

America's Private Gulag

by Ken Silverstein

Although the national rate of violent crime has dropped for fourteen years, the United States already jails a higher percentage of its people than any other nation on Earth and continues to build prisons at a record pace. Recently, Texas Attorney General Morales underscored the idiocy of this prison construction program when he noted that we are currently spending billions of dollars to design and build more prisons which will become operational in time to jail anticipated criminals who are currently in fourth grade. That's not only crazy, it's an indictment of a government and society that would rather build prisons than schools, and is willing to simply "write off" rather than help many of today's children.

To conceal some of this social lunacy, government relies increasingly on privately-owned prisons to carry the financial and political load. But the growth of private prisons threatens our political system. To fully appreciate this threat, consider that "Fascism" denotes a form of government embraced by Mussolini's Italians and Hitler's Nazis during WWII. The essence of those fascist governments was a ruling alliance of government and wealthy corporate businesses.

Black's Law Dictionary defines "Fascism" and "Fascist", in part, as: "the principles and organization of the patriotic and anticommunist movement in Italy started during [WWI] . . . culminating in the virtual dictatorship of Signor Mussolini . . . a believer in the corporate state; one opposed to the ex-

ercise of democratic methods or of civil liberties . . ." Note:

- *Corporations are chartered by, and therefore "creatures of", government. As such, corporations (especially the largest) can be viewed as extensions of government into the private sector, and the private sector into government. While Communism — and to a lesser extent, English Socialism and American "Liberalism" — are at least superficial alliances between big government and big labor, fascism is an alliance between big government and big corporate business.*

- *Historically, Italian fascism (business-based government) was a reaction to communism (labor-based government).*

- *America's post-depression "Liberalism" was based largely on an alliance of government and labor unions. If Italian history is any guide, the predictable American reaction to a perceived excess of Democrat "Liberalism" should be an attempt to realign big government with labor's principle adversary, big "business" (big corporations) — exactly what we've seen over the past twenty years with the Republican push for "privatizing" government. Prison industries are a prime example of "privatized" government.*

Since the working definition of fascism is an alliance between big government and big corporations, what are the political implications of "privatization"?

Mr. Silverstein offers some answers:

What is the most profitable industry in America? Weapons, oil and computers all offer high rates of return, but there is probably no sector of the economy so abloom with money as the privately run prison industry.

Consider the growth of the Corrections Corporation of America, the industry leader whose stock price has climbed from \$8 a share in 1992 to about \$30 today and whose revenue rose by 81 per cent in 1995 alone. Investors in Wackenhut Corrections Corp. have enjoyed an average return of 18% during the past five years and *Forbes* rated the company as one of America's top 200 small businesses. At Esmor, another big private prison contractor, revenues have soared from \$4.6 million in 1990 to over \$25 million in 1995.

Ten years ago there were just five privately run prisons in the country, housing a population of 2,000. Today nearly a score of private firms run more than 100 prisons with about 62,000 beds. That's still less than five per cent of the total market but the industry is expanding fast, with the number of private prison beds expected to grow to 360,000 during the next decade.

The exhilaration among leaders and observers of the private prison sector was cheerfully summed up by a headline in *USA Today*: "Everybody's doin' the jailhouse stock". An equally upbeat mood imbued a conference on private prisons held last December at the Four Seasons Resort in Dallas. The brochure for the conference (organized by

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the World Research Group, a New York-based investment firm) called the corporate takeover of correctional facilities the “newest trend in the area of privatizing previously government-run programs . . . *While arrests and convictions are steadily on the rise*, profits are to be made — profits from crime. Get in on the ground floor of this booming industry now!” [Emph. add.]

One hundred years ago private prisons were a familiar feature of American life — with disastrous consequences. Prisoners were farmed out as slave labor. They were routinely beaten and abused, fed slop and kept in horribly overcrowded cells. Conditions were so wretched that by 1900, private prisons were outlawed in most states.

During the past decade, private prisons have made a come back. Already 28 states have passed legislation making it legal for private contractors to run correctional facilities and many more states are expected to follow suit.

The reasons for the rapid expansion include the post-1980s free-market ideological fervor, large budget deficits for the federal and state governments

and the discovery and creation of vast new reserves of “raw materials” — prisoners. The rate for most serious crimes has been dropping or stagnant for the past 15 years, but during the same period severe repeat offender provisions and a racist “get-tough” policy on drugs have helped push the US prison population up from 300,000 to around 1.5 million during the same period. This has produced a corresponding boom in prison construction and costs with the federal government’s annual expenditures in the area now \$17 billion. In California, passage of the infamous “three strikes” bill will cause construction of 20 additional prisons during the next few years.

The private prison business is most entrenched at the state level but is expanding into the federal prison system as well. Last year Attorney General Janet Reno announced that five of seven new federal prisons being built will be run by the private sector. Almost all of the prisons run by private firms are low or medium security, but the companies are trying to break into the high-security field. They have also begun taking charge of management at INS detention centers, boot camps for juvenile offend-

ers and substance abuse programs.

The Nashville-based Corrections Corporation of America (CCA) runs 46 penal institutions in 11 states and controls roughly half of the prison industry. It took ten years for CCA to reach 10,000 beds; it now grows by that same number every year.

CCA’s chief competitor is Wackenhut, which was founded in 1954 by George Wackenhut, a former FBI official. Over the years its board and staff have included such veterans of the US national security state as Frank Carlucci, Bobby Ray Inman and William Casey, as well as Jorge Mas Canosa, leader of the Cuban American National Foundation.

Wackenhut also provides security services to private corporations. It has provided strikebreakers at the Pittston mine strike in Kentucky, hired unlicensed investigators to ferret out whistle blowers at Alyeska, the company that controls the Alaskan oil pipeline, and beaten antinuclear demonstrators at facilities it guards for the Department of Energy. Wackenhut has a third of the private prison market with 24 contracts, nine of which were signed during the past two years. In a major coup, the company was chosen to run a 2,200 capacity prison in Hobbs, New Mexico, which will become the largest private prison in the US when it opens in late 1997.

Esmor, the No. 3 firm in the field, was founded only a few years ago and already operates ten corrections or detention facilities. The company’s board includes William Barrett, a director of Frederick’s of Hollywood, and company CEO James Slattery, whose previous experience was investing in and managing hotels.

US companies also have been expanding abroad. The big three have facilities in Australia, England and Puerto Rico and are now looking at opportunities in Europe, Canada, Brazil, Mexico and China.

The companies that dominate the private prison business claim that they offer the taxpayers a bargain because they operate far more cheaply than do state firms. As one industry report put it, “CEOs of privatized compa-

nies... are leaner and more motivated than their public-sector counterparts.”

But even if privatization does save money — and the evidence is contradictory — there is, in the words of Jenni Gainsborough of the ACLU’s National Prison Project, “a basic philosophical problem when you begin turning over administration of prisons to people who have an interest in keeping people locked up.”

To be profitable, private prison firms must ensure that prisons are not only built but also filled. Industry experts say a 90 to 95 per cent occupancy rate is needed to guarantee the hefty rates of return needed to lure investors. Prudential Securities issued a wildly bullish report on CCA a few years ago but cautioned, “It takes time to bring inmate population levels up to where they cover costs. Low occupancy is a drag on profits.” Still, said the report, company earnings would be strong if CCA succeeded in “ramp[ing] up population levels in its new facilities at an acceptable rate”

A 1993 report from the State Department of Corrections in New Mexico found that CCA prisons issued more disciplinary reports — with harsher sanctions imposed, including the loss of time off for good behavior — than did those run by the state. A prisoner at a CCA prison said, “State run facilities are overcrowded and there’s no incentive to keep inmates as long as possible CCA, on the other hand, reluctantly awards good time. They give it because they have to but take it every opportunity they get. . . Parole packets are constantly getting lost or misfiled. Many of us are stuck here beyond our release dates.”

Private prison companies have also begun to push, even if discretely, for the type of get-tough political policies needed to ensure their continued growth. All the major firms in the field have hired big-time lobbyists. When it was seeking a contract to run a halfway house in New York City, Esmor hired a onetime aide to state Rep. Edolphus Towns to lobby on its behalf. The aide succeeded in winning the contract and also the vote of his former boss, who had been an opponent of the project. In 1995, Wackenhut Chairman Tim Cole

testified before the Senate Judiciary Committee to urge support for amendments to the Violent Crime Control Act — which subsequently passed — that authorized the expenditure of \$10 billion to construct and repair state prisons.

CCA has been especially adept at expansion via political payoffs. The first prison the company managed was the Silverdale Workhouse in Hamilton County, Tennessee. After Commissioner Bob Long voted to accept CCA’s bid for the project, the company awarded Long’s pest control firm a lucrative contract. When Long decided the time was right to quit public life, CCA hired him to lobby on its behalf. CCA has been a major financial supporter of Lamar Alexander, the former Tennessee governor and failed presidential candidate. In one of a number of sweetheart deals, Lamar’s wife, Honey Alexander, made more than \$130,000 on a \$5,000 investment in CCA. Tennessee Governor Ned McWherter is another CCA stockholder and is quoted in the company’s 1995 annual report as saying, “the federal government would be well served to privatize all of their corrections.”

In another ominous development, the revolving door between the public and private sector has led to the type of company boards that are typical of those found in the military-industrial complex. CCA cofounders were T. Don Hutto, an ex-corrections commissioner in Virginia, and Tom Beasley, a former chairman of the Tennessee Republican Party. A top company official is Michael Quinlan, once director of the Federal Bureau of Prisons. The board of Wackenhut is graced by a former Marine Corps commander, two retired Air Force generals and a former under secretary of the Air Force, as well as by James Thompson, ex-governor of Illinois, Stuart Gerson, a former assistant US attorney general and Richard Staley, who previously worked with the INS.

Because they are private firms that answer to shareholders, prison companies have been predictably vigorous in seeking ways to cut costs. In 1985, a private firm tried to site a prison *on a toxic waste dump* in Pennsylvania, which it had bought at the bargain rate of \$1. Fortunately, that plan was rejected.

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Many states pay private contractors a per diem rate, as low as \$31 a prisoner in Texas. A federal investigation traced a 1994 riot at an Esmor immigration detention center to the company's having skimmed on food, building repairs and guard salaries. To ratchet up profit margins, companies have cut corners on drug rehabilitation, counseling and literacy programs. In 1995, Wackenhut was investigated for diverting \$700,000 intended for drug treatment programs at a Texas prison. In Florida, the US Corrections Corporation was found to be in violation of a provision in its state contract that requires prisoners to be placed in meaningful work or educational assignments. The company had assigned 235 prisoners as "dorm orderlies" when no more than 48 were needed and enrollment in education programs was well below what the contract called for. Such incidents led a prisoner at a CCA facility in Tennessee to conclude, "There is something inherently sinister about making money from the incarceration of prisoners, and in putting CCA's bottom-line (money) before society's bottom line (rehabilitation)."

The companies try to cut costs by offering less training and pay to staff. Almost all workers at state prisons get union-scale pay but salaries for private prison guards range from about \$7 to \$10 per hour. Of course the companies are anti-union. When workers attempted to organize at Tennessee's South Central prison, CCA sent officials down from Nashville to quash the effort. Poor pay and work conditions have led to huge turnover rates at private prisons. A report by the Florida auditor's office found that turnover at the Gadsden Correctional Facility for women, run by the US Corrections Corporation, was 200 per cent, ten times the rate at state prisons.

Private companies also try to nickel and dime prisoners in the effort to boost revenue. A number of prisoners complain about exorbitant prices. "Canteen prices are outrageous," wrote a prisoner at the Gadsden facility in Florida. Neither do private firms provide prisoners with soap, toothpaste, toothbrushes or writing paper. One female prisoner at a CCA prison in New Mexico said: "CCA rarely buys new clothing and inmates are often issued tattered and stained clothing. Same goes for linens. Also ration toilet paper and paper towels. If you run out, too bad — 3 rolls every two weeks." Another Florida prisoner sued CCA for charging a \$2.50 fee per phone call and 50 cents per minute thereafter. The lawsuit also charges that it can take a prisoner more than a month to see a doctor.

General conditions at private prisons appear, in some respects, to be somewhat better than those found at state institutions. A fact possibly linked to the negative business impact that a prison disturbance can cause private firms. For example, the price of stock in Esmor plunged from \$20 to \$7 after a 1994 revolt at the company's Elizabeth, New Jersey detention center for immigrants.

Nevertheless, a number of serious problems at prisons run by private interests still exist. Back in the mid-1980s, a visiting group of professional guards from England toured the CCA's 360-bed state prison in Chattanooga, Tennessee, and reported that inmates were "cruelly

treated" and "problem" prisoners had been gagged with sticky tape. The warden regaled his guests with graphic descriptions of strip shows performed by female inmates for male guards.

Investigators at a CCA jail in New Mexico found that guards had inflicted injuries on prisoners ranging from cuts and scrapes to broken bones. Riots have erupted at various private facilities. In one of the worst, guards at CCA's West Tennessee Detention Center fired pepper gas canisters into two dormitories to quell a riot after prisoners shipped from North Carolina revolted over being sent far from their families.

In addition to the companies that directly manage America's prisons, many other firms are getting a piece of the private prison action. American Express has invested millions of dollars in private prison construction in Oklahoma and General Electric has helped finance construction in Tennessee. Goldman Sachs & Co., Merrill Lynch, Smith Barney, among other Wall Street firms, have made huge sums by underwriting prison construction with the sale of tax-exempt bonds, this now a thriving \$2.3 billion industry. Phone companies such as AT&T chase after the enormously lucrative prison business.

About three-quarters of new admissions to American jails and prisons are now African-American and Hispanic men. This trend, combined with an increasingly privatized and profitable prison system run largely by whites, makes for what Jerome Miller, a former youth corrections officer in Pennsylvania and Massachusetts, calls the "emerging Gulag State".

Miller predicts that the Gulag State will be in place within 15 years. He expects three to five million people to be behind bars, including an absolute majority of African-American men. He says it's comparable to the post-Civil War period, when authorities came to view the prison system as a cheaper, more efficient substitute for slavery. Of the state's current approach to crime and law enforcement, Miller says, "The race card has changed the whole playing field. Because the prison system doesn't affect a significant percentage of young white men, we'll increasingly see pris-

oners treated as commodities. For now the situation is a bit more benign than it was back in the nineteenth century but I'm not sure it will stay that way for long."

Priate prison companies have been predictably enthusiastic about the booming market for convict labor. Between 1980 and 1994, the value of goods produced by prisoners rose from \$392 million to \$1.31 billion. Prisoners now make articles such as clothes, car parts, computer components, shoes, golf balls, soap, furniture and mattresses, in addition to staffing jailhouse telemarketing, data entry and print shop operations. Some states have even begun assigning prisoners to institutions after matching up their job skills with a prison's labor needs.

Prisoners at state-run institutions generally receive the minimum wage, though in some states, such as Colorado, wages fall to as low as \$2 per hour (workers receive only about 20 per cent of that amount, with the rest going to pay room and board, victims compensation programs and other fees). As an added bonus, companies that employ prison labor have no need to offer benefits, vacation days or sick time to employees and many states offer such firms tax breaks and other advantages as well.

Lured by such enticements, many big firms have moved eagerly into the prison-industrial complex. Trans World Airlines pays prison workers \$5 per hour to book reservations by phone, less than a third of the rate it previously paid to its own employees. The EAU succeeded in shutting down a program at an Ohio prison where the Waste corporation was paying prisoners \$2.05 per hour to assemble parts for Honda cars.

For businesses, the deal is even sweeter at private prisons where pay rates as low as 17 cents per hour for a six-hour maximum day translate into a monthly paychecks of about \$20. The maximum pay scale at a CCA prison in Tennessee is 50 cents an hour for "highly skilled positions."

Thanks to prison labor, America is again attracting the sort of jobs that were formerly available only to workers of the Third World. One US com-

pany operating in Mexico's maquiladora zone shut down its data processing shop and moved it to the San Question State Prison in California. A Texas factory booted 150 workers and set up shop at a privately run prison in Lockhart, Texas, where worker/inmates assemble circuit boards for companies including IBM and Compaq. Oregon State Rep. Kevin Mannix has even encouraged Nike to shift production from Indonesia to his home state, saying the shoemaker should "take a look at transportation and labor costs. We could offer competitive prison labor [here]."

Can anyone doubt that we are sliding toward fascism? Former President Dwight Eisenhower hinted at this condition in his farewell address when he warned of the "military-industrial complex". More recently, a substantial threat to our liberties has come from a "corporate-government complex". Today, the "multi-national corporate-government complex" may be our greatest concern. Government of the people, by the lawyers, and for the highest bidders.

If America is sliding into fascism (corporate-government), what's to be done? Support unions? Return to the Democrat Liberalism of the 1950's and 1960's? Perhaps.

But the common denominator behind most of our concerns (fears) isn't corporations or unions or special interests, but big, unconstitutional government. Liberalism is no more the "solution" to American fascism than Italian fascism of the 1930s (which led to dictatorship and national ruin) was the solution to communism. The "solution" to oppressive government will not be found among conservatives, liberals, fascists, communists, Republicans, Democrats, or "New World Order-ists". The solution will be found in personal responsibility and an aversion to big government no matter how "beneficial" it claims to be.

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