Abstract: In this article I examine the social desirability of rewarding prisoners for good behavior, either by reducing their sentences (granting “time off”), converting part of their sentences to a period of parole, or providing them with privileges in prison. Rewarding good behavior reduces the state’s cost of operating prisons. But rewarding good behavior also tends to lower the deterrence of crime because such rewards diminish the disutility of imprisonment. I demonstrate that, despite this countervailing consideration, it is always socially desirable to reward good behavior with either time off or parole. In essence, this is because the reward can be chosen so that it just offsets the burden borne by prisoners to meet the standard of good behavior — resulting in good behavior essentially without a reduction in deterrence. While employing privileges to reward good behavior might be preferable to no reward, the use of privileges is inferior to time off and parole.

Key words: imprisonment; parole; prison costs; prisoner behavior; deterrence; sanctions

JEL codes: H23; K14; K42

* 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 Joseph Bankman, Richard Craswell, Andrew Daughety, Louis Kaplow, Mark Kleiman, Yijia Lu, Joan Petersilia, Jennifer Reinganum, Paul Riskind, and Steven Shavell, and useful research assistance was provided by William Blackman, Cynthia Liu, and David Thompson.
1. Introduction

Controlling the misbehavior of prisoners is a significant challenge in any penal system. Such misbehavior includes using and marketing drugs, assaulting prison employees and other prisoners, and disrupting prison discipline during meals and other activities.¹

Controlling prisoners is expensive, requiring a significant number of guards and costly physical features of prisons, such as solitary confinement cells. In 2008, approximately $75 billion was spent by federal, state, and local governments on corrections, mostly on incarceration.² The cost of controlling badly-behaved prisoners is much greater than the cost of controlling well-behaved ones — commonly fifty percent more, and sometimes two or three times more. In Ohio, for example, the average prisoner costs $63 a day to house, whereas a prisoner in a maximum-security prison costs $101 a day, and a prisoner in a “supermax” prison costs $149 a day.³

The cost of operating prisons could be reduced if prisoners would behave better, and the prison system provides incentives for prisoners to do so. In particular, good behavior is often

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¹ Although systematic data on prisoner misbehavior is not widely available, consider the following. In a study of 3,000 inmates admitted by the California Department of Corrections in early 1994, 29 percent were subsequently reported for “some kind of serious violation” of prison rules. See Berk and de Leeuw (1999, p. 1047). In a one-year period beginning on March 1, 1997, 25.9 percent of male inmates in the custody of the Federal Bureau of Prisons engaged in some form of misconduct, including 5.1 percent in “violent misconduct,” 5.4 percent in “drug misconduct,” 6.6 percent in “property misconduct,” and 4.8 percent in “security misconduct.” See Gaes et al. (2002, pp. 364-366). Based on a survey of inmates in Federal correctional facilities published in 1991, 15.78 percent of inmates in maximum security prisons were found guilty of prison rule violations for possession of drugs, 9.53 percent for possession of alcohol, 7.66 percent for possession of a weapon, 9.38 percent for assaulting an inmate, and 5.94 percent for assaulting a correction officer. See Chen and Shapiro (2007, p. 8, Table 1).


³ See Mears (2006, p. 26). A supermax prison is a super-maximum-security prison. The $63 figure is the average for prisoners other than supermax prisoners. Mears also observes (pp. 20, 33) that in Maryland “it costs three times as much to house prisoners in the [supermax prison] as it does to house place them in a non-supermax facility” and that in Texas it costs 45 percent more to house prisoners in “ad seg” units (administrative segregation units similar in many respects to supermax prisons) than in the general population units. On the costs imposed by the bad behavior of prisoners, see generally Lovell and Jemelka (1996).
rewarded by (i) a sentence reduction, frequently referred to as “time off;” (ii) the partial conversion of a sentence to a period of parole, during which the offender is subject to restrictions and supervision outside of prison; or (iii) the provision of in-prison privileges, such as additional television-watching time or greater access to recreational facilities.¹

In this article I examine the social desirability of rewarding prisoners for good behavior through these three methods. In doing so, I also consider individuals’ incentives to commit crimes initially, which will increase, everything else equal, if the disutility of the sanction is reduced as a result of the granting of time off, parole, or privileges. It might appear, therefore, that whether it is desirable to reward prisoners for good behavior depends on whether the resulting savings in prison costs exceed the increased cost of crime.⁵

The main result of my analysis, however, is that it is always desirable to reward prisoners for good behavior through either positive time off or a positive period of parole. Why is rewarding prisoners for good behavior through time off or parole unequivocally better than not providing such rewards, given that the rewards lessen the disutility of the sanction and thus tend to increase crime?

Consider the time off policy. To obtain a reward of time off, prisoners must meet some minimum standard of behavior. Satisfying this standard imposes a burden on prisoners — such as from not using drugs or not engaging in violent behavior — and thereby increases the

⁴ Conversely, prisoners can be punished for bad behavior by having their terms extended or losing privileges. See generally Clear, Cole, and Reisig (2013, Chs. 13 and 15) and Seiter (2013, Chs. 6 and 10). For some evidence that prisoners behave better in response to the prospect of parole, see Kuziemko (2013); there is no reason to believe that they would not also be responsive to time off and privileges.

⁵ Although my focus in this article is on the desirability of rewards when imprisonment is used to deter crime, I also briefly consider the desirability of rewards when imprisonment is used to prevent crime through incapacitation. See comment (b) in section 7 below.
disutility per unit time in prison.\(^6\) The state can choose the amount of time off so as to just offset this increased burden, leaving the total disutility of the sanction (the higher disutility per year for fewer years) unaffected. In other words, a time off policy can be designed so as to maintain deterrence.\(^7\) Thus, a time off policy can provide two benefits to the state without increasing crime: the cost per unit time of imprisoning individuals declines because they behave better; and the length of time they serve declines, further lowering prison costs.

The rationale for parole is similar to that described for time off, though the explanation is more complicated because individuals suffer some disutility while on parole and the state incurs some costs to supervise parolees. Whether parole is superior to time off depends on the magnitudes of these variables. Specifically, which type of reward is preferred depends on the cost of generating a specified level of deterrence by imprisonment compared to the cost of generating that level of deterrence by parole (the latter requiring a longer period of supervision, but one that is cheaper per unit time).

While a privileges policy can be superior to a policy of not rewarding good behavior, the use of privileges is inferior to both time off and parole. Privileges are dominated by the other policies not only because there is no reduction in the time served in prison under a privileges policy, but also because the provision of privileges generally is costly.

Although the preceding discussion implicitly assumed that the burden to behave well was the same for all prisoners, the desirability of rewarding prisoners for good behavior holds

\(^6\) My analysis could instead be formulated in terms of discouraging bad behavior in prison rather than encouraging good behavior; then the benefits foregone from not acting badly would correspond to the burden incurred from behaving well. See also note 10 below.

\(^7\) For example, suppose that the disutility of prison per year is 1,000 utils if a prisoner uses drugs and 1,200 utils if he does not use drugs. If his original sentence is six years, he would bear 6,000 utils of disutility if he uses drugs. If he is offered time off of one year if he does not use drugs, he will also bear 6,000 (= 5 x 1,200) utils of
regardless of heterogeneity among prisoners in this regard. The argument is more complicated because, if individuals differ in the burden to behave well, deterrence cannot be maintained for all of them when they are offered a reward for good behavior. In particular, individuals for whom the burden of behaving well is low — below some threshold — will be deterred less because the benefit to them of the reward will exceed the disutility incurred to obtain it. Nonetheless, for reasons that reflect the intuition already provided, rewarding prisoners for good behavior remains socially beneficial if the magnitude of the reward is chosen optimally.

The main result of this article — that it is desirable to reward prisoners for good behavior through either time off or parole — has not been noted previously. There are two articles that study parole as a mechanism to induce prisoners to behave well, but neither observes my result.8

Section 2 presents the basic model employed in the analysis when prisoners are not rewarded for good behavior. Sections 3, 4, and 5 derive the main results regarding the policies of time off, parole, and privileges, respectively. Section 6 reconsiders the analysis when individuals vary in the effort required to behave well. Section 7 concludes with some observations about different types of prisoner misconduct and the incapacitation rationale for imprisonment.

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8 See Miceli (1994) and Garoupa (1996). Their assumptions also differ significantly from mine. Notably, Miceli does not include in social welfare the disutility of individuals from being imprisoned or from their effort to behave well; and Garoupa assumes that the total effort required to comply with prison rules and regulations is
2. No Reward for Good Behavior

In this section I describe the model used throughout the analysis, initially assuming that there is no form of reward for good behavior.

Risk-neutral individuals contemplate committing a harmful act in order to obtain a benefit that varies among them. They are assumed to have no wealth, so that the only sanction that can be imposed on them is a prison sentence. Prisoners can choose how much effort to expend to behave well in prison. The more effort that they take to behave well, the lower the state’s cost of operating prisons.

Let
\[ h = \text{harm caused if the offense is committed}; \ h > 0; \]
\[ b = \text{benefit to an individual from committing the offense}; \ b \geq 0; \]
\[ v(b) = \text{density of } b \text{ among individuals}; \ v(b) > 0 \text{ for all } b \geq 0; \]
\[ p = \text{probability of catching an offender}; \ p > 0; \]
\[ s = \text{prison sentence for the offense}; \ s > 0; \]
\[ e = \text{effort by a prisoner per unit time to behave well}; \ e \geq 0; \]
\[ \bar{e} = \text{maximum possible effort}; \text{ and} \]
\[ c(e) = \text{cost to the state per unit time to imprison an individual}; \ c'(e) < 0; \ c''(e) \geq 0. \]

Sentences are measured in units of time corresponding to one dollar of disutility.\(^9\) I assume that there is an upper bound on prisoner effort to behave well in order to obtain determinate solutions under the time off and parole policies (see Propositions 2 and 4 below).\(^{10}\)

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\(^9\) Implicit in this construction is that the disutility of a sentence is proportional to its length.

\(^{10}\) Independent of the length of the sentence and that good behavior in prison does not affect the public cost of imprisonment per unit time. See also note 22 below and accompanying text.
Because my focus in this article is on whether it is desirable to reward prisoners for good behavior, I assume for simplicity that the probability \( p \) and the sentence \( s \) are exogenous. As will be seen, none of my results depends on this assumption.

In the absence of any policy to reward good behavior, prisoners will not expend effort to behave well, so the disutility of the prison sentence is \( s \) and the state’s cost per unit time to imprison an individual is \( c(0) \). An individual will commit an offense if his benefit \( b \) exceeds the expected disutility of the sentence \( ps \).

Social welfare equals the benefits that individuals obtain from committing harmful acts, less the harms they cause, less the disutility that they bear from sanctions, and less the state’s cost of imposing sanctions. Hence, social welfare in the absence of any reward for good behavior is

\[
\int_{ps}^{\infty} [b - h - ps(1 + c(0))]v(b) db. \tag{1}
\]

The cost of achieving the probability \( p \) is ignored because it is a fixed cost.

3. Time Off for Good Behavior

Now suppose that the state rewards prisoners for good behavior by reducing their sentences. Although in general the state could choose a schedule of sentence reductions as a function of the effort expended by prisoners, I consider a simple policy in which the state selects a single sentence reduction that will be granted if prisoners meet some minimum effort level. It

\[10\] The need to make this assumption could be avoided if the model were reformulated in terms of prisoners obtaining a benefit from acting badly (for example, extorting cigarettes from another prisoner in return for providing protection from prison gang members) rather than incurring an effort cost from behaving well. There would then be a natural lower bound on bad behavior — none. Aside from the fact that this alternative formulation would be somewhat more complicated notationally, it seems like a less natural framework within which to discuss the common practice of rewarding prisoners for good behavior.
will be clear that there would be no advantage in the model from employing the more general formulation.\textsuperscript{11}

Let

\[ r_T = \text{sentence reduction under a time off policy; } 0 \leq r_T < s; \text{ and} \]
\[ \hat{e}_T = \text{minimum effort level to obtain the sentence reduction } r_T; \]
\[ 0 \leq \hat{e}_T \leq \bar{e}. \]

Consider the decision of a prisoner whether to meet the state’s minimum effort level. Clearly, he will either take zero effort or will just meet the standard $\hat{e}_T$. In the former case his disutility from the sentence is $s$, while in the latter case his disutility is $(s - r_T)(1 + \hat{e}_T)$. Thus, he will take effort level $\hat{e}_T$ if and only if

\[ (s - r_T)(1 + \hat{e}_T) \leq s. \tag{2} \]

Since if (2) does not hold, the time off policy is equivalent to not providing a reward for good behavior, I will assume that (2) holds. Then, an individual will commit an offense if his benefit $b$ exceeds the expected disutility from the time he would serve in prison, taking into account that he will expend effort to behave well, $p(s - r_T)(1 + \hat{e}_T)$.

Social welfare now is

\[ \int_{b}^{\infty} \left[ b - h - p(s - r_T)(1 + \hat{e}_T) + c(\hat{e}_T) \right] v(b) db. \tag{3} \]

The state’s problem is to choose the sentence reduction $r_T$ and the minimum effort level $\hat{e}_T$ so as to maximize social welfare, subject to the constraint (2). The socially optimal value of a policy instrument will be indicated with an asterisk.

\textsuperscript{11} See note 12 below.
Proposition 1. A policy of providing time off for good behavior is superior to a policy of not rewarding good behavior.

Proof: For any \( \hat{e}_T \in (0, \bar{e}] \), pick \( r_T > 0 \) such that (2) holds with equality. Clearly such an \( r_T \) exists since the left-hand side of (2) is continuous in \( r_T \) and approaches 0 as \( r_T \) approaches \( s \) and approaches \( s(1 + \hat{e}_T) > s \) as \( r_T \) approaches 0. Then social welfare under the time off policy (3) differs from social welfare under the no reward policy (1) only with respect to the cost to the state of imprisoning individuals. Such costs are lower under the time off policy, \( (s - r_T)c(\hat{e}_T) < sc(0) \), because \( r_T > 0 \) and \( c(\hat{e}_T) < c(0) \). ■

Comments: (a) As explained in the introduction, awarding time off for good behavior does not necessarily lessen deterrence, because prisoners suffer greater disutility per unit time due to the effort required to obtain time off. Since the sentence served can be shortened just enough so that the total disutility of the sentence is unaffected, deterrence can be maintained. But the cost to the state of imprisoning individuals declines under a time off policy, both because of the shorter sentences served and because imprisonment costs per unit time are lower due to the better behavior of prisoners.

(b) Note that this logic applies regardless of the effort required to obtain the time off. Even if it were essentially costless for prisoners to behave well, in which case the time off reward would be miniscule, the time off policy would be desirable due to lower imprisonment costs per unit time.

Proposition 2. The optimal time off policy requires prisoners to take maximal effort to behave well, that is, \( \hat{e}_T^* = \bar{e} \).

Proof: Suppose otherwise, that some \( \hat{e}_T < \bar{e} \) and some \( r_T \) satisfying (2) are optimal. Then raise \( \hat{e}_T \) to \( \bar{e} \) and raise \( r_T \) to \( r_T' \) such that \( (s - r_T')(1 + \bar{e}) = (s - r_T)(1 + \hat{e}_T) \), which also will satisfy
(2). It is clear from (3) that social welfare with \((\bar{e}, r_T')\) exceeds that with \((\hat{e}_T, r_T)\) because the cost to the state of imprisoning individuals is lower; specifically, \((s - r_T')c(\bar{e}) < (s - r_T)c(\hat{e}_T)\) because \(r_T' > r_T\) and \(c(\bar{e}) < c(\hat{e}_T)\). ■

Comment: Obviously, a time off policy that induces prisoners to take maximal effort to behave well will result in the lowest cost to the state per unit time to imprison individuals. Moreover, to achieve this outcome requires rewarding prisoners with more time off than would be necessary if the required effort level were lower. Thus, relative to a time off policy that does not require maximal effort, prison costs decline both because the cost per unit time is lower and because the length of time served is shorter.\(^{12}\)

4. Parole for Good Behavior

Parole can be described as a sentence reduction during which an individual is monitored and subject to restrictions outside of prison. I assume that the disutility per unit time suffered by an individual on parole is less than that which he would suffer in prison, and that the cost to the state of supervising an individual on parole is less than the cost of keeping him in prison.

Let

- \(r_P = \text{sentence reduction under a parole policy; } 0 \leq r_P < s;\)^{13}

- \(\hat{e}_P = \text{minimum effort level to obtain the sentence reduction } r_P;\)

\[0 \leq \hat{e}_P \leq \bar{e};\]

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\(^{12}\) Social welfare could not be raised by employing a more general time off policy involving a schedule of sentence reductions as a function of the effort expended by prisoners. Such a policy could not result in lower prison costs per unit time or a greater sentence reduction, holding deterrence constant.
θ = disutility to an individual per unit time on parole; 0 < θ < 1; and

k = cost to the state per unit time to supervise an individual on parole; 0 < k < c(\bar{e}).

Note that I assume that it is less costly to the state to supervise an individual on parole than to keep him in prison even if he were to take maximum effort to behave well in prison — an assumption that is both intuitively plausible and that has empirical support.\textsuperscript{14}

If a prisoner takes no effort to behave well his disutility from the sentence is s, while if he takes effort \( \hat{e}_p \) and obtains parole for period \( r_p \) his disutility is \((s - r_p)(1 + \hat{e}_p) + r_p\theta)\). Thus, he will take effort level \( \hat{e}_p \) if and only if

\[
(s - r_p)(1 + \hat{e}_p) + r_p\theta \leq s. \tag{4}
\]

Assuming (4) holds, an individual will commit an offense if his benefit \( b \) exceeds the sum of his expected disutility from the prison time and the parole period, \( p[(s - r_p)(1 + \hat{e}_p) + r_p\theta] \).

Social welfare then is

\[
\int_{-\infty}^{\infty} [b - h - p[(s - r_p)(1 + \hat{e}_p + c(\hat{e}_p)) + r_p(\theta + k))]v(b)db. \tag{5}
\]

The state’s problem is to choose \( r_p \) and \( \hat{e}_p \) so as to maximize (5), subject to the constraint (4).

**Proposition 3.** A policy of providing parole for good behavior is superior to a policy of not rewarding good behavior.

**Proof:** For any \( \hat{e}_p \in (0, \bar{e}] \), pick \( r_p > 0 \) such that (4) holds with equality. Such an \( r_p \) exists since the left-hand side of (4) is continuous in \( r_p \) and approaches \( s\theta < s \) as \( r_p \) approaches \( s \) and

\textsuperscript{13} If \( r_p \) equaled or exceeded \( s \), the parole policy would in effect be converted into a probation policy, under which the offender would not serve any prison time, just time outside of prison under supervision. I do not consider probation in this article because it does not bear on the topic of interest here, inducing prisoners to behave well.
approaches \( s(1 + \hat{e}_P) > s \) as \( r_P \) approaches 0. Then social welfare under the parole policy (5) differs from social welfare under the no reward policy (1) only with respect to the cost to the state of sanctioning individuals. Such costs are lower under the parole policy, \( (s - r_P)c(\hat{e}_P) + r_Pk < sc(0) \), because \( k < c(\bar{e}) \leq c(\hat{e}_P) < c(0) \).

Comment: The explanation of the superiority of parole to no reward for good behavior parallels that with respect to time off for good behavior. In essence, the parole period can be selected so that, given the effort level required of prisoners to obtain parole, there is no sacrifice of deterrence compared to the no reward policy. The cost to the state of sanctioning individuals declines because the cost of parole per unit time is less than the cost of prison per unit time, and the cost of prison per unit time declines due to the effort taken by prisoners to behave well.

**Proposition 4.** The optimal parole policy requires prisoners to take maximal effort to behave well, that is, \( \hat{e}_p^* = \bar{e} \).

**Proof:** Suppose otherwise, that some \( \hat{e}_p < \bar{e} \) and some \( r_P \) satisfying (4) are optimal. Then raise \( \hat{e}_p \) to \( \bar{e} \) and raise \( r_P \) to \( r'_P \) such that \( (s - r'_P)(1 + \bar{e}) + r'_P\theta = (s - r_P)(1 + \hat{e}_P) + r_P\theta \), which also will satisfy (4). That such an \( r'_P \) exists follows from the continuity of \( (s - r_P)(1 + \bar{e}) + r_P\theta \) in \( r_P \), that \( (s - r_P)(1 + \bar{e}) + r_P\theta \) approaches \( s\theta \) as \( r_P \) approaches \( s \), and that \( (s - r_P)(1 + \hat{e}_P) + r_P\theta > (s - r_P)\theta + r_P\theta = s\theta \). It is clear from (5) that social welfare with \( (\bar{e}, r'_P) \) exceeds that with \( (\hat{e}_P, r_P) \) because the cost to the state of sanctioning individuals is lower: \( (s - r'_P)c(\bar{e}) + r'_Pk < (s - r_P)c(\bar{e}) + r_Pk \). □

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14 See, for example, North Carolina Criminal Justice Analysis Center (2007, p. 12) (“For the same cost of housing one minimum security offender in prison, for a year, four offenders could be placed under intensive supervision [outside of prison] . . .”). See also note 18 below and accompanying text.
Comment. The intuition behind this result is similar to that used to explain the analogous result for the time off policy. The more effort that is required under the parole policy, the more sanctioning costs decline, both because the cost to the state per unit time to imprison individuals declines, and because more of the sentence is served on parole, which is less expensive than prison.

Proposition 5. Either the optimal time off policy or the optimal parole policy could be preferred. Specifically, if the cost per unit of deterrence achieved through imprisonment, \( c(\bar{e})/(1 + \bar{e}) \), is less than the cost per unit of deterrence achieved through parole, \( k/\theta \), time off is superior, and vice versa.

Proof: Let \((\bar{e}, r_T)\) and \((\bar{e}, r_P)\) be the optimal time off and parole policies that achieve the same level of deterrence \( \delta \in (s\theta, s) \).\(^{15}\) Hence,

\[
(s - r_T)(1 + \bar{e}) = (s - r_P)(1 + \bar{e}) + r_P \theta = \delta. \tag{6}
\]

It is clear from the discussion in the proofs of Propositions 1 and 3 that such an \( r_T \) and an \( r_P \) exist. Then the only welfare difference between time off and parole is the public cost of sanctions. The sanctioning costs per prisoner under time off are \((s - r_T)c(\bar{e})\), while the comparable costs under parole are \((s - r_P)c(\bar{e}) + r_P k\). Thus, time off will be preferred if

\[
(s - r_T)c(\bar{e}) < (s - r_P)c(\bar{e}) + r_P k. \tag{7}
\]

Solving for \( r_T \) from the first inequality in (6) and substituting into (7) yields

\[
c(\bar{e})/(1 + \bar{e}) < k/\theta, \tag{8}
\]

the condition stated in the proposition. Obviously, if the inequality in (8) is reversed, parole will be superior. □

\(^{15}\) That this common level of deterrence must exceed \( s\theta \) follows from the fact that the level of deterrence under the parole policy is bounded from below by \( s\theta \). That this common level of deterrence cannot exceed \( s \) follows from (2) and (4).
Comments: (a) Since both time off and parole can be used to induce prisoners to take any specified level of effort to behave well without sacrificing deterrence relative to the no reward policy, the key question is which can do so more cheaply. It might appear that time off should be favored because the state does not bear any costs during the time off period, whereas it does during the parole period. However, this observation does not recognize that time off imposes costs on the state in the following sense. Because an individual on parole still suffers some disutility, $\theta$, per unit time, whereas an individual on time off does not, the time off period $r_T$ must be shorter than the parole period $r_P$ — that is, more prison time must be served under the time off policy — if both policies achieve the same level of deterrence.\(^{16}\) Thus, the “cost” of the time off policy, relative to the parole policy, is that it imposes greater imprisonment costs on the state. These costs will be lower than the comparable parole costs if the cost per unit of deterrence achieved through imprisonment is lower than the cost per unit of deterrence achieved through parole, and vice versa.

(b) I am not aware of any data on the burden of parole on offenders relative to that of imprisonment, but there is some evidence concerning the relative costs to the state of parole and imprisonment. One source observes that the cost of parole is one-quarter that of imprisonment.\(^{17}\) Another indicates that parole costs approximately one-tenth of imprisonment.\(^{18}\) Thus, if the burden of imprisonment to offenders is more than ten times that of parole, then this evidence suggests that time off would be preferred to parole. Conversely, if the disutility from imprisonment is less than four times that of parole, it suggests that parole would be superior.

\(^{16}\) This result can be seen from (6). If $r_T = r_P$ in (6), the right-hand side of the first equality would exceed the left-hand side. It is clear, therefore, that for the first equality in (6) to hold, it must be that $r_T < r_P$.

\(^{17}\) See note 14 above.

\(^{18}\) See Schmitt, Warner, and Gupta (2010, p. 11, Notes to Table 4).
5. Privileges for Good Behavior

Another way prisoners can be rewarded for good behavior is by being given extra privileges inside prison, as was noted in the introduction. For example, a well-behaved prisoner could be granted greater access to athletic facilities, the library, or the commissary; more family visitation or phone privileges; more TV time, and so forth. Such privileges may be relatively inexpensive to provide, though there generally will be some cost, if only greater supervision by prison guards.

Let

\[ a = \text{expenditures by the state to provide privileges per unit time per prisoner; } a \geq 0; \]

\[ \lambda(a) = \text{fractional reduction in disutility from imprisonment given } a; \lambda(0) = 0; \lambda'(a) > 0; \]

\[ \lambda''(a) \leq 0; \lambda(a) \leq \bar{\lambda}, \text{ where } 0 < \bar{\lambda} < 1; \text{ and} \]

\[ \hat{e}_I = \text{minimum effort level to obtain the privileges } a; 0 \leq \hat{e}_I \leq \bar{e}. \]

I assume that privileges reduce the disutility of imprisonment, but not the disutility of effort to behave well.20

If a prisoner takes effort \( \hat{e}_I \) to behave well, the disutility he will suffer in prison is \( s(1 + \hat{e}_I - \lambda(a)) \). Hence, he will take effort \( \hat{e}_I \) if and only if

\[ s(1 + \hat{e}_I - \lambda(a)) \leq s \]

or, equivalently, if and only if

\[ \hat{e}_I \leq \lambda(a). \]

19 Because the subscript “P” has already been used to signify parole, I use the subscript “I” here to represent “in-house” rewards.
In other words, a prisoner will take effort to behave well if the disutility of the effort does not exceed the utility of the privileges. Assuming (9) holds, an individual will commit an offense if his benefit $b$ exceeds $ps(1 + \hat{e}_i - \lambda(a))$.

Social welfare under the privileges policy is

$$\int_{ps(1 + \hat{e}_i - \lambda(a))}^{\infty} \left[ b - h - ps(1 + \hat{e}_i - \lambda(a)) + c(\hat{e}_i) + a \right] v(b) db. \quad (11)$$

The state’s problem is to choose $a$ and $\hat{e}_i$ so as to maximize (11), subject to the constraint (10).

**Proposition 6.** A policy of providing privileges for good behavior can be superior to a policy of not rewarding good behavior.

**Proof:** Under the privileges policy, set $\hat{e}_i = \lambda(a)$, in which case social welfare will be

$$\int_{ps}^{\infty} \left[ b - h - ps(1 + \lambda(a)) + a \right] v(b) db. \quad (12)$$

Then social welfare under the privileges policy (12) will exceed that under the no reward policy (1) if there exists an $a > 0$ such that

$$c(\lambda(a)) + a < c(0). \quad (13)$$

Let $\lambda(a) = \lambda a$, where $\lambda$ is a positive constant, and let $c(e) = c/(\gamma + e)$, where $c$ and $\gamma$ are positive constants. Given these functional forms (which satisfy the assumptions about their first and second derivatives), (13) can be expressed as

$$\gamma a(\gamma + \lambda a) < \lambda ca. \quad (14)$$

Since $\lambda(a) \leq \lambda$, $a$ cannot exceed $\lambda / \lambda$. For any $a \in (0, \lambda / \lambda]$, (13) clearly will be satisfied if $\gamma$ is sufficiently small. ■

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20 For example, I am assuming that the loss of utility from refraining from the use of drugs is not affected by being given more time in the prison library.
Comment: Spending on privileges will be socially desirable if the reduction in prison costs resulting from better prisoner behavior induced by the prospect of obtaining privileges exceeds the cost of the privileges. This clearly can be the case, depending on the degree to which privileges are valued by prisoners and the extent to which prison costs decline with better prisoner behavior.

Proposition 7. A policy of providing privileges for good behavior is inferior to a policy of providing time off for good behavior.

Proof: Let \((\hat{e}_t, a)\) be the privileges policy, with (9) satisfied. Let \((\hat{e}_t, r_T)\) be the time off policy that achieves the same effort level and deterrence level as with privileges, in which case

\[
(s - r_T)(1 + \hat{e}_t) = s(1 + \hat{e}_t - \lambda(a)).
\]

Such an \(r_T\) exists since the left-hand side of (15) is continuous in \(r_T\) and approaches 0 as \(r_T\) approaches \(s\) and approaches \(s(1 + \hat{e}_t) > s(1 + \hat{e}_t - \lambda(a))\) as \(r_T\) approaches 0. Additionally, given (15) and the assumption that (9) is satisfied, (2) will be satisfied. Then the only welfare difference between using privileges and time off is the difference between the public costs under the two policies. The sanctioning and privileges costs per prisoner under the privileges policy are \(s(c(\hat{e}_t) + a)\), whereas the sanctioning cost per prisoner under time off is \((s - r_T)c(\hat{e}_t)\), which obviously is lower.

Comments: (a) Whatever level of prisoner effort to behave well is induced by offering privileges can be duplicated under the time off policy. Thus, there is no advantage from using privileges in terms of achieving desirable prisoner behavior. In terms of costs, however, using privileges suffers from two disadvantages relative to using time off. A privileges policy does not reduce the length of time served by a prisoner. And a privileges policy requires the state to spend additional resources to provide the privileges. Note that even if privileges were costless to
provide, the time off policy still would be superior because it would reduce prison costs by reducing the time served.

(b) There is another disadvantage of the privileges policy compared to the time off policy that is not reflected in the proof of Proposition 7. Under the privileges policy, there is an upper bound on how much effort prisoners can be induced to take — only up to the maximum utility they can obtain from the privileges, \( \bar{\lambda} < 1 \) (see (10)). Under the time off policy, in contrast, any level of effort can be induced by a sufficiently great time off reward.

Before comparing privileges and parole, I make the additional assumption that an individual would prefer to be on parole rather than in prison even when he is provided the maximum level of privileges in prison, that is,

\[
\theta < 1 - \bar{\lambda}. \tag{16}
\]

**Proposition 8.** A policy of providing privileges for good behavior is inferior to a policy of providing parole for good behavior.

**Proof:** Let \((\hat{e}_I, a)\) be the privileges policy, with (9) satisfied. Let \((\hat{e}_I, r_P)\) be the parole policy that achieves the same effort level and deterrence level as with privileges, in which case

\[
(s - r_P)(1 + \hat{e}_I) + r_P \theta = s(1 + \hat{e}_I - \lambda(a)). \tag{17}
\]

Such an \(r_P\) exists because the left-hand side of (17) is continuous in \(r_P\) and approaches \(s \theta < s(1 - \bar{\lambda}) \leq s(1 + \hat{e}_I - \lambda(a))\) as \(r_P\) approaches \(s\) and approaches \(s(1 + \hat{e}_I) > s(1 + \hat{e}_I - \lambda(a))\) as \(r_P\) approaches 0, where the first inequality follows from (16). Moreover, given (17) and the assumption that (9) is satisfied, (4) will be satisfied. Then the only difference between privileges and parole concerns the public costs under the two policies. The public costs per prisoner under the privileges policy are \(s(c(\hat{e}) + a)\), while the public costs per prisoner under parole are \((s - r_P)c(\hat{e}_I) + r_Pk\), which are lower given that \(k < c(\bar{e}) \leq c(\hat{e}_I)\). ■
Comment: The advantages of parole over privileges are similar to those of time off over privileges. In brief, a parole policy can duplicate any prisoner effort level and any deterrence level achievable under a privileges policy. Moreover, it can do so at lower cost because some portion of the original prison sentence $s$ is served on parole, whereas the privileges policy results in the offender serving all of his original sentence in prison. This fact alone favors the parole policy, but the parole policy also avoids the costs of providing privileges. Note, too, that the parole policy can achieve any desired effort level, whereas the privileges policy is constrained in this regard.

6. Variation in the Effort Required to Behave Well

Consider a generalization of the model described in Section 2 to allow for variations among individuals in the effort required to behave well (for example, they might differ in the degree of their impulse control problems). Specifically, let

$$\alpha = \text{private effort-cost coefficient}; \alpha \geq 0; \text{ and}$$

$$z(\alpha) = \text{density of } \alpha \text{ among individuals}; z(\alpha) > 0 \text{ for all } \alpha \geq 0.$$ 

Thus, the cost to an $\alpha$-type individual to take effort level $e$ is $\alpha e$. I assume that the densities of the benefit from committing the offense, $b$, and the effort cost coefficient, $\alpha$, are distributed independently.

Under the time off policy $(\hat{e}_T, r_T)$, a prisoner will take effort level $\hat{e}_T$ if and only if

$$(s - r_T)(1 + \alpha \hat{e}_T) \leq s. \quad (17)$$

Let

$$\bar{\alpha} = \text{critical value of } \alpha,$$
below (and at) which prisoners will take the required effort level $\hat{e}_T$ and above which they will take zero effort. Hence,

$$ (s - r_T)(1 + \bar{a}\hat{e}_T) = s $$

(18)

or, equivalently,

$$ \bar{a} = r_T/(s - r_T)\hat{e}_T. $$

(19)

For an individual for whom $\alpha \leq \bar{a}$, the disutility from the time he would serve in prison is $(s - r_T)(1 + a\hat{e}_T)$, so he will commit the offense if his benefit $b$ exceeds $p(s - r_T)(1 + a\hat{e}_T)$. An individual for whom $\alpha > \bar{a}$ will commit the offense if his benefit $b$ exceeds $ps$.

Thus, treating $\bar{a}$ as a function of $r_T$, social welfare is

$$ \bar{a}(r_T) \propto \int_{0}^{\infty} \int [b - h - p(s - r_T)(1 + a\hat{e}_T + c(\hat{c}_T))]v(b)dbz(\alpha)d\alpha $$

$$ + \int_{ps}^{\infty} [1 - Z(\bar{a}(r_T))] \int [b - h - ps(1 + c(0))]v(b)db, $$

(20)

where $Z(\cdot)$ is the cumulative distribution function of $\alpha$. The first term applies to individuals who will take the required effort level $\hat{e}_T$ and be rewarded with time off, while the second term applies to individuals who will not take any effort to behave well and who will not be rewarded with time off.

**Proposition 9.** When individuals differ in the effort required to behave well, a policy of providing time off for good behavior is superior to a policy of not rewarding good behavior.

**Proof:** This follows immediately from observing that the derivative of social welfare (20) with respect to $r_T$ is, at $r_T = 0$,

$$ ps[c(0) - c(\hat{c}_T)][1 - V(ps)][dZ(0)/dr_T] > 0, $$

(21)

where $V(\cdot)$ is the cumulative distribution function of $b$. Hence, $r_T^* > 0$. \(\blacksquare\)
Comments: (a) This result can be explained as follows. Obviously, raising time off for good behavior $r_T$ has the beneficial effect of inducing more prisoners to behave well, thereby reducing the state’s cost of operating prisons. In general, raising $r_T$ also has the detrimental effect of increasing crime because prisoners who behave well will bear shorter sentences. Initially, however, when $r_T = 0$, all prisoners take zero effort to behave well, so there are no well-behaved prisoners whose sentences would decline if $r_T$ is raised. Moreover, the marginal prisoners who switch from acting badly to acting well are, by definition, indifferent between good and bad behavior and consequently are not deterred less. Thus, the only marginal effect of raising $r_T$, starting at $r_T = 0$, is the beneficial savings of prison costs.

(b) Once $r_T$ is positive, however, there will be some well-behaved prisoners whose sentences will decline further as $r_T$ is raised, causing a reduction in deterrence. The optimal $r_T$ balances the beneficial savings in prison costs against this detrimental increase in crime, but the key point is that this tradeoff always favors some use of time off.

Similarly, when individuals differ in the effort required to behave well, it can be demonstrated that a policy of providing parole for good behavior is superior to a policy of not rewarding good behavior. The structure of the proof is identical to that of Proposition 9 and is not reproduced here. The intuition also closely parallels that with respect to the time off policy. Raising the parole period $r_P$ from zero has a marginal beneficial effect on prison costs, but no first-order detrimental effect on crime or parole costs.
7. Conclusion

I conclude with two comments.

(a) Behavior that benefits other prisoners. My analysis implicitly assumed that when prisoners behave better, they do not enhance the welfare of other prisoners by, for example, generating a safer prison environment. Obviously, however, refraining from some types of prisoner misconduct, such as physically assaulting other prisoners, would benefit other prisoners. My conclusion that rewarding prisoners for good behavior raises social welfare would not necessarily hold with respect to this type of misconduct. The reason is that if prisoners suffer less disutility per unit time because many behave better, deterrence is reduced.

However, many types of prisoner misconduct do not directly affect the welfare of other prisoners, including assaulting guards; attempting to escape; possessing drugs; interfering with security devices; refusing to perform work tasks; and bribing prison staff members.²¹ My conclusion that rewarding prisoners for good behavior always is beneficial applies to misconduct of this sort. Of course, it may also be desirable to reward prisoners with respect to conduct that benefits other prisoners.

(b) Incapacitation rather than deterrence as the objective of imprisonment. Because my focus in this article has been on deterrence, I did not consider the possibility that individuals commit offenses during their time off or during their time on parole. Had I done so, imprisonment would have served the dual function of deterring individuals from committing offenses and preventing them from committing offenses, that is, incapacitating them.²² If incapacitation is the goal of imprisonment, the ranking of the alternative rewards for good

²¹ For further examples, see the Appendix in Camp, Gaes, Langan, and Saylor (2003).

²² For further examples, see the Appendix in Camp, Gaes, Langan, and Saylor (2003).
behavior may be reversed. The privileges policy then may be superior to the time off and parole policies because there is no reduction in the time served under the original sentence. Whether time off is preferred to parole is unclear. On one hand, holding the disutility of the sanctions constant, the parole policy requires a greater sentence reduction to compensate for the fact that the individual continues to bear some disutility while on parole, which makes parole less desirable in terms of incapacitation. On the other hand, individuals who are on parole might commit fewer offenses per unit time than they would otherwise due to their being monitored and subject to certain restrictions on their behavior.\textsuperscript{23}

\textsuperscript{22} Miceli (1994) allows for the possibility that individuals on parole commit new offenses at some fixed rate. Hence, his analysis implicitly reflects considerations of both deterrence and incapacitation.

\textsuperscript{23} For some economic writing about parole when incapacitation is the objective of imprisonment, see, for example, Lewis (1979) and Bernhardt, Mongrain, and Roberts (2010). See also Fabel and Meier (1999), who analyze parole taking both incapacitation and deterrence into account.
References


