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The Development of Last Resort:
The Impact of New State Prisons on Small Town Economies

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Abstract

Many rural communities desperate for economic development have turned to formerly resisted options, such as prisons to revitalize their local economies. Without a vital economy, they fear a continuation of declining population and a diminished quality of life. This study uses 1990 and 2000 census data to examine the economic and demographic impact of new state prisons on small town economies compared to changes that occurred during the decade in all other small towns. The analysis shows that when 1990 economic and demographic factors, region, and prison age are controlled, new state prison towns experienced less growth than non-prison towns except that prison towns had a greater increase in unemployment, poverty, and percent minorities. The assumption that prisons represent a solution to distressed small town economies and a boost for community development should be reexamined by community leaders.

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The decade of the 1980s was devastating to rural towns. The plunge in agricultural revenue and the need to repay expensive loans taken out during the booming 1970s sent many farmers into bankruptcy (Davidson, 1990). Rural towns lost population, businesses, and tax revenue. State, federal, and non-profit agencies encouraged rural communities to diversify their economies by developing non-agriculture based industry. Many followed this advice and eagerly pursued manufacturers – viewed as the industry with the highest multiplier effect, and hence the industry likely to have the greatest positive impact on the local economy. However, since the country as a whole was shifting from manufacturing to services as the dominant industrial sector at the same time, the manufacturing industries attracted to rural communities were seeking low wage, docile employees and a "good business climate." More critically, the search for low wages and a good business climate has led many of these newly acquired manufacturers to leave their rural facilities when moving to a site with even lower wages is feasible (Drabenscott, 2003). A fortunate few small towns attracted high wage manufacturers like Saturn, Mercedes, or Toyota plants. The remainder sought alternative development options.

At the same time, another major change occurred in the U.S., a dramatic increase in incarceration rates. The number of inmates in prisons and jails grew by 5 to 6% per year from 1980 until 1995 when growth slowed to 3.8% in state prisons but continued at around 5% growth in federal prisons (Hallinan, 2001). Since 1980 there has been a 326 percent increase in the rate of adult males incarcerated in state and federal correctional institutions (Sourcebook of Criminal Justice Statistics, 2001). In 2001, 896 of every 100,000 adult males were in state or federal prisons compared to 275 per 100,000 in 1980. The number of U.S. residents incarcerated, including prisoners in jails and state and federal prisons, exceeded the 2 million mark in 2002

(Anderson, 2003). Fighting crime and incarcerating inmates is an expensive undertaking costing federal and state governments over $57 billion in total justice system expenditures in 1999, up from $11.6 billion in 1982 (figures not adjusted for inflation) (Sourcebook of Criminal Justice Statistics, 2001).

At first many states handled the large influx of prisoners by simply packing them into already existing facilities. However, a federal court ruling in 1980 made it illegal to use prison inmates to guard other prisoners and ruled that inmate packing (among other practices) constituted cruel and unusual punishment (Hallinan, 2001). States were forced to build new prisons to comply with the court rulings. In addition, tough federal anti drug and "Truth in Sentencing" legislation added substantially to the number of inmates (Wood et al., 2002). Many states also passed legislation that required lengthy sentences, especially for drug offenders, taking away judicial sentencing discretion. The so called "tough on crime" legislation coupled with the overall increase in crime rates (in the 60s, 70s and 80s) and the court injunctions against overcrowding of prisons caused a prison building boom in the 1980s and 90s (Beale, 1995; Hallinan, 2001; Wood et al., 2002).

Prior to the 1980s, prisons were generally built in metropolitan areas (Grieco, 1978; Beale, 1995). The logic was that it was convenient and economical to locate prisons where most of the crime was committed. In any case, rural areas resisted siting prisons in their vicinity (Shichor, 1992). According to Beale, prior to the prison building boom of the 1980s, 62 percent of inmates were located in prisons and jails in metro areas. Between 1980 and 1991, 47 percent of inmates in new prisons were located in metro areas with 53 percent in nonmetro counties (1995:25). As we will show below, an even greater percentage of inmates in new prisons built in the 1990s are in non-metro areas.

The relocation of prisons from metro to rural locations happened with the consent and indeed the enthusiastic support of rural community leaders. What had been viewed as a LULU (a locally undesirable land use) became a last resort economic development opportunity. Given the contemporary situation of rural community economies summarized previously, it is not hard to understand the change in sentiment. According to a Jasper County, Iowa economic development official, the benefits of a new prison would be "many new jobs, population growth, an increased tax base and the development of additional businesses" (JEDCO, 1995). An article in the *Fort Dodge (Iowa) Messenger* estimated that the new prison in Fort Dodge would bring 300 correctional facility jobs to the county, $11.5 million in direct payroll income, and $78 million per year in total economic benefit to the county (Hughes, 1998). Moreover, prisons are perceived to be non-polluting and provide recession-proof jobs (personal interview with an Iowa economic development official 2002). These accounts summarize the local assumptions about the anticipated economic benefits from a local prison (Reynolds, 1995; Hallinan, 2001; Doyle, 2002).

There is a dearth of research on this topic prior to the late 1980s. This is partially explained by the fact that prisons would probably not produce a noticeable impact on metropolitan economies (Hooks et al., 2000) which is where most prisons were located. Three hundred new jobs would not be significant in Cincinnati or Kansas City. However, the addition of 300 jobs to Newton or Clarinda, Iowa and other small towns is another matter. Over and above the likely greater impact of prisons on small town economies, it has become a more important area of inquiry because rural community leaders operate under the untested premise that prisons will benefit their community. Based on that assumption, they invest taxpayer money to "lure" a prison to their town. Fort Dodge, Iowa raised $500,000 from private sources for a

prison industries facility, donated 60 acres of land, and paid $150,000 from tax revenue for a back-up generator for the electric utility in their bid to attract a prison to their community (Shea, 1998).

Although an increase in economic activity (more jobs and businesses) is accepted by many as a worthy goal in and of itself, careful examination reveals that economic development is ultimately justified for its contribution to community betterment, i.e. an enhanced quality of life for residents. Significant sudden events which upset the community status quo, such as a prison or a large business opening or closing, reverberate throughout the community beyond the economic sector impacting community social relations and quality of life. Couch and Kroll-Smith (1994) suggest that communities confronted with "consensus crisis" events (Drabek, 1986), rally together to solve the common problems posed by the event. Residents develop a "spiritual kinship" and an enhanced sense of shared identity (Erikson, 1994). Our understanding of consensus crisis events comes from research about communities facing natural disasters. However, this work has theoretical applications to economic events as well. Alternately, "corrosive community" (Freudenburg and Jones, 1991) events split the community into angry warring factions. Albrecht, Amey, and Amir (1996) studied four communities selected as sites for nuclear waste disposal facilities. They found that value differences within the communities about economic development and environmental quality and differences in perceptions of risks and benefits from the waste disposal sites led to heated acrimony that strained or ruined interpersonal relations extending beyond the siting debates, both in time and in subject matter. The impact on subsequent community quality of life is unexamined, but the authors imply a direct relationship between solidarity and quality of life.

A longitudinal study of energy boom towns reveals a slightly different pattern than that exhibited in either the consensus crisis event or the corrosive community conceptualization (Smith, Krannich, and Hunter, 2001). These researchers found that the initial gains in the economy associated with the plant openings were accompanied by declines in social well being. However, two decades later the economic gains remained and social well being rebounded to pre-boom levels. Thus major economic events may lead to three different community outcomes: consensus and improved quality of life, corrosive relations with deep divisions in the community and possibly diminished quality of life, and an initial economic gain accompanied by a decline in social well being which rebounds after several decades. Albrecht et al. (1996) argue that the distinction between consensus and corrosive community outcomes depends on the presence of shared values about economic development and the perception by community residents of an equitable sharing of risks and benefits from the "event". If true, the non-economic impact of a new prison on a small town would depend on the perceptions of community residents about whether a prison is an appropriate venue for economic development, whether the economic gains to the town outweigh the costs, and whether the costs and benefits are shared equitably.

This study examines only one of these factors, the economic and demographic changes (gains or losses) associated with a new prison. We provide a review of the extant literature and utilize the 1990 and 2000 census data to compare small towns with and without new prisons on several economic and demographic measures. With this analysis, we hope to determine if new prisons provide the economic gains hoped for by community leaders, at least in the short term.

The Consequences of Prisons on Communities

Prisons provide jobs. Whether and how much the local community gains from those jobs is the issue. Reviews of the literature conducted by Smykla et al. (1984) and Carlson (1991)

concluded that prisons have no negative affects on local economies. However, at the time of the studies included in the reviews most prisons were located in metropolitan areas and one would expect that the consequences might be different for prisons in small towns (Hooks et al., 2000). Additionally, McShane, Williams III, and Wagoner (1992) point to serious methodological flaws with this body of research, the largest being the lack of controls for historical changes over time.

More recently, King et al. (2003) compared new prison small towns to matched non prison small towns in New York. Matching comparable prison and non-prison towns can partially control for historical effects on the economic factors that should be approximately the same in matched towns. They discovered that the prison towns did not gain significantly in employment when compared to non-prison towns. Similar findings resulted from analyses of all U.S. counties (Hooks et al., 2000), new prison towns in Mississippi (Wood et al., 2002) and new prison towns in California (Huling, 2002). Huling (2002) citing yet to be released research by Ruth Gilmore, reported that initially only about 20% of prison jobs in California small towns with new prisons went to local residents. This figure increases over time up to about 40% as commuting employees move to the community and local residents become eligible for employment. Possible explanations for the low employment impact are that local residents may not be qualified for correctional positions and/or are prevented by seniority and union rules from starting their career in corrections at the local facility (King et al., 2003). Private prisons are more likely to hire local residents, however their turnover rate is three times higher than public prisons due to their lower wages and lower level of employee training associated with greater employee safety concerns (Huling, 2002).

If few local residents are not hired by the prison and prison employees commute to the prison from other towns, then the impact of the additional jobs provided by the prison on

housing, local businesses, tax revenue, and property values will be less than if the employees reside in the local area. Studies conducted prior to the 1980s were mixed in their findings regarding the association of changes in property values and tax revenue with prison siting (Shichor, 1992). However, in a recent study in Iowa, new prison towns did not realize significant gains in tax revenue after the prison openings compared to the tax revenue changes over the same time period in matched non prison towns (DeLisi and Besser, 2003). Of course, public prisons pay no property or sales taxes and private prisons frequently are granted tax abatements. Therefore, there is no local tax revenue expected from those sources.

King et al. (2003), DeLisi and Besser (2003), and Wood et al. (2002) compared changes in housing and local business numbers from 1990 to 2000 in new prison and matched non-prison towns in New York, Iowa, and Mississippi respectively. The new prison towns fared no better than the matched towns in growth of housing or number of businesses. Apparently, prison employees do not purchase sufficient goods and services from the local area to spur the growth of local businesses whose employees and owners might boost the housing market. Also, it appears as if prisons are not purchasing their supplies from the local community (King et al., 2003). Clement (2002) argues that prisons themselves have few economic links with the local community. Local suppliers may not be able to meet the needs of the prison or purchasing decisions are centralized at the state level. Some prisons, especially in Southern states, attempt to be self sufficient which provides few opportunities for local businesses to provide supplies and services to the prison (Hallinan, 2001).

Locating prisons in small towns, as compared to metro areas, brings unexpected consequences (Clement, 2002; Huling, 2002). Inmates are counted as residents of the prison town for census and legal purposes. Prisoners have little if any income and can thus

significantly alter the average income and poverty levels of the prison town on census records (Clement, 2002). Since census demographic figures are the basis for various kinds of federal support to local areas, the addition of incarcerated "residents" boosts federal revenue to small communities. Clement (2002:3) cites Minnesota officials who estimate that each inmate provides an additional $200 to $300 per year in federal funding for prison towns. Census figures are also used to determine political boundaries. While inmates cannot vote, their presence nonetheless influences school boundaries and legislative districts. Communities compete to have inmates counted as residents (Clement, 2002). The real losers in this competition are the poor urban inner cities from which many inmates come. These areas lose federal revenue to small prison towns where their convicted residents are sent for incarceration. No wonder politicians in some states work to land prisons in their district and then craft policies and laws to keep the incarceration rates high (Wood et al., 2002; Hallinan, 2001).

The majority of inmates are minorities. By year end in 2001 only 36.1% of inmates in federal and state prisons were white non-Hispanics (Harrison and Beck, 2002). The overrepresentation of minorities in the prison population changes the racial composition of small prison towns for census purposes. Most small towns outside the South and West have a relatively low population of minorities. In 1990 the percent of minorities in towns with 10,000 or less in population was 6.5% in the Northeast, 4.4% in the Midwest, and 22.0% in the South and West (Calculated from 1990 Census of the Population). Hence, a small town with a new prison will likely experience an exponential increase in minority population according to census figures while the actual diversification among town residents may be minimal.

Another related issue pertains to the potential danger posed by the prison. Many small town residents fear escapees and visits or inmigration of the friends and families of inmates

(Doyle, 2002; Shichor, 1992). Studies conducted prior to the ruralization of prisons show that the arrival of "camp followers" to prison towns is not a major problem (Tully et al., 1982; Shichor, 1992) and prisons do not negatively impact local crime rates (Smykla et al., 1984; Daniel, 1991). However, the impact of these factors in rural communities is unknown. Since inmates are counted as local residents, crimes they commit while incarcerated will be included in local crime figures. Also, when a crime is committed by inmates they are entitled to local public defender services. Huling (2002) points to the overload on the local criminal justice infrastructure that may result.

Finally whatever other benefits and disadvantages result from prisons, one sure benefit according to proponents is that prison employment is stable and secure. Two factors challenge this assumption. Recent state budget problems have caused some states to furlough and not replace departing prison staff (DeLisi and Besser, 2003), some states are delaying the opening of new prisons (Clement, 2002; Wood et al., 2002), and the incarceration rate has leveled off (U.S. Department of Justice, 2003). All of these factors may lead to an overall decrease in employment in correctional facilities. Therefore, what were once recession proof jobs are now subject to the same lay offs and "plant closings" that characterize private sector jobs.

As indicated in the research reviewed above, prisons appear to provide few benefits to small town economies. However, prior research is limited to studies of a single state, studies conducted prior to the ruralization of prisons, or national studies conducted before the findings of the 2000 census were released. This paper extends the research base by examining all new prison small towns on economic and demographic factors in 1990, before prison opening, and 2000, after the prison was in operation, compared to all other small towns for the same time periods.

Research Design

Information on state prisons built during the decade of the 1990s was assembled by perusing website information provided by the state department responsible for corrections in each of the 48 contiguous states, followed by e mail contact, and if necessary by telephone calls. Information gathered directly from the states was verified with the Directory of Adult and Juvenile Correctional Departments (2001). For each new prison, we were provided with the date of opening, offender type (juvenile or adult, male or female, and security level), and design and actual inmate capacity of the prison. In this analysis, we used only non-work release adult facilities opened between 1990 and 2000 (not including those opened in 2000). Some states do not report both design and actual capacities of their prisons. We had more complete data for design capacity and therefore that figure was used in this analysis. When design capacity was unavailable, we substituted actual capacity.

We chose to elaborate the impact of new prisons on towns and not counties. Without a doubt the economic impact of a new prison is not confined to the boundaries of small towns, but instead extends out into the county and adjacent areas. Nevertheless, if there is a local impact from the prison, one would expect to see it in the prison's host town as well as in adjoining areas. It is important to know what if any consequences are experienced by the host town, not just the county or the multi-county area.

The town stated in the mailing address of the prison was considered the host town for the prison. We analyzed the population census data for each of the new prison home towns and all other towns in the 48 contiguous states for 1990 and 2000. Twenty five new prison towns did not have FIPs codes. Thus there were no census data for them. In those cases, we substituted the closest town that had a FIPs code and used that town's census data. Substituted towns

ranged from 1.8 miles to 44 miles, with the median being 8.7 miles, from the prison town indicated in the address. There were 248 towns hosting 274 new state prisons built between 1990 and 2000. Included in that group are twenty four towns with two new state prisons built in the 1990s and one (Beeville, TX) was the site of three new prisons.

Small towns are defined as incorporated places with 10,000 or less in population. It should be noted that in this analysis, the term "non-prison towns" refers to towns that were not the location of a new state prison built in the 1990s. These towns may have an older prison, a new federal prison, or a new private prison within their boundary. Even so, we believe it is safe to assume that the majority of the 19,253 non-prison small towns used here for comparison are not the location of a prison.

Findings

Table 1 displays the distribution of new state prisons by community size, region, and year opened. Sixty nine percent of the 274 new state prisons were opened in towns of 10,000 or less in population in 1990. The South built the greatest number of new state prisons with 151 (55.1%) and about two thirds of the new state prisons were opened in the first half of the 1990s. The trend of moving inmates to new prisons in small towns continued into the 1990s. According to Beale (1995), prior to the 1980's 62% of inmates were located in prisons in metro areas. In the new prisons built from 1980 to 1991, the percentage of inmates located in metro areas declined to 47%. The percentage of inmates in new state prisons in metro areas built in the 1990s was slightly less than 10%. Additionally, 68.9% of the inmates of new state prisons are in prisons in small towns of 10,000 or less.

Place Table 1 here.

For the comparisons that follow, percent change from 1990 to 2000 statistics were calculated for all indicators for each town. Then the change statistics were averaged for small new state prisons towns and other small towns. There were 176 small towns with new state prisons built from 1990 to 2000. Since we utilize the full population of towns in this analysis, tests of statistical significance are not necessary. All observed differences reflect differences in the population. Whether the observed differences are substantively significant is a judgment issue.

Place Table 2 here.

Table 2 compares the average change in economic and demographic variables from 1990 to 2000 for small towns with a new state prison and all other small towns. It is noteworthy that changes in the unemployment rates are roughly equal in both kinds of towns and that public sector employment grew more in prison towns. In all other economic indicators, however, the new prison towns fared worse than the non-prison towns. Increases in total non-agricultural employment, retail sales[1], average household wages, total number of housing units, and median value of owner occupied housing are substantially less in new prison versus non-prison towns. Also, new state prison towns experienced a slight increase in poverty between 1990 and 2000. Other small towns had lower poverty levels at the end of the decade.

On the whole, new prison towns experienced a substantial population gain over non-prison small towns from 1990 to 2000 (27.9 percent compared to 12.5 percent). However, 101 of the prison towns counted inmates as town residents. For the remainder, inmates were counted as county residents. When the prison towns are separated on the basis of whether or not inmates were counted in the 2000 population and the percent change is recalculated for the two groups,

the towns counting inmates experienced population growth of 45.44 percent compared to a modest 4.26 percent gain for the other prison towns. Subtracting the inmates from the 2000 population figures for those towns that included them shows that those towns actually lost non-inmate population from 1990 to 2000 (-0.08 percent). The population figures also reveal the differential changes in minority and young population in prison and non-prison towns. New state prison towns experienced more than a 200 percent increase in minority population from 1990 to 2000 compared to lower growth in non-prison small towns (143.4 percent) and less than half the growth of non prison towns in the percent of the population under 18 years of age.

To understand the impact of a new prison on small towns it is important to control for several factors that may also be affecting the outcomes shown in Table 2. It may be that the towns with the new prisons had the most depressed economies of all small towns before the siting of a prison. Indeed, the 1990 poverty rate of new state prison small towns is higher (19.78%) than other small towns (13.08%). Given new prison towns' disadvantaged position at the beginning of the 1990s relative to other small towns, one could argue that they are better off with the prison then they would have been otherwise. To address this issue, we conducted multiple regression analyses to determine the association of having a new state prison with each of the 2000 economic and demographic variables controlling for 1990 figures for population, poverty level, unemployment, median value of housing, population < 18 years, average household wage, and non-agricultural employment; region of the country (South vs. non-south), and the age of the prison. This last variable was controlled to take into account the possible delayed effect of a prison on a community.

Place Table 3 here.

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[1] Retail sales is used only in this analysis because of the large number of small towns for which there are no retail

For this examination, prison was dummy coded with 1 = yes, 0 = no. Again, since we have the full population of small towns and not a sample, tests of statistical significance are not appropriate. Table 3 shows the standardized regression coefficients (Betas) for new state prison regressed on each variable (in separate regression equations) controlling for the variables mentioned above. Given that there are only 176 prison towns compared to 19,253 non-prison towns, we would not expect the Beta coefficients representing the relationship of prison to each of the dependent variables to be large. It is the direction of the coefficient that is the critical information.

When 1990 population and economic indicators, prison age, and region are controlled, the patterns are similar to those shown in Table 2. At the end of the decade, new prison towns had lower median value of housing, fewer housing units, lower average household wages, fewer non-agricultural jobs, and fewer youth than non-prison towns. Poverty levels, the unemployment rate, population, percent minorities, and public sector employment have increased. Except for public sector employment, all economic indicators show prison towns disadvantaged compared to non-prison towns in 2000 when controlling for their economic situation in 1990.

While the multiple regression analyses reveal the impact of prisons on small towns net of the control variables, the relatively low number of new prison towns makes it difficult to grasp the magnitude of the differences between the two when critical factors are controlled. To provide greater insight into the extent of the differences, we calculated the means and standard deviations for key 1990 indicators (population, poverty level, average household wage, and non-agriculture employment) for the new prison towns. Then we selected all prison and non-prison

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sales figures in the U.S. Census.

towns that were one standard deviation greater than the mean for all the indicators, except poverty level which was kept at the mean (the cut off points are elaborated in Table 4). 4722 non-prison towns and 75 prison towns met these parameters. The average percent changes shown in Table 4 compare new prison towns only to other small towns in an approximately equivalent position at the beginning of the 1990s.

Place Table 4 here.

Compared to other small towns roughly matched on 1990 economic indicators, the new state prison towns experienced substantially less growth in every economic indicator except total number of housing units and public sector jobs. At the end of the decade, prison towns had an increase in unemployment levels compared to a decline in non-prison towns. They experienced one third less reduction in poverty rates compared to matched small towns. Indicators of population change mirror the pattern from analyses of the full set of small towns in that there was more growth in population for the prison towns as a whole. However, when inmates were subtracted from the 2000 population for towns that counted them, there was a loss of population. The twenty two prison towns that did not count inmates realized a gain in population that exceeded the matched communities. Surprisingly, the percent change in minority population is less in new state prison towns than in the comparable small towns. This can be partially explained by the fact that among this subsample of towns, the new prison towns had a higher percentage of minority population in 1990 (38.79 percent) compared to the non-prison towns (24.76 percent). In 2000, both sets of towns realized an increase in minority population as a portion of the whole population. The percentage of minority population in new prison towns grew to 47.08 percent and the non-prison towns had 28.05 percent minority population.

Conclusion

The heightened incarceration rates of the 1980s and 1990s in the U.S. have been perceived by small town leaders and state policy makers as an economic development opportunity for rural areas, albeit a strategy of last resort. Findings in this paper reveal the continuing trend of prison movement from metropolitan areas to nonmetro locations. Only about 10% of inmates housed in state prisons built in the 1990s are located in metro areas. Sixty nine percent are in small towns with 10,000 or less in population. The untested assumptions of proponents of locating prisons in small towns are that prisons will bring stable government jobs. Prison employees will buy local houses, purchase local products and services, and increase local tax revenue. These factors will in turn result in an increase in local businesses, an increase in non-prison jobs, and additional growth in housing and tax revenue reflecting the multiplier effect of new jobs in a community. It is expected that the enhanced economic activity will cause an increase in population, especially among young families, and eventually stronger ties within the community and an enhanced quality of life for residents.

The promise of economic gain is so tantalizing to rural communities leaders desperate for economic and community development that many have been willing to build infrastructure (roads, utilities, hospitals, and even prison facilities themselves) for public and private prisons and offer tax abatements to private prisons in order to attract them to their area. However, if there were differences within the community prior to prison construction about the merits of prisons as an economic development strategy, if residents come to believe that the costs of the prison outweigh the risks, or if they perceive that the costs and benefits are not shared equitably, then the prison can have negative consequences for the community beyond its economic impact. The corrosive community framework would predict that the contingencies just mentioned would

lead to a diminution of the ability of community residents to work together for collective ends and a decline in residents' social well being.

Early studies conducted prior to the heightened building spree in the 1980s and 1990s and before the movement of prisons to small towns, discovered that prisons did not negatively affect communities (Smykla 1984, Shichor 1992). However, the metropolitan location of most prisons at the time of the studies and the methodological problems with this literature (McShane, Williams III, and Wagoner 1992) makes it difficult to have confidence in their applicability to the current situation of prisons in small towns. More recent research on single states (New York, Mississippi, California, and Iowa) concludes also that new prisons do not have a negative effect. But given the changed expectations of economic gain from prisons, not showing a negative effect is insufficient to support local assumptions and investments. This research expands understanding of the economic impact of prisons on small towns by using 1990 and 2000 Population Census data to compare changes in new state prison small towns to changes in non-prison small towns.

Findings in this paper revealed that small towns that acquired a new state prison in the 1990s experienced higher poverty levels, higher unemployment rates, fewer total jobs, lower household wages, fewer housing units, and lower median value of housing units in 2000, when 1990 population and economic indicators, region, and prison age are controlled, than towns without a new state prison. With these controls in place, new state prison towns realized an increase in public sector employment, population, and minority population.

Possible explanations for the lack of economic benefits from a new prisons are that it takes a long time for the benefits to be realized and the phenomenon is too recent to see the net gain in the 2000 census figures. Another explanation is that prisons do not have extensive

backward linkages to the community and therefore a minimal multiplier effect on the local economy. Small town businesses may not be able to meet the needs of prisons for supplies and services, purchasing decisions may be made centrally at the state level, or state prisons may be relatively self sufficient needing little that the local town can offer. A final possibility is that prisons stigmatize communities. Thus whatever gain is experienced from the multiplier effect of correctional jobs is negated by the loss of businesses and people who leave or chose not to locate in a "prison town". This may be an especially critical factor for small towns where there may be no other major community image (think of the image of Silicon Valley, Seattle, Aspen) to act as counter weights to the prison image. Whether these or other explanations apply, these findings suggest that prisons are a dubious strategy for economic and community development for small towns. This is especially the case in many communities where residents were divided about the advisability of attracting a prison in the first place. In the presence of differences of views about attracting the prison, the investment of public money for the prison which then does not improve the local economy, may according to Aldrich et al. (1996), result in deep community schisms and diminished quality of life.

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Table 1. New State Prisons: 1990 - 2000

By Community Size (1990)		By Region		By Year	
Population <10,000	69.3% (190)	East	13.5% (37)		
				1990-94	66.8% (183)
10,001-49,999	19.7% (54)	Midwest	19.0% (52)		
				1995-00	34.6% (91)
50,000+	10.9% (30)	South	55.1% (151)		
		West	12.4% (34)		
Total	274		274		274

Table 2. Comparison of Change in Economic and Demographic Indicators in New State Prison Small Towns and All Other Small Towns (1990-2000)

Percent Change Economic Variables	**New State Prison (176)**	**All Other (19,253)**
	Mean	Mean
Unemployment	2.64	2.56
Non-agriculture employment	12.28	22.55
Retail sales (N=87 & 3051)	83.95	127.83
Average HH wage	49.20	55.70
Total housing units	10.95	13.20
Md. value of owner occupied housing	50.61	61.53
Poverty rate	.55	-5.72
Public sector jobs	86.77	53.28
Percent Change Demographic Variables		
Population	27.90	12.49
Population – Towns counting inmates (101)	45.44	
Inmates subtracted	-.08	
Towns not counting inmates (75)	4.26	
Population < 18 years	6.20	15.17
Percent minority	201.58	143.44

Table 3. Standardized Regression Coefficients of New State Prison Regressed on Economic and Demographic Variables for Small Towns (Region, Prison Age, 1990 Population, 1990 Poverty Level, 1990 Unemployment Level, 1990 Md Value of Housing, 1990 Percent Population <18 Years, 1990 Average Household Wage, and 1990 Non-agricultural Employment Controlled) OLS Regression

	Betas for Prison (1=yes, 0=no)		
2000 Economic Variables		**2000 Demographic Variables**	
Unemployment	.010	Population	.003
Percent in poverty	.015	Percent of population 18 years or less	-.003
Median value of housing	-.003	Percent minorities	.025
Total number of homes	-.007		
Average HH wage	-.002		
Non-agriculture employment	-.005		
Public sector jobs	.037		

Table 4. Comparison of Changes in Economic and Demographic Indicators for New State Prison Towns and Non-Prison Towns with 1990 Population ≤ 6000, 1990 Poverty > 20%, 1990 Average HH Wage < 32,000, and 1990 Non-agricultural Employment < 2,300

	New Prison Towns (N=75)	Non-Prison Towns (N=4722)
Percent Change 1990-2000 - Economic Variables		
Unemployment	13.03	-3.11
Poverty	-7.18	-25.05
Median value of housing	52.75	59.10
Total housing units	8.76	6.92
Average HH wage	52.28	65.41
Non-agriculture employment	8.88	23.72
Public sector jobs	82.86	49.62
Percent Change - 1990 to 2000 Demographic Variables		
Population	35.01	7.00
Population – towns counting Inmates (53)	46.08	7.00
Inmates subtracted	-.18	
Towns not counting inmates (22)	8.35	
Population <18 Years	2.48	8.16
Minorities	47.40	86.77