Comments on:
The Economic Costs of Pretrial Detention
by Will Dobbie and Crystal Yang

Justin Wolfers, University of Michigan
Brookings Panel on Economic Activity, Held online, March 25 2021
“Since this is only your first offence, and you’ve not been found guilty, I’ll be lenient in my sentencing.”
The context...

*Dobbie, Goldin and Yang (AER 2018)*

- High-quality **causal** evidence on the effect of pre-trial detention on individual outcomes
- Exploit **random assignment** of defendants to judges

- Clean identification of **direct effects** (on the defendant)
- Today’s paper: What about **spillover effects**? (on others)
A case study of the difficulty in getting well-identified micro studies to speak to macro issues.
Roadmap

- Are the macro estimates plausible?
  - Estimated spillover effects are implausibly large
  - Similar effects on black and white doesn’t add up

- What is a reasonable prior?
  - Spillover effects are likely an order of magnitude smaller (and may be negative)

- Some econometric complaints
  - Perhaps we shouldn’t believe the estimated spillover effects
There were \( \approx 10 \) million arrests last year

- 37.8\% were detained = 3.78 million people detained
- Detention reduced employment by -9.4\%-points
- Eliminating pre-trial detention would raise employment by \( 3.78 \times 9.4\% \approx 355,000 \)

Some relevant adjustments:

- \( \frac{\text{People arrested}}{\text{Number of arrests}} \approx 50\% \)
- Only 57\% of detainees are aged 25-44
- Detention effect may only be 60\% as large (precision-weighted average)
- Employment effect \( \approx 60,000 \) aged 25-44
Long differences across counties (Yields direct effects + within-county spillover effects)

$\Delta$Employment rate 2000-10
Age 25-44 (%-points)

$\Delta$Detention Rate 2000-09 (%-points)

$r = -0.42$
$\beta = -0.21$
I think this is a miscalculation:
\[ \Delta \text{Employment} = (-0.115 \text{ to } -0.206) \times \Delta \text{Detention rate} \]
Therefore \[ \Delta \text{Employment rate} = +3.6\%-\text{pts to } +6.4\%-\text{pts} \]

- Employment of 25-44 year olds \( \approx \) 63 million in 2000
  - +3.6\% to 6.4\% \times 63 million = 2.2 to 4.1 million extra jobs

- Implies: Indirect effects **35-70x larger** than direct effects
A partial reconciliation

Guesstimate **steady-state effects**

**Direct effect** from micro data
- If it is purely transitory: 60,000 jobs
- If it the effect is permanent, lasting for 30 years: 1.8 million jobs
- If scarring effect depreciates at 10% per year: 600,000 jobs

**Direct + spillover effects** from macro data
- If the change in detention was immediate: 2.2 to 4.1 million
- If this was a phased-in change: Steady state effect is twice the average effect: 4.4 to 8.2 million jobs
Taking the magnitudes seriously

Employment Rate of 25-54 year olds

Effect of eliminating cash bail

Financial crisis: ↓ 5%

Covid shutdown: ↓ 10%

Employment to population ratio

Chart: Justin Wolfers • Source: BLS • Created with Datawrapper
Differences by race in estimated effects aren’t big enough

Changes in County Detention and Employment Rates

Remarkably similar responses

Black:White ratios in various settings

Expect black coefficient to be 12x larger than white
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Looking for the equilibrium effects...

Equilibrium **without** pre-trial detention

- **Labor supply** (Marginal utility of leisure)
- **Labor demand** (Marginal revenue product)
Looking for the equilibrium effects...

Equilibrium *without* pre-trial detention

- **Wage**
- **Labor supply**  
  (Marginal utility of leisure)
- **Labor demand**  
  (Marginal revenue product)
Adding frictions

Equilibrium **without** pre-trial detention

**Labor supply**
(Marginal utility of leisure)

**Labor demand**
(Marginal revenue product)

**Friction**
(Any factor keeping wage above market-clearing)

**Unemployment**

Wage vs. Employment
Adding frictions: Discrimination against detainees

Equilibrium without pre-trial detention

Discrimination against folks who have been detained

Folks who are detained are fired
Other folks are hired in their place

Friction
(Any factor keeping wage above market-clearing)

Labor supply
(Marginal utility of leisure)

Labor demand
(Marginal revenue product)
What does pre-trial detention do?

- More likely to plead guilty, and be found guilty
- No effect on post-trial incarceration
- Two extra weeks of pre-trial detention (not shown)

Main effect is on criminal record: A **signal** (or scar)

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**Table 4—Pretrial Release and Criminal Outcomes**

<table>
<thead>
<tr>
<th>Panel A. Case outcomes</th>
<th>Detained mean (1)</th>
<th>2SLS results (5)</th>
<th>2SLS results (6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any guilty offense</td>
<td>0.578</td>
<td>-0.123</td>
<td>-0.140</td>
</tr>
<tr>
<td></td>
<td>(0.494)</td>
<td>(0.047)</td>
<td>(0.042)</td>
</tr>
<tr>
<td>Guilty plea</td>
<td>0.441</td>
<td>-0.095</td>
<td>-0.108</td>
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<tr>
<td></td>
<td>(0.497)</td>
<td>(0.056)</td>
<td>(0.052)</td>
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<tr>
<td>Any incarceration</td>
<td>0.300</td>
<td>0.006</td>
<td>-0.012</td>
</tr>
<tr>
<td></td>
<td>(0.458)</td>
<td>(0.029)</td>
<td>(0.030)</td>
</tr>
</tbody>
</table>

Source: Dobbie, Goldin and Yang (2018)
Eliminating pre-trial detention may suppress a signal (of criminality)

Are the spillover effects really going to be positive?
Scarring effect of a criminal record

Callback rate on fictitious job applications

Source: Agan and Starr (QJE, 2018)
Effect of suppressing this signal
“Ban the Box”

Callback rate on fictitious job applications

Source: Agan and Starr (*QJE*, 2018)
Suppressing this signal had **negative** spillover effects

- **Effect of adopting “Ban the Box” laws**
  (on 25-34 year old non-college grads)

![Graph showing the effect of adopting “Ban the Box” laws on employment opportunities for Black and White men.](image)

Source: Doleac and Hansen (*JOLE*, 2018)
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Endogeneity (duh)

- $n=24$ counties

Why not analyze: $\Delta$Number of detainees?

- Dependent variable may reflect mix of crimes

- Main regression has no controls

- Controls for baseline characteristics halves the coefficient and renders it insignificant ($\beta=0.115; \text{se}=0.072$)

- 11 control variables!

- None are first differences

- Statistical imprecision
Conclusions

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