

SKEWED PRIORITIES

COMPARING THE GROWTH OF PRISON
SPENDING WITH POLICE SPENDING

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Institute of Public Affairs
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Project

 **Institute of
Public Affairs**

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Authors Note

This report was originally released in June 2019. In November 2019, I noticed that I had made a transcription error in the spreadsheet containing the underlying data. I have corrected the data accordingly. In addition I have shortened one time series for accuracy. The overall trends identified remain the same, as do the findings.

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Summary

Key findings

- Prison spending is increasing at a faster rate than police spending, meaning that proportionally more criminal justice spending is now going to prisons.
- Australian jurisdictions' spending on police and prisons places them in the mid-range of the pattern found in the United States, where jurisdictions devote proportionally more to prisons, and the European Union, where countries devote proportionally less.
- Australia can reduce its use of incarceration without compromising the deterrent effect of the criminal justice system. Savings from reducing incarceration should be kept within the criminal justice system, where they will pay the greatest community safety dividend.

Narrative

Over the past decade, Australia has seen an unsustainable rise in the rate and cost of incarceration. Nationally, the incarceration rate is at an all-time high of 217 per 100,000 adults, and prisons now cost taxpayers \$4.6 billion every year (including capital costs).

This increase in spending on prisons creates a trade-off with other government priorities, like policing. Six years ago Australian governments spent more than \$4 dollars on police for every \$1 spent on prisons; today, that figure is \$3.40. This pattern is seen in every Australian jurisdiction apart from the Northern Territory. This matters because, like incarceration, policing aims to deter would-be offenders. Indeed, many studies indicate that it performs this task more effectively than prison, because offenders are deterred more strongly by the prospect of being caught than the severity of the punishments that they may face.

International figures show that by the measure of police spending to prison spending, Australian jurisdictions rank in between American states, which tend to spend more on prisons, and the countries of the European Union, which tend to spend less. Australia is moving towards a more American-style distribution, even as the US moves in the opposite direction.

Moreover, high rates of incarceration eventually create trade-offs for other areas of government service delivery. In jurisdictions like Western Australia and the Northern Territory, there are noticeably lower ratios between spending on schools and public hospitals and spending on prisons. Given that education and health are both associated with reduced offending, this trade-off may again be reducing community safety.

Australian jurisdictions can improve community safety by pursuing sensible and safe reforms to reduce incarceration, and redirecting spending to more efficient deterrence and rehabilitation.

Introduction

Australia has seen rapid, unsustainable growth in its incarceration rate. Over the past ten years, the proportion of Australian residents who are incarcerated has risen by 30 percent, from 167 per 100,000 adults to 217 per 100,000 adults.¹ This rise has led to taxpayers carrying a heavier burden for incarceration. Across the country, state and territory governments now spend more than \$4.6 billion annually on prisons (\$3.42 billion on operations alone), out of more than \$17 billion total justice costs. Over the past five years, the average annual growth of corrective services (prisons and community corrections) spending has been 6.6 percent, with a 29 percent total increase over that period.²

The purpose of this paper is to show what this increase means in real terms. Every extra dollar committed to incarceration is a dollar that might have been spent elsewhere in the criminal justice system, on some other government service, or returned to taxpayers. To illustrate this point, this paper compares operational prison spending with spending on police services. This comparison is valid for two main reasons: the first is that policing and incarceration share the common purpose of reducing crime through incapacitating and deterring criminals, and so it is legitimate to consider whether governments' criminal justice spending is efficiently ordered towards that end; and secondly, studies have shown that policing is more effective in deterring crime than increasing the severity of punishment, and so maximising value for money in criminal justice may involve redirecting spending from prisons to policing. Given Australia's already high level of policing, this comparison might also suggest that a reduction in incarceration will not diminish the overall deterrent effect of Australia's criminal justice system.

The IPA supports a sensible and safe reduction in Australia's level of incarceration through the reform of punishment for nonviolent offenders, including the expansion of community service, home detention, and fines and restitution orders.³ These punishments can capture the severity of many types of offending, while at the same time being cheaper to administer than prison and more strongly correlated with preventing reoffending and lowering crime. In this paper, references to reducing incarceration mean this kind of reform.

This paper was inspired by a similar study produced in 2019 in the United States, by journalist Daniel Bier.⁴ That study showed that the United States has seen an historic shift from police spending to prison spending. It also compared the ratio of police-to-prison spending at the state level. This method has been recreated here with Australian figures. The IPA would like to credit Bier with its development. Of course, any errors here are our own.

1 Productivity Commission (2019), *Report on Government Services 2019*, Table 8A.5

2 Productivity Commission (2019), as above, Table CA.1

3 The IPA's criminal justice research can be found here: <https://ipa.org.au/research-areas/criminal-justice>

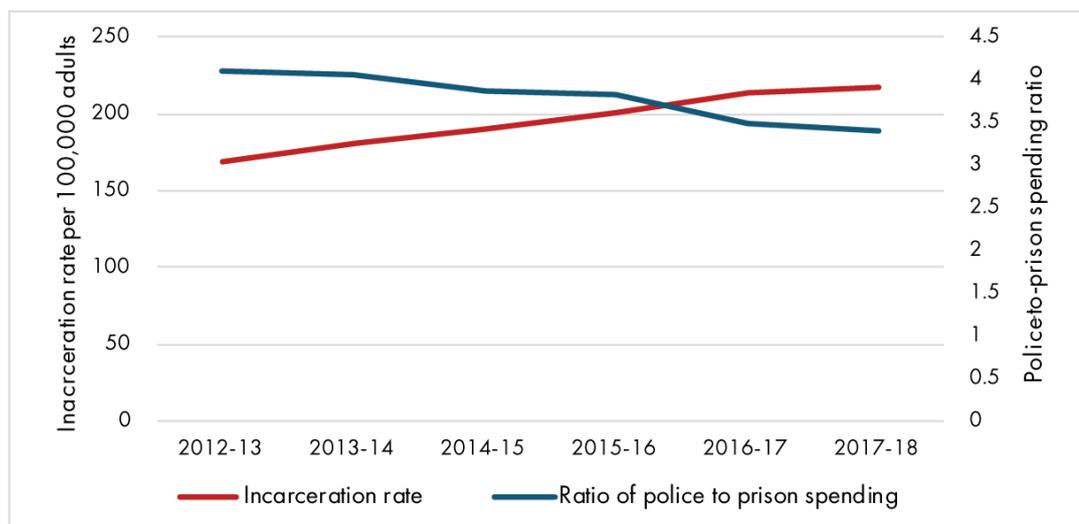
4 Daniel Bier (2019), "Police vs prisons in the US and Europe", *The skeptical libertarian*, 19 January 2019

1. Comparison of police and prison spending

Key finding: Prison spending is increasing at a faster rate than police spending, meaning that proportionally more criminal justice spending is now going to prisons.

Over the past decade, prison spending has increased at a faster rate than police spending, leading to proportionally more criminal justice resources going to incarceration. This is reflected in the simple calculation of dividing police spending by prison spending to produce a ratio. This calculation tells us that for every \$1 spent on prisons, Australian taxpayers spend \$3.40 on police. Or, put another way, for every \$1 spent on police, 29c is spent on prisons. As Figure 1 shows, this ratio has consistently declined. The incarceration rate is included for comparison.

Figure 1: Police-to-prison spending ratio vs incarceration rate 2012-13 to 2017-18



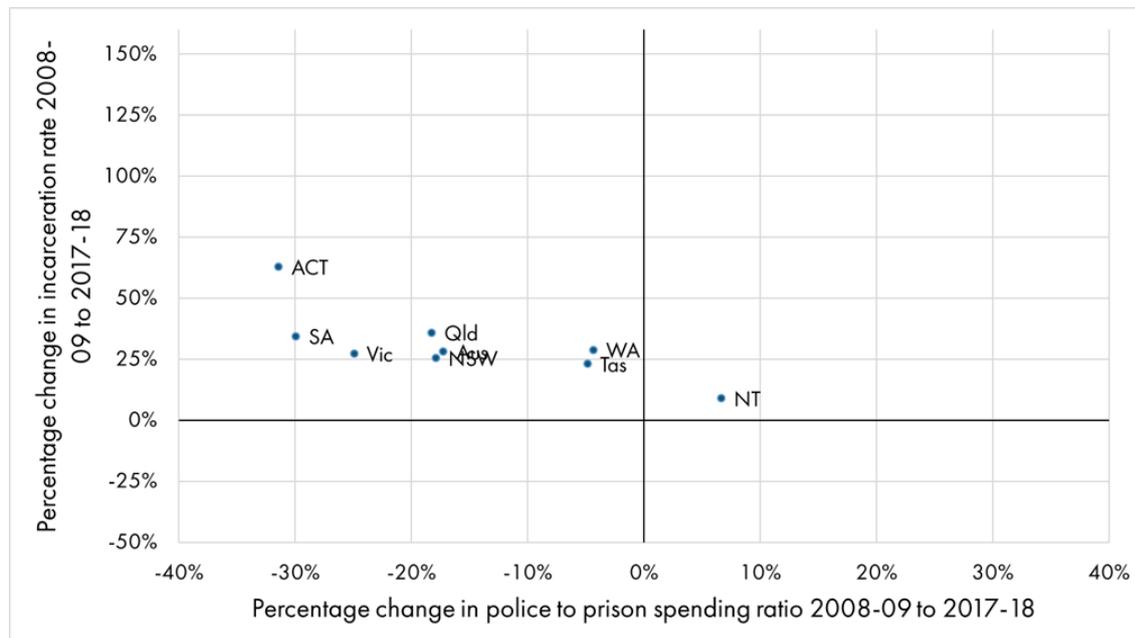
Source: Productivity Commission, IPA calculation

Here we see that police spending has not kept pace with incarceration spending. It is not possible to say with certainty whether there is any sort of causal relationship between proportionally higher police spending and lower incarceration—one might expect that a more numerous police force would lead to more arrests and successful prosecutions, and so contribute to incarceration. However, we know that criminals

are deterred more by the prospect of being caught than they are by the severity of punishment they face should they be caught. As such, a more numerous police force, or one better resourced to make policing decisions, may, all else being equal, be expected to lead over time to less incarceration as potential criminals decide the risk of crime is not worth it.

This pattern can also be seen at the state and territory level. All states and territories, apart from the Northern Territory have seen an increase in incarceration over the past decade.⁵ Only in New South Wales has police spending almost kept track with prison spending.

Figure 2: Police-to-prison spending ratio and incarceration rates, percentage change 2012-13 to 2017-18



Source: Productivity Commission, IPA calculation

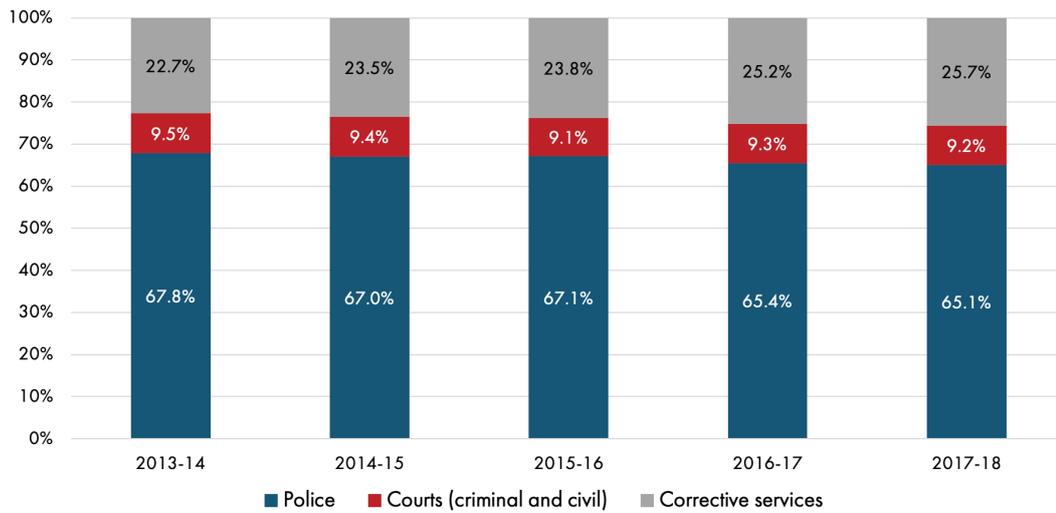
All states and territories, apart from the Northern Territory, like the nation as a whole, are located in the same quadrant of this scatter plot, meaning that all have seen both a decline in the ratio of police to prison spending and an increase in the incarceration rate.

Another way of illustrating this point is to look at prison spending as a share of criminal justice spending overall, including courts. This helps to draw out that there seems to be more of a connection between resources dedicated to police and prisons than to courts. The share of criminal justice spending going to courts has not changed much in the last five years. This means that the share that goes to prisons has increased by the same amount that the share that goes to police has fallen.

(Note that Figure 3 shows corrective services, which includes community corrections. Community corrections is typically between 10 - 15 percent of the total corrective services spend)

5 Productivity Commission (2019), as above (fn 1)

Figure 3: Division of criminal justice spending, national 2013-14 to 2017-18

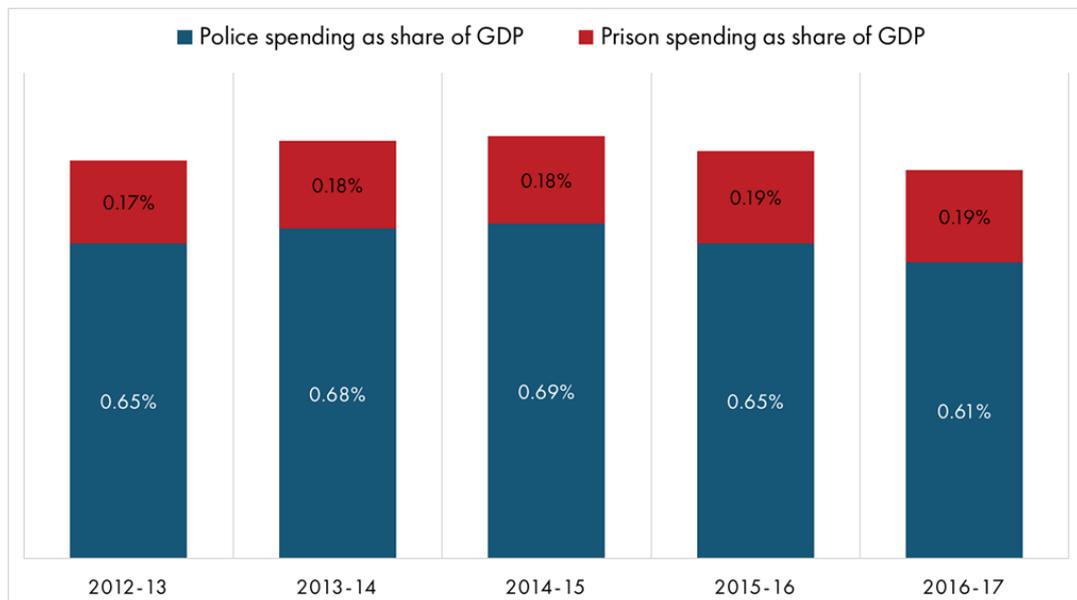


Source: Productivity Commission

This figure also suggests that the courts are unaffected by their decision to sentence more offenders to prison.

The changes in the allocation of criminal justice spending are large enough to show up in an analysis of that spending as a share of GDP. That is, even though both police and prison spending are very small in comparison to Australia’s \$1.8 trillion economy, the changes in the way governments are prioritising spending is still noticeable even against this massive sum.

Figure 4: Change in police and prison spending as share of Australia’s GDP



Source: OECD, Productivity Commission, IPA Calculation

As a percentage of GDP, spending on police and prisons combined has declined from a high point in 2015. But this decline has been almost entirely because of proportionally less spending going towards the police.

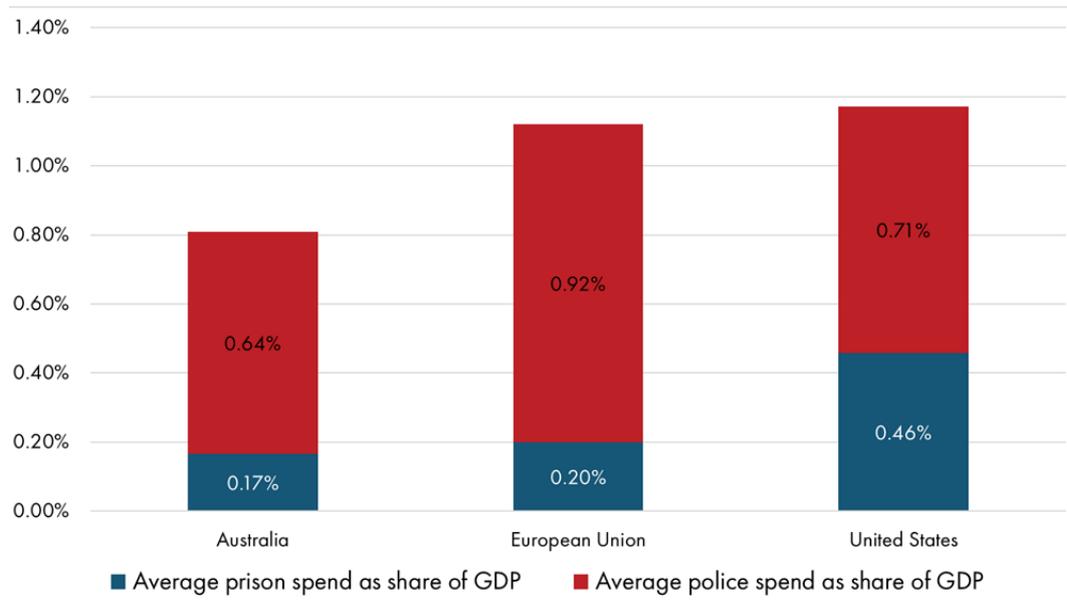
2. International comparison

Key finding: Australian jurisdictions' spending on police and prisons places them in the mid-range of the pattern found in the United States, where jurisdictions devote proportionally more to prisons, and the European Union, where countries devote proportionally less.

It is possible to estimate how Australia's police to prison spending ratio compares with similar jurisdictions. While there are concerns about local accounting practices differing, this is somewhat ameliorated by the use of a ratio, rather than absolute figures, because this compares local numbers with other local numbers that are accounted for the same way. This section therefore is a comparison of the ratios between what each jurisdiction counts as spending on police and prisons, rather than a direct comparison of spending as such.

In terms of GDP, Australia commits less to policing than both the United States and the states of the European Union, and vastly less to prisons than the United States and slightly less than European Union member states.

Figure 5: Spending on police and prisons as share of GDP, average 2013-2017



Source: ABS, Productivity Commission, IPA Calculation, Eurostat, US Government Spending, Bier

While it is, in one sense, positive that Australia spends less than the others by this measure, the data do not reveal whether this level of spending is optimal. Given our rising incarceration rate, the more important observation here might be that were police spending to rise in Australia, it would bring it more into line with international trends. Whether such an increase is necessary is discussed in the next section of this report. We also see that if the trend towards greater prison spending continues, Australia will move away from the European position and towards the United States, even as the United States is itself attempting to move in the other direction.⁶

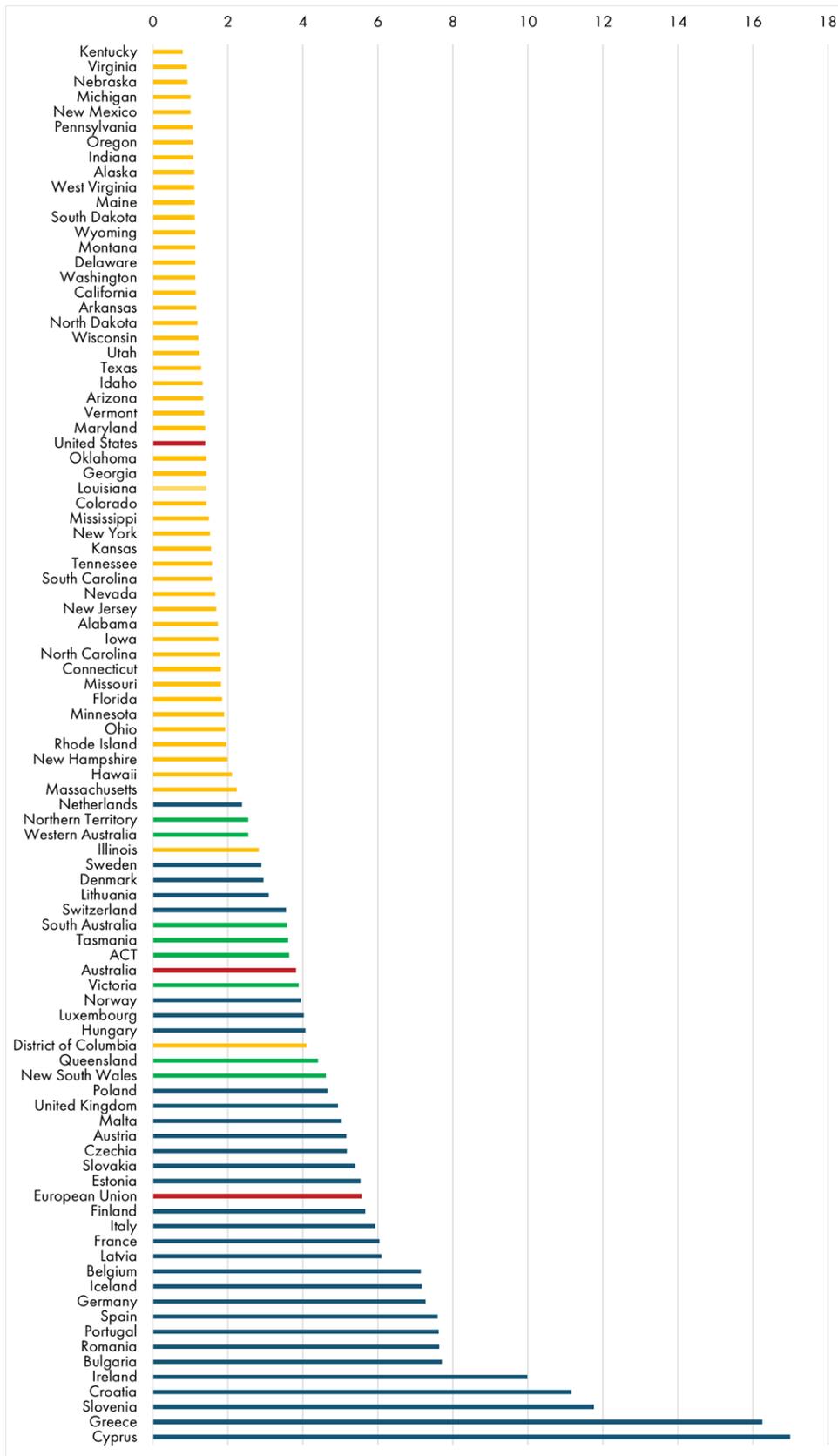
There are wide disparities between European jurisdictions and between United States jurisdictions. As such, breaking down the United States, European Union, and Australia into their constituent jurisdictions gives a clearer indication of how Australian jurisdictions' criminal justice spending priorities compare internationally. In the graph (overleaf), US states are in yellow, EU states in blue, and Australian states and territories in green. Top level bodies are in red.

As Figure 6 shows, there is very little overlap between United States jurisdictions and European Union member states, with a clear trend emerging. Australian states fit into the middle of the distribution, with high-incarceration jurisdictions like the Northern Territory and Western Australia being closer to the American states. New South Wales and Queensland have a profile more similar to European countries. Victoria is also closer to the European profile. It is also worth noting that some European Union member states that Australia would typically look to as examples, like the United Kingdom and Germany, have much higher ratios of police to prison spending. Other comparable countries like Sweden and Denmark have lower ratios than many Australia jurisdictions but this is in part because they have very high prison costs on a per prisoner basis.

Of course, local conditions play a significant role in how much money is spent on policing; relevant factors include crime rates, police salaries, and population density. Nonetheless, the priorities of Australian governments are quite clear.

⁶ See for example: Andrew Bushnell (2017), *Criminal justice reform: lessons from the United States*, Institute of Public Affairs. US President Donald Trump recently signed a criminal justice reform law, known as the First Step Act. Andrew Bushnell (2019), "US criminal justice reform a lesson for us", *The Australian* 12 April 2019

Figure 6: Police-to-prison spending ratio by jurisdiction, 2016



Source: Productivity Commission, IPA Calculation, Eurostat, US Census, Bier

3. Reallocating incarceration spending

Key finding: Australia can reduce its use of incarceration without compromising the deterrent effect of the criminal justice system.

The ratio of police spending to prison spending in Australia is low relative to European countries, and, because of rising incarceration, trending more towards American levels. However, because this is a ratio, it can be reduced either by increasing the numerator (police spending) or reducing the denominator (prison spending), or by doing both of those things by reallocating money to one from the other.

Previous IPA research, *Australia's criminal justice costs: an international comparison*, estimated that in 2015, Australia had the ninth-highest per capita spending on police in the OECD, with a similar level of spending to the United States. That research also found that rising police spending had led to a level of policing in Australia that was higher than all other common law countries except Ireland.⁷ So while Figure 5 above reveals that overall Australia's criminal justice spending is a smaller share of GDP than comparable countries, there is some reason to believe that simply reallocating spending from incarceration to policing is not the most appropriate response. However, it should also be noted that additional police spending does not have to mean greater numbers of police. The additional resources might be deployed to crime analysis and other functions that enable police to be deployed most effectively, like community outreach. Moreover, that Australia has a comparatively high level of policing does not say, dispositively, that our level of policing is optimal. In jurisdictions where there are rising levels of offending and victimisation, there may still be some additional deterrent effect to be gained from an increase in police numbers.

Criminologists have found a persistent difference in the deterrent effect of policing and incarceration. Offenders respond more to the chance of apprehension than to the severity of the punishments they face.⁸ If Australia is spending proportionally more on prisons than before but, compared to other countries, retains a strong police deterrent, and policing is the strongest available deterrent, then it stands to reason that a reduction in incarceration will not markedly reduce the overall deterrent effect of our criminal justice system.

⁷ Andrew Bushnell (2017), *Australia's criminal justice costs: an international comparison* pp. 12-13

⁸ There is a wide literature on this phenomenon. A good Australian summary is provided by: Donald Ritchie (2011), *Does imprisonment deter? A review of the evidence*, especially pp. 14-17. Ritchie points out that some offenders are 'undeterrable', in the sense that their offending happens under the influence of decision-encumbering substances, and some are 'incorrigible', in that they are unswayed by attempts to deter them. These observations apply to policing and incarceration alike.

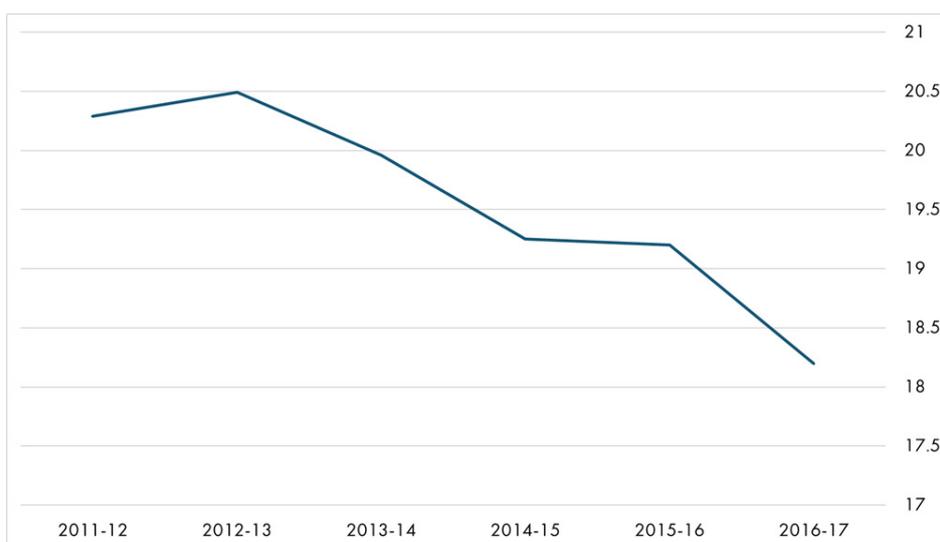
Key finding: Savings from reducing incarceration should be kept within the criminal justice system, where they will pay the greatest community safety dividend.

Other than policing, it might be thought that savings made by reducing the growth of incarceration—through a combination of better policing and punishment reform for nonviolent offenders—could be redirected to government programs that are upstream from the criminal justice system, like education and healthcare, with access to education and mental health services both considered inputs into society’s level of criminality.

Australia spends vastly more on schools and public hospitals than on prisons and police. In the most recent year with available figures, 2016-17, Australian governments spent almost \$64 billion on public hospitals, almost \$58 billion on schools (public and independent), and \$3.2 billion on prison operations.⁹ Public hospital spending was 3.6 percent of GDP, schools spending was 3.2 percent of GDP, police spending was 0.61 percent of GDP, and prison spending was 0.19 percent of GDP.¹⁰ Therefore, if we conceive a trade-off between prison spending and schools and hospitals, what we find is that the ratio fluctuates mostly with the allocation of sums to those other services because those sums are so much greater. Such a comparison is also less appropriate than the prison-to-police spending ratio because the purposes of these services are much more diverse than the indirect role they play in criminal justice.

Nonetheless, a comparison of prison spending with schools does show that ratio has declined in recent years, which illustrates that prison spending is rising more quickly than education spending. The data for public hospitals spending only go back three years and so do not admit a real comparison and have been excluded.

Figure 7: Ratio of schools spending to prison spending 2011-12 to 2016-17



Source: Productivity Commission, IPA Calculation

⁹ Productivity Commission (2019), as above, and Tables 4A.10 and 12A.1

¹⁰ Calculation based on the above and using the GDP figure reported in Australian Bureau of Statistics (2019), *National accounts*

One conclusion we can draw from these data is that the large differences in the scale of schools and public hospital spending and police and prison spending suggest that each dollar saved by sensible criminal justice reform is of more value to the criminal justice system than it would be to those other service provision systems. Better policing and more efficient courts, both of which are connected to the same goals of increased community safety and less crime that the prison system exists to pursue, are worthier reinvestment priorities, at least in the immediate term, than attempted upstream interventions based on folding criminal justice into the broader service provision of the state.

However, it is worth noting that, unlike the police-to-prison spending ratio, the ratios of school and hospital spending to prison spending varies greatly across Australian jurisdictions. In the most recent available year, 2016-17, New South Wales spent more than \$24 on public hospitals for every \$1 it spent on prisons; in the Northern Territory, the comparable figure was just \$8.94. Similarly, that same year, Queensland spent more than \$22 on schools for every \$1 spent on prisons; the Northern Territory spent just \$7.90. This is another way of conceptualising the scope of incarceration in the Northern Territory, where the incarceration rate is already at an American-style level: 900 per 100,000 adults, mostly driven by an extreme disparity in incarceration between Indigenous and non-Indigenous Australians. Among the states, Western Australia had noticeably lower ratios than the others, and unsurprisingly this is because it has a much higher incarceration rate than other states, most markedly among Indigenous Australians but also among the non-Indigenous. These examples illustrate that the growth of incarceration contributes to trade-offs for governments both inside and outside of the criminal justice system. It also further reinforces the need for careful consideration of whether the taxpayer dollars directed to community safety are being efficiently deployed when they are overwhelmingly allocated to incarceration.

Internationally, European Union countries spent about 3.4 percent of GDP on average over 2013-2017 on schools (pre-primary, primary, and secondary), fractionally more than Australia. The United States spent fractionally more again, at 3.6 percent of GDP. A comparison of public hospital spending is more difficult, with the United States' healthcare system being substantially different in its operation and accounting than Australian and European Union countries. Eurostat reports the category 'Hospital services', on which European Union countries spent on average, over that same period, 3.2 percent of GDP, which is less than Australia spent on public hospitals.¹¹ Broadly speaking, Australia's allocation of resources to education and healthcare is similar to our most comparable overseas counterparts. The point here, again, is that the services in Australia are already generously-funded, so the marginal value of directing savings from criminal justice reform towards them is dubious. This money will likely be better utilised (for community safety purposes especially) by the criminal justice system – the question is, or should be, how criminal justice spending is apportioned.

¹¹ Eurostat (2019), "General government expenditure by function", accessed 1 May 2019 Christopher Chantrill (2019) "Government spending chart", *US Government Spending*

Conclusion

The comparison undertaken in this paper highlights that the rapid growth of incarceration in Australia is causing governments to make trade-offs within the criminal justice system. The trend towards a greater allocation of spending to prisons comes at the expense of the police.

Compared to similar jurisdictions, Australia's spending pattern in criminal justice is a midpoint between the priorities pursued in the United States and the European Union. However, Australia is trending towards the United States policy setting even as that country pursues a move in the other direction.

This is a concern because policing is a better value-for-money tool for deterring crime and incapacitating criminals than increased incarceration. Governments have increased the prison population in part by lengthening prison sentences but this is known to have less deterrent effect than policing. It is also very expensive, especially once associated effects are taken into account: prisons have high recidivism rates, and the more people that cycle in and out of our prisons, the more people there are in the community for whom that experience is normal. This too must be factored into the costs of the policy settings chosen by governments.

Instead, governments should look to arrest the growth of incarceration and its attendant costs, while reinvesting some of those savings in the police, courts, and community corrections.

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