k(p_M) < k(p)$ .  $\square$

*Proposition 4:* The optimal mandatory prison work program

- (a) requires prisoners to work at the maximal level,  $\lambda_M^* = \bar{\lambda}$ ; and
- (b) does not compensate prisoners for their work,  $w_M^* = 0$ .

*Comments:* (i) It is easy to see why it is optimal not to compensate prisoners for their work under a mandatory work program. On one hand, compensating them would improve their welfare in prison and thereby reduce deterrence, which would be socially costly to offset by raising the probability of detection or lengthening the prison sentence. On the other hand, there is no adverse effect on their output as a result of not compensating them since their work is mandatory.<sup>19</sup>

(ii) Parallel intuition explains why the optimal work requirement is maximal. By requiring prisoners to work as much as possible without compensation, the disutility of prison per unit time is maximized. This increases deterrence and allows the probability of detection or the sentence to be reduced, saving enforcement or sanctioning costs. While the resulting decrease in the expected sentence length reduces output, everything else equal, the value of this

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<sup>19</sup> This statement might need to be qualified for reasons outside of the present model; see comment (a) in Section 4.

lost output is more than offset by the corresponding savings in the public cost of imprisonment (given  $\bar{\lambda}n < c$ ).

(iii) It might be surprising that the optimal work requirement is maximal even if, as I assume, this level of work exceeds the first-best level,  $\bar{\lambda} > \lambda^*$ . For example, how could it be that it is desirable to require maximal work even if the corresponding level of disutility imposed on a prisoner,  $d(\bar{\lambda})$ , exceeds the value of the resulting output,  $\bar{\lambda}n$ ? The explanation is that when the work requirement is raised, the expected disutility from imprisonment,  $ps(1 + d(\lambda))$ , can be kept constant by lowering the probability of detection  $p$  or the sentence length  $s$  (or both). With this adjustment, the aggregate welfare of offenders and the aggregate level of harm is unchanged. But the state gains as a result of a reduction of the expected net cost of imprisonment per offender,  $ps(c - \lambda n)$ , due to a decline in  $ps$  and an increase in  $\lambda$ . The state also will gain through lower enforcement costs if the decline in  $ps$  is due in part to a reduction in  $p$ .

*Proof:* I first show that  $w_M^* = 0$ . Suppose otherwise and consider some  $w_M > 0$ ; let  $p_M, s_M$ , and  $\lambda_M$  be the optimal probability, sentence, and work requirement under a mandatory work program given this  $w_M$ . The resulting level of deterrence is  $p_M s_M (1 + d(\lambda_M) - \lambda_M w_M)$ . If  $w_M$  is lowered to 0, deterrence will rise. Lower  $p_M$  to  $\hat{p}_M$  so as to restore deterrence to its original level; hence  $\hat{p}_M$  solves

$$\hat{p}_M s_M (1 + d(\lambda_M)) = p_M s_M (1 + d(\lambda_M) - \lambda_M w_M). \quad (6)$$

Lowering  $p_M$  to  $\hat{p}_M$  raises social welfare (4) both because the expected net social costs of imprisonment,  $ps(1 + c + d(\lambda) - \lambda n) > 0$ , decline; and the cost of enforcement,  $k(p)$ , declines. Hence,  $w_M > 0$  could not have been optimal.

That  $\lambda_M^* = \bar{\lambda}$  will be demonstrated in a similar fashion. Consider some  $\lambda_M < \bar{\lambda}$  and let  $p_M, s_M$ , and  $w_M = 0$  be the optimal probability, sentence, and wage rate under a mandatory work

program given this  $\lambda_M$ . The resulting level of deterrence is  $p_M s_M (1 + d(\lambda_M))$ . Raise  $\lambda_M$  to  $\bar{\lambda}$  and lower  $p_M$  to  $\hat{p}_M$  so as to maintain deterrence at its original level, where  $\hat{p}_M$  solves

$$\hat{p}_M s_M (1 + d(\bar{\lambda})) = p_M s_M (1 + d(\lambda_M)). \quad (7)$$

This will have two beneficial effects on social welfare (4). First, the expected net social costs of imprisonment decline, that is

$$\hat{p}_M s_M (1 + c + d(\bar{\lambda}) - \bar{\lambda}n) < p_M s_M (1 + c + d(\lambda_M) - \lambda_M n). \quad (8)$$

To see that (8) holds, rewrite it using (7) and divide through by  $s_M$  to obtain

$$\hat{p}_M (c - \bar{\lambda}n) < p_M (c - \lambda_M n). \quad (9)$$

The result follows because  $\hat{p}_M < p_M$  and  $\lambda_M < \bar{\lambda}$ . Second, lowering  $p_M$  to  $\hat{p}_M$  reduces enforcement costs,  $k(p)$ . Thus,  $\lambda_M < \bar{\lambda}$  could not have been optimal.  $\square$

### 3. Extensions

In this section I consider two generalizations of the benchmark model, first allowing prisoners to vary with respect to their productivity and then with respect to their disutility from imprisonment. In each case I discuss the ranking of the two types of prison work programs and no work program.

#### A. Prisoners Differ in Productivity

For many types of prison work, there could be significant variations in the productivity of prisoners. Able-bodied younger prisoners may be able to collect more trash along a highway than older prisoners. Some prisoners may be able to concentrate on complicated tasks better than others and consequently make fewer errors in operating prison machinery, such as that used to make license plates.

Let



$\alpha$  = productivity coefficient;  $\alpha \geq 0$ ; and

$z(\alpha)$  = density of  $\alpha$  among prisoners;  $z(\alpha) > 0$  for all  $\alpha \geq 0$ .

Thus, the productivity an  $\alpha$ -type prisoner is  $\alpha n$ . I assume that the mean of  $\alpha$  is 1; that the densities of  $b$  (the benefit from committing the offense) and  $\alpha$  are independent; and that the state only knows the distribution of  $\alpha$  among prisoners, not its value for each one.<sup>20</sup>

*Voluntary prison work program:* Given the state's information, the same work program and wage rate must be offered to all prisoners. Since a prisoner's decision whether to work only depends on these values and the disutility from work, which does not vary among prisoners in the present case, the behavior of prisoners will be the same as in the benchmark model. All will work if  $w \geq \tilde{w}$  and none will work if  $w < \tilde{w}$ .

Assuming  $w \geq \tilde{w}$ , social welfare under a voluntary work program will now be

$$\int_0^{\infty} \int_0^{\infty} \left\{ [b - h - ps(1 + c + d(\lambda_V) - \lambda_V \alpha n)] v(b) db \right\} z(\alpha) d\alpha - k(p). \quad (10)$$

*Mandatory prison work program:* Although the optimal wage under a mandatory prison work program was shown to be zero in the benchmark model, I will not preclude here the possibility that the wage is positive. Hence, social welfare under a mandatory prison work program is in the present case

$$\int_0^{\infty} \int_0^{\infty} \left\{ [b - h - ps(1 + c + d(\lambda_M) - \lambda_M \alpha n)] v(b) db \right\} z(\alpha) d\alpha - k(p). \quad (11)$$

*Proposition 5:* If prisoners differ in their productivity, then the ranking of the policy alternatives is the same as that in the benchmark model:

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<sup>20</sup> For instance, it would be difficult to assess the effectiveness of a prisoner who is assigned automotive or plumbing repair tasks that are nonstandard in character. (In other circumstances, however, individual productivity may be easy to observe, such as for the job of making shoes.)

- (a) a voluntary prison work program is superior to not having a prison work program; and
- (b) a mandatory prison work program is superior to a voluntary prison work program.

*Comment:* The ranking of the policy alternatives in the benchmark model is unaffected by variations in the productivity of prisoners since this variability does not affect the disutility borne by prisoners from working, their behavior, or their *total* output. Variation per se in worker productivity is immaterial.

*Proof:* The proof of part (a) is essentially identical to the proof of Proposition 1. All that needs to be recognized is that, since the mean of  $\alpha$  is 1, (10) is the same as (2). Similarly, the proof of part (b) follows from the proof of Proposition 3 since (11) is the same as (4).  $\square$

### **B. Prisoners Differ in Disutility From Work**

The disutility of work also could vary widely among prisoners. Picking up trash along a highway would be more distasteful to individuals with weak backs than to those with normal backs. Working in a noisy machine shop may be more stressful to some prisoners than to others.

To reflect such variations,<sup>21</sup> let

$\tau$  = disutility coefficient;  $\tau \geq 0$ ; and

$r(\tau)$  = density of  $\tau$  among prisoners;  $r(\tau) > 0$  for all  $\tau \geq 0$ .

Thus, the disutility from work for a  $\tau$ -type prisoner is  $\tau d(\lambda)$ . I assume that the mean of  $\tau$  is 1; that the densities of  $b$  and  $\tau$  are independent; and that the state can only observe the distribution of  $\tau$ , not its value for a particular prisoner.

*Voluntary prison work program:* Since the work program and wage rate offered for work has to be the same for all prisoners, whether they will choose to work will vary among them. A  $\tau$ -type prisoner will choose to work if  $s(1 + \tau d(\lambda_V) - \lambda_V w_V) \leq s$  or  $\lambda_V w_V - \tau d(\lambda_V) \geq 0$ . Let

$\tilde{\tau}(\lambda_V, w_V)$  = critical disutility coefficient at and below which a prisoner will choose to work  
and above which would choose not to work,

so  $\tilde{\tau}$  solves  $\lambda_V w_V - \tau d(\lambda_V) = 0$ , and thus  $\tilde{\tau}(\lambda_V, w_V) = \lambda_V w_V / d(\lambda_V)$ .

Social welfare under a voluntary work program will now be

$$\begin{aligned} & \int_0^{\tilde{\tau}} \int_{ps(1 + \tau d(\lambda_V) - \lambda_V w_V)}^{\infty} \{ [b - h - ps(1 + c + \tau d(\lambda_V) - \lambda_V n)] v(b) db \} r(\tau) d\tau \\ & + \int_{\tilde{\tau}}^{\infty} \int_{ps}^{\infty} \{ [b - h - ps(1 + c)] v(b) db \} r(\tau) d\tau - k(p). \end{aligned} \quad (12)$$

The first term reflects the contribution to social welfare by prisoners who choose to work and the second term the contribution by those who decline to work.

*Mandatory prison work program:* Under a mandatory work program, variations in the disutility from work will affect the level of deterrence, but not whether a prisoner works.

Again allowing for the possibility of a positive wage, social welfare under a mandatory prison work program is in the present case

$$\int_0^{\infty} \int_{ps(1 + \tau d(\lambda_M) - \lambda_M w_M)}^{\infty} \{ [b - h - ps(1 + c + \tau d(\lambda_M) - \lambda_M n)] v(b) db \} r(\tau) d\tau - k(p). \quad (13)$$

*Proposition 6:* If prisoners differ in their disutility from work, then

- (a) a voluntary prison work program is superior to not having a prison work program;
- (b) a mandatory prison work program could be superior or inferior to a voluntary prison

work program;

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<sup>21</sup> For simplicity, I consider one extension at a time, and therefore here assume that prisoners are equally productive.

(c) the optimal mandatory prison work program might not require maximal work,  $\lambda_M^* < \bar{\lambda}$ , and such a work program could be superior to a voluntary prison work program (and therefore also to no work program); and

(d) when  $\lambda_M^* < \bar{\lambda}$  holds, a hybrid prison work program in which some work is mandatory and some work is voluntary is superior to a mandatory work program alone.

*Comments:* (i) The first part of the proposition can be explained as follows. Given a positive wage under a voluntary work program, prisoners with relatively low levels of disutility from work will choose to work. The marginal prisoner will be indifferent between working and not working, and therefore will be deterred to the same extent as he would be if there were no work program. But the inframarginal prisoners, whose levels of disutility from working are lower, will be strictly better off by participating in the work program and therefore will be deterred less. The optimal wage rate balances the social benefit from having more prisoners work, as the wage rate is raised, with the social detriment of more crime. Note, however, that starting from a wage rate of zero, there are no inframarginal prisoners who will be deterred less if the wage rate is raised slightly; the only prisoners who pursue the opportunity to work will be those with negligible disutility from work and who will be indifferent between working and not working. Since there will be no first-order reduction in deterrence, but there will be a first-order enhancement of social welfare due to the productive output of these prisoners, it will always be desirable to employ a positive wage rate. In other words, it will always be better to have a voluntary prison work program than none at all.

(ii) With respect to the second part of the proposition, first observe that if the variation among prisoners in the disutility from work is small, then the results tend towards those in the benchmark case in which a mandatory work program is preferable to a voluntary work program.

Hence, the main result that needs to be explained here is why, if there is significant variation among prisoners in the disutility of work, a mandatory work program might be inferior to a voluntary one. In essence, the potential advantage of a voluntary work program is that it allows prisoners with relatively high disutility from work to opt out of working; were they forced to work, their disutility from work could well exceed the value of their output. Put differently, a voluntary work program beneficially harnesses the private information of prisoners about their disutility from work in a way that a mandatory work program cannot.

(iii) To illustrate this point more concretely, suppose that there are an equal number of two types of prisoners, those with low disutility from work and those with high disutility from work. Suppose, too, that the value of the output from work is midway between these two levels of disutility and is the same for both groups. Then, if the state requires all prisoners to work—it cannot observe their levels of disutility and distinguish between the two types—the aggregate value of the output from prison work will be just offset by the aggregate disutility associated with that work. There would be no net social gain from prison work. In contrast, if the state were to use a voluntary work program and set the wage at a level that would just induce prisoners with low disutility from work to accept it, then there would be a net social gain from their work since the value of their output would exceed their low level of disutility.

(iv) The preceding advantage of a voluntary work program needs to be balanced against its disadvantage with respect to achieving deterrence. As I have explained, a voluntary work program cannot increase deterrence because, if prisoners were made worse off as a result of it, they would elect not to participate in it. A mandatory work program, however, can increase deterrence by forcing prisoners to work without compensation. This advantage of a mandatory work program was what led the mandatory program to be superior to the voluntary program in

the benchmark model. Hence, when prisoners vary in their disutility from work, which work program is preferable depends on a comparison of the disutility-sorting advantage of the voluntary program to the deterrence-enhancing advantage of the mandatory program. In the Appendix I provide an example in which this balancing favors a voluntary prison work program.

(v) To understand why the optimal mandatory work requirement might not be maximal when prisoners differ in their disutility from work, reconsider the argument used to explain why the optimal work requirement is maximal in the benchmark model. If it were not, it could be raised and the expected sentence length lowered (by shortening the sentence or reducing the probability of detection) so as to keep deterrence the same for *everyone*, since the disutility from work was the same for everyone in the benchmark model. But when individuals differ in their disutility from work, raising the work requirement and lowering the expected sentence length will have differential effects on individuals, increasing deterrence for those with relatively high disutility and lowering deterrence for those with relatively low disutility. Then, whether it is socially desirable to raise the mandatory work requirement will depend on, among other factors, how the disutility of work varies among individuals. I provide an example in the Appendix in which work is socially detrimental on average—in the sense that the mean level of disutility per unit time exceeds the value of output per unit time—and the optimal mandatory work requirement is less than maximal.

(vi) Even if a mandatory prison work program does not require maximal work, it will still generate more deterrence than a voluntary prison work program. Therefore, if the harm from the offense is high enough, such a work program will be superior to a voluntary work program (and, for the same reason, to no work program).

(vii) Whenever a mandatory prison work program does not require maximum work, it is possible to consider a hybrid work program in which prisoners are offered the opportunity to work some additional time for which they are compensated. The explanation of why a hybrid work program is superior to a pure mandatory work program is essentially the same as the explanation, provided in comment (i) above, of why a voluntary work program is superior to no work program. Offering prisoners an opportunity to work for pay for some additional time beyond that which they are required to work will be attractive to prisoners with relatively low disutility from work. Marginal prisoners who volunteer for this additional work will be deterred to the same extent as under the pure mandatory work program (their additional disutility will be just offset by their compensation), but society will gain some additional output. Inframarginal prisoners, whose disutility from work is lower, will be deterred less as a result of undertaking this additional work. But, as explained in comment (i), if one starts at a wage of zero, it will be socially desirable to raise the wage because the prisoners who first volunteer will be marginal prisoners, generating valuable output with a negligible loss of deterrence.<sup>22</sup>

*Proof:* (a) Since a voluntary work program with  $w = 0$  is equivalent to not having a work program, I will demonstrate the result of part (a) by evaluating the derivative of social welfare under a voluntary work program (12) with respect to  $w$  at  $w = 0$ , which is

$$[1 - V(ps)][ps\lambda_v^2 n/d(\lambda_v)]r(0) > 0, \quad (14)$$

where  $V(\cdot)$  is the cumulative distribution function of  $b$ . Hence,  $w_v^* > 0$ , implying that a voluntary work program is superior to no work program.

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<sup>22</sup> I am grateful to Abraham Wickelgren for suggesting that I pursue parts (c) and (d) of Proposition 6 and for anticipating some of the intuition behind these results.

(b) Proposition 3 established that if there is no variation among prisoners in the disutility from work, a mandatory work program is strictly superior to a voluntary one. Clearly, therefore, if the variation among prisoners in the disutility from work is sufficiently small, a mandatory work program will remain superior to a voluntary work program. That a mandatory work program can be inferior to a voluntary one when the disutility from work varies among prisoners is demonstrated in the Appendix in an example.

(c) This part also is demonstrated in the Appendix in an example similar to the one used to establish part (b).

(d) The proof of this part parallels that of part (a). Let  $p$ ,  $s$ ,  $\lambda_M$ , and  $w_M$  be the optimal values of the policy instruments under a pure mandatory prison work program, and assume that  $\lambda_M < \bar{\lambda}$ . Consider a hybrid work program in which prisoners are offered the opportunity to work an *additional* fraction of time  $\lambda_V$ , where  $0 < \lambda_V \leq \bar{\lambda} - \lambda_M$ , at a wage of  $w_V$ . Under this hybrid work program a  $\tau$ -type prisoner will choose to work the additional time if  $s(1 + \tau d(\lambda_M + \lambda_V) - \lambda_M w_M - \lambda_V w_V) \leq s(1 + \tau d(\lambda_M) - \lambda_M w_M)$ . Hence, the critical disutility coefficient is  $\tilde{\tau}(\lambda_V, w_V) = \lambda_V w_V / [d(\lambda_M + \lambda_V) - d(\lambda_M)]$  and social welfare is

$$\begin{aligned} & \int_0^{\tilde{\tau}} \int_0^{\infty} \{ [b - h - ps(1 + c + \tau d(\lambda_M + \lambda_V) - (\lambda_M + \lambda_V)n)] v(b) db \} r(\tau) d\tau \\ & - \int_0^{\tilde{\tau}} \int_0^{\infty} \{ [b - h - ps(1 + c + \tau d(\lambda_M) - \lambda_M n)] v(b) db \} r(\tau) d\tau - k(p). \end{aligned} \quad (15)$$

The first term relates to the prisoners who choose the elective work, while the second term concerns those who just perform the mandatory work. The derivative of (15) with respect to  $w_V$  is, at  $w_V = 0$ ,

$$[1 - V(ps(1 - \lambda_M w_M))] [ps \lambda_V^2 n / [d(\lambda_M + \lambda_V) - d(\lambda_M)]] r(0) > 0. \quad (16)$$



Thus,  $w_{\bar{v}}^* > 0$ , implying that a hybrid work program is preferable to a pure mandatory work program.  $\square$

#### 4. Concluding Remarks

I conclude with a number of comments.

(a) *What if the productivity of prisoners is under their control?* I assumed that the output of prisoners in work programs was fixed per unit time. In many circumstances, however, a prisoner's output might be influenced by his effort, such as how vigilant he is in picking up trash along a highway or how much he concentrates on the tasks required to make a pair of shoes. When prisoner effort of this sort is unobservable by administrators of prison work programs, there is an argument for paying prisoners for their output even under a mandatory work program, or paying them more than the minimum required to induce them to work under a voluntary work program. The reason, of course, is that this will generate more output. Prisoners paid by the weight of their collected trash or the number of shoes they produce undoubtedly will collect more and produce more. Because these additional payments will tend to reduce deterrence, their desirability will depend on a comparison of the value of the additional output they generate to the public cost of raising the probability of detection or the length of the sentence in order to restore deterrence.

(b) *What if prisoners like prison work?* I assumed that prisoners bear disutility from working, but this might not always be the case. Although prisoners may dislike picking up trash along a highway on a hot day or having to clean bathrooms, they might obtain some satisfaction from repairing prison uniforms or preparing and serving food in the prison kitchen. If prisoners like some prison work, then the deterrent effect of a mandatory work program would decline to a

degree. Similarly, a voluntary work program could result in lower deterrence if prisoners prefer to do some work even without compensation. But for my analysis to be affected in an essential way, it would have to be the case that prisoners like work so much that they would prefer to work without pay for the maximum possible amount of time (say ten hours a day every day of the year) than not to work.

(c) *What if the goal of imprisonment is incapacitation?* Suppose that the objective of imprisonment is to incapacitate prisoners—to keep them from committing additional crimes—rather than to deter them from committing crimes.<sup>23</sup> The degree to which this objective is satisfied depends solely on the probability of detection and the sentence—specifically, on the expected sentence length  $ps$ . Given the probability of detection and the sentence, is a prison work program desirable, and if so, is a mandatory or voluntary program better? For simplicity, I will answer these questions under the assumptions of the benchmark model in which prisoners are equally productive and bear the same disutility from work. First observe that if deterrence is not a concern, then there is no reason to choose one work program over the other, for each can achieve whatever level of work  $\lambda$  is desired. The mandatory work program can require this level of work, and the voluntary work program can offer a high enough wage to induce prisoners to work this much. Moreover, assuming that the first-best level of work is positive (that is,  $n > d'(0)$ ), a prison work program will be desirable even when the objective of imprisonment is incapacitation.

(d) *What if the goal of imprisonment is rehabilitation?* Alternatively, suppose that the rehabilitation of prisoners is the goal of imprisonment, that is, helping them to return to their communities as more productive members of society. Closely related to this objective would be

the desire to provide vocational training to prisoners. Given these objectives, prison work programs that include an element of vocational training obviously would be desirable, especially ones that provide work similar to that which prisoners can perform outside of prison, such as working in factories producing apparel or providing food services. A mandatory prison work program would have an advantage over a voluntary one in that all prisoners would obtain the benefit of vocational training, rather than just those who elect to participate.

(e) *What is the character of prison work programs in practice?*<sup>24</sup> States generally require able-bodied prisoners to work,<sup>25</sup> with the exception that prisoners who are awaiting trial for sentencing may volunteer to work. The majority of the work is directed towards the maintenance and daily operation of the prison, including laundry and food services, cleaning, landscaping, and infrastructure repairs. A limited number of prisoners (approximately 8 percent of the prison population) work for so-called “prison industries” that make products, such as garments and wood furniture, or provide services, such as printing, that are sold to state governments. Such prisoners are paid between \$2.63 and \$7.64 per *day*. An even smaller number of prisoners work within the prison for private sector employers on a voluntary basis. These prisoners are paid wages that are comparable to wages paid for similar jobs outside of prison, but then have deductions assessed for room and board, taxes, victim restitution, and family support, leaving them on average with less than half of their nominal wages. Similarly, in Federal prisons

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<sup>23</sup> Of course, imprisonment can serve both of these goals (and others, as I note in the next comment) simultaneously. For clarity, I will discuss each goal as if it were the only one.

<sup>24</sup> The following description is based primarily on Seiter (2016, pp. 70 & 406-09).

<sup>25</sup> For example, in California “[e]very able-bodied person committed to the custody of the Secretary of the Department of Corrections and Rehabilitation is obligated to work . . .” See <[http://www.cdcr.ca.gov/regulations/adult\\_operations/docs/Title15-2015.pdf](http://www.cdcr.ca.gov/regulations/adult_operations/docs/Title15-2015.pdf)> at p. 28. Ohio “requires all inmates to work” unless they are assigned to an alternative prison program or are classified as “medically idle.” See <[http://www.drc.ohio.gov/web/drc\\_policies/documents/54-WRK-06.pdf](http://www.drc.ohio.gov/web/drc_policies/documents/54-WRK-06.pdf)> at p. 2.

inmates are required to work if they are medically able, and are paid 12 cents to 40 cents per hour.<sup>26</sup>

(f) *How do political considerations affect the assessment of prison work programs?*

Although my focus in this article has been on the design of an ideal — social welfare maximizing — prison work program, it is of some interest to observe that the use of prison labor is politically controversial and gives rise to opportunistic behavior by interest groups. Prison work programs have been criticized on the grounds that they in effect re-create the conditions of slavery in which a predominantly black population of prisoners is forced to perform physically arduous work with little or no compensation. Labor unions have lobbied against prison work programs that reduce the demand for private sector workers (such as in the production of clothing or furniture), while businesses that participate in convict leasing programs in which prisoners are paid below-market wages have a motive to support such programs.

(g) *Are prison work programs the best way to increase deterrence?* As seen, a benefit of a mandatory prison work program that does not compensate prisoners is that it enhances deterrence by increasing the disutility borne by prisoners. There are, of course, other ways to enhance deterrence by making time in prison less attractive, such as confining prisoners to their cells more hours each day or providing them less appetizing food. If there were no constraint on the disutility that could be imposed on prisoners, it might be argued that all of these ways of making prisoners worse off should be undertaken because they all improve deterrence and likely reduce the public cost of operating prisons. But if there are social norms or constitutional constraints that limit the disutility that can be imposed on prisoners, the optimal use of mandatory prison work programs would reflect a comparison of such programs to these

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<sup>26</sup> See Federal Bureau of Prisons, Work Programs, available at <[http://www.bop.gov/inmates/custody\\_and\\_](http://www.bop.gov/inmates/custody_and_)

alternatives, and may well result in a more restricted use of mandatory work programs than has been suggested in this article. (Note, however, that a social limit on the disutility that can be imposed on prisoners would not constrain the use of *voluntary* prison work programs since prisoners can never be made worse off under such programs.)

## Appendix

*Example establishing part (b) of Proposition 6:*

I will demonstrate through an example that a voluntary prison work program can be superior to a mandatory one when the disutility of work varies among prisoners. (It also will be the case in this example that a mandatory work program is preferable to no work program.)

The example employs discrete distributions of the benefit from committing the offense and the disutility from work. For simplicity, I assume that it is costless to set the probability of detection and that it is set equal to 1.<sup>27</sup>

Let

$b_L$  = low benefit to an individual from committing the offense;  $b_L > 0$ ;

$b_H$  = high benefit to an individual from committing the offense;  $b_H > b_L$ ;

$\varphi$  = fraction of low-benefit individuals;  $0 < \varphi < 1$ ;

$d_L$  = low disutility of time worked per period;  $d_L > 0$ ;

$d_H$  = high disutility of time worked per period;  $d_H > d_L$ ; and

$\theta$  = fraction of low-disutility-of-time-worked individuals;  $0 < \theta < 1$ .

The other variables employed in the example have been defined in the main body of the article.

I assume in the example that it is possible to deter  $b_L$ -types by the threat of prison without an accompanying work program; that  $b_H$ -types cannot be deterred by prison even with the harshest mandatory work program; and that the harm exceeds  $b_H$ :

$$b_L < \bar{s} < \bar{s}(1 + \bar{\lambda}d_H) < b_H < h, \quad (\text{A1})$$

where  $\bar{s}$  is the maximal sentence length. I also assume that prison work is socially beneficial on average (averaged over the  $d_L$ -types and  $d_H$ -types),

$$n > \theta d_L + (1 - \theta)d_H, \quad (\text{A2})$$

and that

$$d_L < n < d_H. \quad (\text{A3})$$

*No prison work program:* The level of deterrence is  $s$ . If  $s < b_L$ , no one will be deterred and the level of social welfare will be

$$\varphi b_L + (1 - \varphi)b_H - h - s(1 + c). \quad (\text{A4})$$

Clearly, in this case, the optimal  $s$  is 0, in which case social welfare will be

$$\varphi b_L + (1 - \varphi)b_H - h. \quad (\text{A5})$$

If  $s \geq b_L$ , the  $b_L$ -types will be deterred, but not the  $b_H$ -types, so the level of social welfare will be

$$(1 - \varphi)[b_H - h - s(1 + c)]. \quad (\text{A6})$$

In this case, the optimal  $s$  is as low as possible consistent with continuing to deter the  $b_L$ -types, that is, such that  $s = b_L$ . Then social welfare is (A6) with  $s = b_L$ .

I assume that social welfare (A6) with  $s = b_L$  will exceed (A5), where no one is deterred.

This requires that

$$\varphi h - b_L - (1 - \varphi)b_L c > 0, \quad (\text{A7})$$

which clearly will hold for  $h$  sufficiently high.

*Mandatory prison work program:* Given  $s$ ,  $\lambda$ , and  $w$ , there are three possible outcomes in the example under a mandatory work program: (1) no  $b_L$ -types are deterred; (2) only  $b_L$ -types with high disutility from work  $d_H$  are deterred; or (3) all  $b_L$ -types are deterred. In all three cases no  $b_H$ -types are deterred.

In the *first case*,  $s(1 + \lambda d_H - \lambda w) < b_L$  and social welfare is

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<sup>27</sup> It will be clear that I could modify the example by making the conventional assumption that it is costly to

$$\begin{aligned} & \varphi\{\theta[b_L - h - s(1 + c + \lambda d_L - \lambda n)] + (1 - \theta)[b_L - h - s(1 + c + \lambda d_H - \lambda n)]\} \\ & + (1 - \varphi)\{\theta[b_H - h - s(1 + c + \lambda d_L - \lambda n)] + (1 - \theta)[b_H - h - s(1 + c + \lambda d_H - \lambda n)]\}. \end{aligned} \quad (\text{A8})$$

Since  $\bar{\lambda}n < c$ , the terms in parentheses multiplying  $s$  are all positive, implying that the optimal  $s$  is 0. Hence, maximal social welfare in the first case is (A5).

In the *second case*,  $s(1 + \lambda d_L - \lambda w) < b_L \leq s(1 + \lambda d_H - \lambda w)$  and social welfare is

$$\begin{aligned} & \varphi\theta[b_L - h - s(1 + c + \lambda d_L - \lambda n)] \\ & + (1 - \varphi)\{\theta[b_H - h - s(1 + c + \lambda d_L - \lambda n)] + (1 - \theta)[b_H - h - s(1 + c + \lambda d_H - \lambda n)]\}. \end{aligned} \quad (\text{A9})$$

Given any  $\lambda$  and  $w$ , since  $\bar{\lambda}n < c$ , the optimal  $s$  is the lowest  $s$  that still allows deterrence of the  $b_L$ -types with high disutility from work  $d_H$ . This  $s$  satisfies  $b_L = s(1 + \lambda d_H - \lambda w)$ . It is clear from this condition and (A9) that the lower  $w$  is, the lower  $s$  can be and the higher social welfare will be. Hence,  $w^* = 0$  and  $\lambda^*$  and  $s^*$  satisfy  $b_L = s(1 + \lambda d_H)$ .

In the *third case*,  $b_L \leq s(1 + \lambda d_L - \lambda w)$  and social welfare is

$$(1 - \varphi)\{\theta[b_H - h - s(1 + c + \lambda d_L - \lambda n)] + (1 - \theta)[b_H - h - s(1 + c + \lambda d_H - \lambda n)]\}. \quad (\text{A10})$$

By parallel reasoning to that in the second case,  $w^* = 0$  and  $\lambda^*$  and  $s^*$  satisfy  $b_L = s(1 + \lambda d_L)$ .

Now observe that social welfare in the third case under the mandatory work program exceeds that when there is no work program and the  $b_L$ -types are deterred. Specifically, the claim is that (A10) with any  $\lambda \in (0, \bar{\lambda}]$  and  $s$  satisfying  $b_L = s(1 + \lambda d_L)$  exceeds (A6) with  $s = b_L$ .

After dividing (A10) and (A6) by  $(1 - \varphi)$ , this condition can be expressed as

$$\begin{aligned} & \theta[b_H - h - s(\lambda)(1 + c + \lambda d_L - \lambda n)] + (1 - \theta)[b_H - h - s(\lambda)(1 + c + \lambda d_H - \lambda n)] \\ & > b_H - h - b_L(1 + c), \end{aligned} \quad (\text{A11})$$

where  $s(\lambda) = b_L/(1 + \lambda d_L)$ , or, equivalently, as

$$b_L(1 + c) > s(\lambda)(1 + c - \lambda[n - \theta d_L - (1 - \theta)d_H]). \quad (\text{A12}).$$

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raise the probability, provided that the cost of setting the probability equal to 1 is sufficiently low.



The inequality in (A12) follows from (A2) and the observation that  $b_L > s(\lambda) > 0$ .

The result in the preceding paragraph also implies that, under a mandatory work program, the outcome in the third case is superior to the outcome in the first case. This is because the outcome in the first case is the same as that when there is no work program and no deterrence, which was assumed to be inferior to the outcome when there is no work program and the  $b_L$ -types are deterred.

It remains to compare the outcomes in the second and third cases under a mandatory work program. I will show that if harm  $h$  is high enough, social welfare in the third case exceeds that in the second case. Rewrite social welfare in the third case (A10) as

$$(1 - \varphi)\{b_H - h - s(1 + c - \lambda[n - \theta d_L - (1 - \theta)d_H])\}. \quad (\text{A13})$$

Since the term in brackets is positive (see (A2)), a lower bound of (A13) is

$$(1 - \varphi)\{b_H - h - \bar{s}(1 + c)\}. \quad (\text{A14})$$

Similarly, an upper bound on social welfare in the second case (A9) is

$$\varphi\theta[b_L - h] + (1 - \varphi)\{b_H - h\}. \quad (\text{A15})$$

Social welfare in the third case will exceed that in the second case if (A14) less (A15) is positive, which can be written as

$$-(1 - \varphi)\bar{s}(1 + c) - \varphi\theta b_L + \varphi\theta h > 0. \quad (\text{A16})$$

Clearly, (A16) will hold for  $h$  high enough, which is what I will assume.

*Voluntary prison work program:* Because my object in this example is to show that a voluntary prison work program can be superior to a mandatory one when the disutility of work varies among prisoners, I will not undertake a full analysis here of the voluntary work program. Instead, I will show that under an assumption that is consistent with the assumptions already

made, a voluntary work program will generate a higher level of social welfare than the best mandatory work program.

Consider a voluntary work program in which  $s = b_L$ ,  $\lambda = \lambda_M^*$ , where  $\lambda_M^*$  is the optimal  $\lambda$  in the third case of a mandatory work program, and  $w = d_L$ . At this wage, prisoners with low disutility from work will participate in the work program (they are indifferent), but prisoners with high disutility from work will not. The level of deterrence for prisoners in the former group will be  $s(1 + \lambda d_L - \lambda w) = b_L$  and the level of deterrence for prisoners in the latter group will be  $s = b_L$ . Thus, all  $b_L$ -types will be deterred and all  $b_H$ -types will commit the offense, as under the best mandatory work program; but only the subset of  $b_H$ -types with low disutility from work will participate in the work program. Social welfare under this voluntary work program will be

$$(1 - \varphi)\{\theta[b_H - h - b_L(1 + c + \lambda_M^* d_L - \lambda_M^* n)] + (1 - \theta)[b_H - h - b_L(1 + c)]\}. \quad (\text{A17})$$

The foregoing voluntary work program will be superior to the best mandatory work program if (A17) exceeds (A10) with  $\lambda = \lambda_M^*$  and  $s = s_M^*$ , where  $s_M^*$  satisfies  $b_L = s_M^*(1 + \lambda_M^* d_L)$ .

After some manipulation this condition can be expressed as

$$(1 - \theta)(d_H - n) - d_L(1 + c + \theta \lambda_M^* (d_L - n)) > 0. \quad (\text{A18})$$

The limit of the left-hand side of (A18) as  $d_L$  goes to 0 is  $(1 - \theta)(d_H - n)$ , which is positive since  $d_H > n$  (see (A3)). Hence, the voluntary work program will be preferable if  $d_L$  is sufficiently low.

In sum, for  $h$  sufficiently high and  $d_L$  sufficiently low, the voluntary work program under consideration will be superior to the best mandatory work program. The following intuition explains this result in the example. If the harm  $h$  is high enough, maximal deterrence is desirable, meaning deterrence of all of the low-benefit types (by assumption, the high-benefit types cannot be deterred). This level of deterrence can be achieved with a shorter sentence under the mandatory work program than under the voluntary work program because the mandatory

program can impose greater disutility on prisoners by making them work without compensation. Specifically, if  $\lambda_M^* > 0$ , the optimal sentence is  $b_L/(1 + \lambda_M^*d_L) < b_L$  under the mandatory program and  $b_L$  under the voluntary one. Everything else equal, this favors the mandatory work program, but this advantage tends to decline the lower is  $d_L$  (as  $d_L$  goes to 0, the optimal sentence under the mandatory program goes to  $b_L$ ). On the other hand, the advantage of the voluntary work program over the mandatory one stems from the observation that, if the wage rate under the voluntary program is set equal to  $d_L$ , it will induce only those prisoners with low disutility from work to participate in the work program, whereas the mandatory program forces all prisoners to work. Because there is a net social loss from work by high-disutility-of-work prisoners ( $d_H > n$ ), this difference favors the voluntary work program. Hence, if the deterrence advantage of the mandatory work program is small enough (that is, if  $d_L$  is small enough), then the voluntary work program will be preferable.

*Example demonstrating part (c) of Proposition 6:*

I first establish through a slight variation of the preceding example that when the disutility of work varies among prisoners, the optimal work requirement under a mandatory work program might not be maximal,  $\lambda_M^* < \bar{\lambda}$ . The assumption (A2) that prison work is socially beneficial on average is reversed, so now

$$n < \theta d_L + (1 - \theta)d_H; \tag{A19}$$

and assumption (A3) is replaced with

$$d_L < n < (1 - \theta)d_H. \tag{A20}$$

There are again three cases to consider under a mandatory prison work program: (1) no  $b_L$ -types are deterred; (2) only  $b_L$ -types with high disutility from work  $d_H$  are deterred; or (3) all

$b_L$ -types are deterred. It is clear from the prior discussion that if harm  $h$  is high enough, the outcome in the third case will be the preferred one, which is what I will assume.

To see that  $\lambda_M^*$  might be less than  $\bar{\lambda}$ , I will show that the derivative of social welfare with respect to  $\lambda$  in this case will, when evaluated at  $\lambda = \bar{\lambda}$ , be negative if  $d_L$  is sufficiently low. As observed above, social welfare in the third case is (A10) where  $\lambda$  and  $s$  must satisfy  $b_L = s(1 + \lambda d_L)$ . After substituting  $s(\lambda) = b_L/(1 + \lambda d_L)$  into (A10), the sign of its derivative with respect to  $\lambda$ , evaluated at  $\bar{\lambda}$ , can be shown to be the same as the sign of

$$d_L(1 + c - \bar{\lambda}[n - \theta d_L - (1 - \theta)d_H]) + (1 + \bar{\lambda}d_L)[n - \theta d_L - (1 - \theta)d_H]. \quad (\text{A21})$$

Given (A19), the first term is positive and the second term is negative. As  $d_L$  goes to 0, however, the first term goes to 0 and the second term goes to  $n - (1 - \theta)d_H < 0$ , where the inequality follows from (A20). Thus, for  $d_L$  sufficiently low,  $\lambda^* < \bar{\lambda}$ .

The intuition behind this result is as follows. Given assumption (A19) that prison work is socially detrimental on average, there is a reason to choose the mandatory work requirement  $\lambda$  as low as possible. But in order to maintain deterrence if  $\lambda$  is lowered, the sentence  $s$  has to be increased, raising the social cost of imprisonment, everything else equal. In the third case it was shown that  $s(\lambda) = b_L/(1 + \lambda d_L)$ ; thus, if  $d_L$  is very low, a reduction in  $\lambda$  will require  $s$  to rise only a small amount (in the limit as  $d_L$  goes to 0, not at all). Then the advantage of lowering  $\lambda$  to reduce socially detrimental prison work will dominate.

Observe that the conditions assumed in this example — that  $h$  is sufficiently high so that the third case of the mandatory work program applies and that  $d_L$  is sufficiently low so that  $\lambda^* < \bar{\lambda}$  in that case — are the same ones that were assumed in the prior example to show that a voluntary work program could be superior to a mandatory one. To see that a mandatory work

program in which  $\lambda^* < \bar{\lambda}$  can be preferable to a voluntary work program, reverse the order of  $\bar{s}$  and  $b_L$  in assumption (A1), so that

$$\bar{s} < b_L < \bar{s}(1 + \bar{\lambda}d_H) < b_H < h. \quad (\text{A22})$$

Given (A22),  $\lambda$  must be sufficiently high in order to deter the  $b_L$ -types with low disutility from work (a necessary condition to be in the third case of the mandatory work program). This minimum  $\lambda$  solves  $b_L = \bar{s}(1 + \lambda d_L)$ , so  $\lambda_{MIN} = (b_L - \bar{s})/\bar{s}d_L > 0$ . By picking  $\bar{s}$  sufficiently close to  $b_L$ ,  $\lambda_{MIN}$  can be made arbitrarily low. Thus, since (A21) does not depend on  $\bar{s}$ , an example can be constructed in which (A22) holds, the third case of the mandatory work program is preferred, and  $\lambda_{MIN} \leq \lambda_M^* < \bar{\lambda}$ .

It is straightforward to see that this mandatory work program would be superior to a voluntary work program if  $h$  is high enough because the voluntary program is incapable, given (A22), of deterring the  $b_L$ -types. The same conclusion and reason would apply to not having a work program.

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