

350-bed detention center in Houston for \$5 million, or \$14,286 per bed.

What these figures suggest is that claims from the private sector of ability to build and run prisons at lower cost are at least plausible and worth putting to the test. The data are too limited and too crude to support any firm or categorical conclusions yet, but they are enough to show that a *prima facie* case for commercial prisons must be taken seriously. Pending further data, the case for (or against) private prisons rests mainly on *a priori* arguments, only a few of which can be considered here.³

A Priori Arguments for Privatization

Perhaps the strongest presumption in favor of private contracting of imprisonment is to assume that it would be similar in success or failure to the private contracting of other public services. We know that these other contracts are not always successful. However, E. S. Savas, in *Privatizing the Public Sector*,⁴ points out that the most rigorous and comprehensive research (of which there is little so far) supports the general superiority of private over public provision of such diverse services as solid-waste collection, electric power, fire protection, transportation, health care, education, social services, protective services, and a number of others.

Obviously, imprisonment differs from these other activities in important respects, but not necessarily in ways that relate to efficiency and cost. Besides, if a prison system is broken down into its various separate activities, there are only a few aspects that do not have counterparts in both the public and the private sector. Therefore, evidence of successful private delivery of other public services warrants the presumption that it would be feasible for imprisonment also.

Personnel is probably the major area where savings could be expected with private contracting. Businesses, for economic reasons, tend to hire and retain approximately the number of employees that they truly need. Governments, for political reasons, frequently employ too many or too few. Retirement programs, sick pay, fringe benefits, and (for blue collar workers) salaries are generally more generous in the public sector, as the Grace Commission has documented. This is because wages and benefits are not subject to the direct discipline of market forces in the public sector, at least not as much as they are in the private.

Profit-and-Loss versus Bureaucratic Incentives

Costs other than personnel are also more likely to be held down by commercial prisons, as a result of the in-

trinsic economic incentives found in profit-making companies but absent from government agencies. Public service institutions tend to be both inefficient and ineffective, not so much because they are public rather than private, but because of the way they are financed. Profit-and-loss incentives differ fundamentally from bureaucratic incentives.

Entrepreneurs are motivated, under conditions of competition, to provide maximum satisfaction at minimum cost. Bureaucrats, in contrast, are rewarded not so much for efficiency, but in direct proportion to the sizes and budgets of their agencies. Budget-based organizations are thus motivated to grow and to spend. Their money is based on promises, intentions, and efforts, and not strictly on results.

There is another reason why it tends to be inefficient for a governmental unit to attempt to supply all its own services. Economies of scale vary greatly by the type of service and by the size and nature of the area being served, but as Robert W. Poole, Jr. notes: "The one arrangement *least likely* to be most efficient is for all the services to be provided at the scale defined by the size of the city" (or county, or state).⁵ For example, nearly all cities need some jail services, but it may require a multi-city contract to meet efficiently the needs of small cities, while a large city can operate more efficiently by using

multiple contractors to meet its varied needs (e.g., high and low security, male and female inmates, juveniles and adults, detoxification units, etc). Moreover, economies of scale can change, sometimes rapidly, due to technology or market forces; private vendors can respond to these changes more readily than can political entities.

Other Benefits

So far, I have addressed only the fiscal advantages of commercial prisons, but certain other potential benefits are no less important. One goal of contracting is to inject into the public sector some of the greater flexibility that is often found in the private sector. Flexibility is especially important in the administration of public policy, where concentration of decision-making magnifies the consequences of ignorance, uncertainty, and error. Policies regarding imprisonment, for example, contain implicit or explicit projections about trends, distributions, and patterns of crime and punishment. Even where broad trends are discernible, however, it is beyond the powers of social science to make highly accurate and reliable forecasts.

Because of the scale on which it operates and the ponderous way in which it moves, government is much more dependent than is private enterprise on the long-term accuracy of projections. Of course, the private