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**The Economic Consequences of Mass Incarceration for Formerly Incarcerated
Individuals and Their Families**

The United States incarcerates more people per capita than any other country in the world, with approximately 2.1 million individuals held in federal, state, and local facilities at any given time. Economic analysis of incarceration policy has historically focused on its deterrent effect on crime rates. This essay argues that mass incarceration functions primarily as a structural driver of intergenerational poverty, and that its labour market and family income effects are sufficiently large to undermine any deterrent benefit claimed on its behalf.

Incarceration produces a lasting wage penalty that persists well beyond the period of imprisonment itself. A longitudinal analysis of earnings data by Pettit and Western (2004) found that incarceration reduced annual earnings by an average of 19 percent in the years following release, controlling for pre-incarceration income, education level, and employment history. This penalty operates through two compounding mechanisms: the depreciation of work experience and professional networks during incarceration, and the formal employment barriers created by criminal records under state and federal hiring restrictions. The wage penalty is not distributed evenly; it falls most heavily on individuals who were already in the bottom two income quintiles before incarceration, concentrating economic disadvantage in the households and communities already least able to absorb it.

The evidence examined here reframes mass incarceration as an economic policy with measurable distributional consequences, not merely a criminal justice mechanism. A 19 percent post-release wage penalty compounding across millions of individuals and their

dependents constitutes a structural transfer of income away from already-disadvantaged households, regardless of the policy's stated purpose. Social science analysis of incarceration cannot treat deterrence as the only relevant outcome variable when the labour market and family income effects operate at the scale the data demonstrate.

