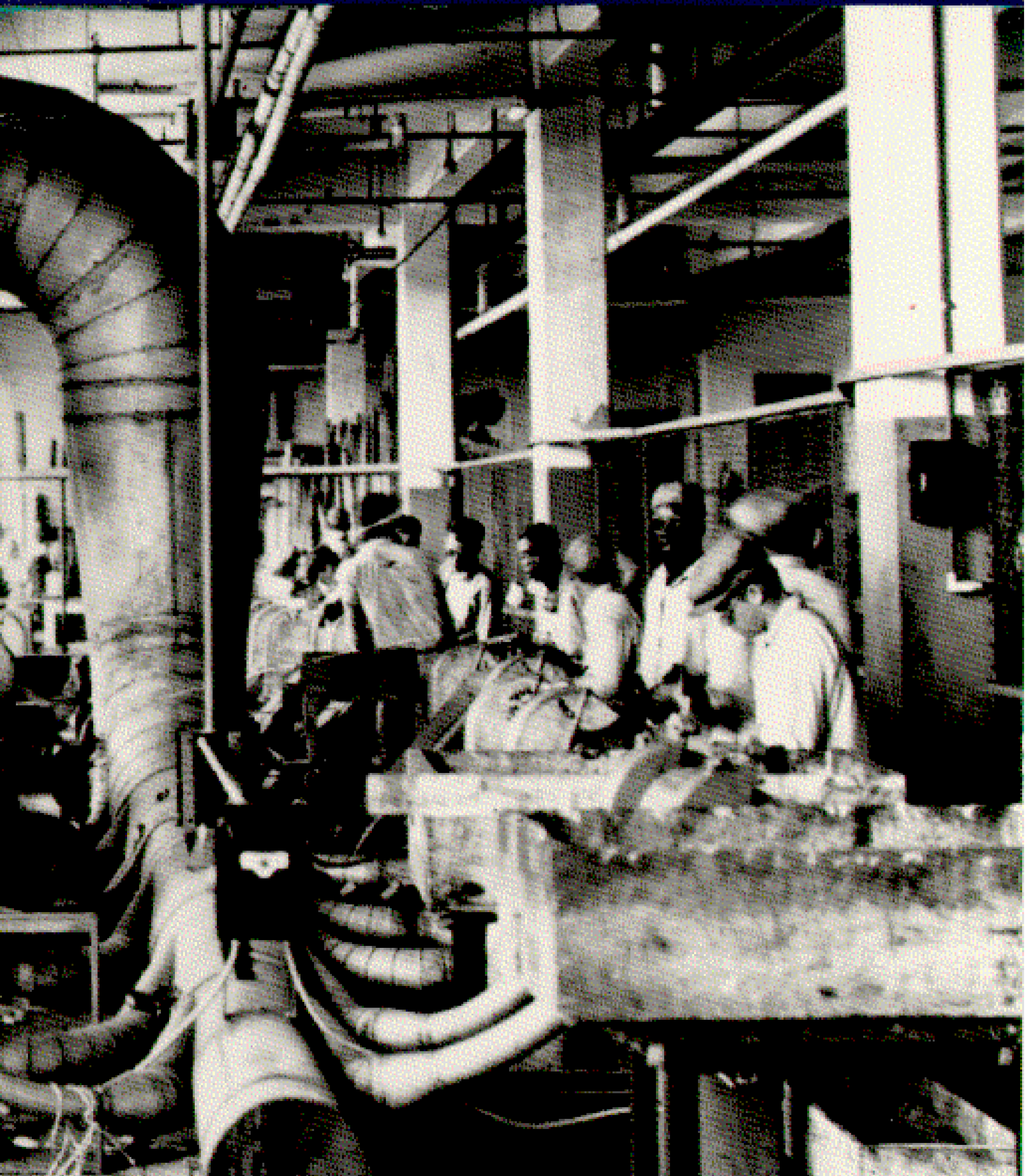
Factories with Fences



The History of
Federal Prison Industries

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Courtesy of the U.S. Supreme Court Historical Society

Chief Justice Warren E. Burger
1907-1995

Warren Burger: An Appreciation

Chief Justice Burger's personal dedication to improving America's correctional systems is a hallmark for everyone in the corrections profession. He advocated the intense use of industry programs in our Nation's prisons to combat and alleviate inmate idleness, while preparing inmates for productive careers upon release. Chief Justice Burger was a tireless advocate of prison industries. His service as co-chairman of the National Prison Industries Task Force transformed work and rehabilitation programs for inmates into meaningful and effective resources. Chief Justice Burger was convinced that the keys to successful correctional programs were "education, job training, and employment."

His initial efforts to promote inmate work programs through the Task Force spearheaded a series of conferences, seminars, and studies on the subject. Chief Justice Burger was a great communicator, extolling the merits of "factories with fences." He was able to gain public support and sentiment for prison industry programs by educating the public. He understood the need to balance the interests of private sector businesses and industry with correctional goals. He had an inherent understanding that if we promoted the concept of work ethics in inmates, it would reduce recidivism.

We will long cherish the legacy of Chief Justice Burger's commitment to "factories with fences" and Federal Prison Industries. It is in recognition of that spirit that we proudly dedicate this publication to him.

Kathleen M. Hawk
Director, Federal Bureau of Prisons
CEO, Federal Prison Industries

Joseph M. Aragon
Chairman, Board of Directors
Federal Prison Industries

Dedication

Warren Burger's Quest for "Factories with Fences"

by Warren I. Cikins

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On June 25, 1995, a great light went out: U.S. Supreme Court Chief Justice Warren Burger passed away at the age of 87. In the wake of his death, much has been written about Chief Justice Burger's commitment to strengthening the criminal justice system and to ensuring the punishment of the wrong-doer, but that's only part of the picture. Warren Burger believed in swift, certain punishment, but he also believed in giving offenders an opportunity to reform themselves. "When society places a person behind walls and bars," he said in 1981, "it has an obligation—a moral obligation—to do whatever can reasonably be done to change that person before he or she goes back into the stream of society," While there are many ways to provide inmates with opportunities for change—through such means as drug treatment, education, recreation, and religious services—clearly one of the most important is prison industries. And Warren Burger was one of prison industries' most passionate supporters.

Keeping inmates productively occupied was a subject in which Chief Justice Burger was always interested. Even as a young man, Burger objected to the mere "warehousing" of prisoners—something he observed during a tour of a Minnesota prison while he was a Boy Scout. During his later years on the Federal bench and continuing after his retirement from the Supreme Court, he became a staunch proponent of prison industries programs as a cost effective way to occupy inmates' time and teach them meaningful job skills. During a 1981 speech to the Lincoln, Nebraska, Bar Association, he speculated on the future of corrections, asking "more warehouses or factories with fences?"

During the late 1970's and early 1980's, many public policymakers began questioning the value of prison programs—including prison industries—because they did not seem to reduce inmate recidivism as much as their supporters had hoped. This, however, was not reason enough for Burger to give up. "The fact that [rehabilitating offenders] is far more difficult than we had thought," he explained, "is the very reason we must consider changes and enlarge our efforts."

In the early 1980's, at Chief Justice Burger's urging, George Washington University President Lloyd Elliott agreed to create a Center on Innovations in Corrections. An advisory board of senior Government officials and representatives of the private sector was assembled to formulate a range of job training projects to be implemented at the State level.

The concept of having an advisory board grew into the creation of a National Task Force on Prison Industries. Prison industries have always been controversial. Prison managers generally support prison industries because they keep inmates productively occupied and teach them job skills. Industry and labor leaders generally oppose prison industries, arguing that they will displace private sector business and laborers. The Task Force—which included senior officials from all three branches of Government, as well as prominent business leaders and distinguished criminologists—tried to find some middle ground. It met several times at the Supreme Court to help create a climate of acceptance for prison industries as a limited but essential component of the criminal justice system.

A high-water mark in the Burger effort to stimulate an informed debate about the appropriate role of prison industries in society was the Conference at Wingspread (a conference center in Racine, Wisconsin) in February 1985. Almost 100 participants divided into 11 committees to study the following areas related to prison industries: laws, executive orders, and regulations; procurement; marketing; inmate compensation; staff training; offender input; education, inmate training and job placement; business and labor concerns; industries management; research and evaluation; media and public relations. Priority was placed on controlling prison costs and establishing programs that would help inmates defray some of the costs of incarceration. Private industry representatives, corrections administrators, legislators, university personnel, and concerned citizens chaired or reported on these committees' activities.

When Chief Justice Burger retired from the Supreme Court in 1986 to give full-time attention to his job as chairman of the Commission for the Bicentennial of the U.S. Constitution, he put his involvement in prison industries on the back burner. But by the early 1990's, he returned to the fray. When a congressman introduced an amendment to the 1990 crime bill to sharply restrict Federal Prison Industries in four key product areas (furniture, textiles, apparel, and footwear), Chief Justice Burger went into action. As the *Washington Post* reported, "Burger fired off letters to House and Senate conferees labeling it an 'astonishing proposal' that would be 'an incredible setback to one of the most enlightened aspects of the Federal prison system'." Perhaps inspired by Burger's defense of FPI, Senator Strom Thurmond (R-SC) told his colleagues that he would not accept the anti-FPI amendment, and that pronouncement brought the matter to an end. The *Post* quoted Burger as saying, "My position on this is the most conservative one you can imagine. If you can take an individual and train him so he can do something a little more useful than stamping license plates, he's a little less likely to go back [into prison]. This isn't for the benefit of the criminal community. It's for the benefit of you and me."

Later in the 90's, the Federal Bureau of Prisons, working closely with the Brookings Institution, began an effort to find common ground on the issue of Federal Prison Industries among: (1) private sector industries in furniture, textiles, electronics, etc.; (2) the AFL-CIO; and (3) the Federal Government. At the same time, Chief Justice Burger revived the Prison Industries Task Force. Former Attorney General Griffin Bell agreed to serve as chairman and was later succeeded by Judge William Webster, the former Director of the Federal Bureau of Investigation and the Central Intelligence Agency. Chief Justice Burger and Attorney General Janet Reno addressed the Task Force Meeting on January 12, 1994. Mr. Burger cited the Scandinavian governments as role models in recognizing that almost all incarcerated individuals eventually return to society and should be made literate and trained in meaningful jobs. He emphasized that "the U.S. needs to focus on education, training, and work, to try to make offenders better people than when they entered the system."

Chief Justice Warren Burger continued to promote prison industries until the end of his life. He made speeches, appeared on television, and provided forewords for books and tapes encouraging greater acceptance of what he called "factories with fences." It was my great honor to have assisted him in many of these undertakings. I saw a quality of spirituality in him in this quest for inmate rehabilitation that is in short supply at this time. He will be sorely missed by prison officials, inmates, victims of crime, and the general public at large—especially in an era of strong punishment (which he advocated) without the countervailing willingness to welcome home a reformed prodigal son. He felt strongly about the saying attributed to Dostoyevsky that "a civilization will be judged by how it treats its wrongdoers." To be tough on crime does not mean "throwing away the key." Warren Earl Burger will long be remembered for making us face that fact and act accordingly.

In honor of his commitment to the rehabilitative value of prison work programs, this volume on the history of Federal Prison Industries is dedicated to the late Warren E. Burger.

Mr. Cikins is a leading consultant on criminal justice issues and Vice Chairman of the National Committee on Community Corrections. He served with the Brookings Institution from 1975 to 1993.

Foreword

Federal Prison Industries: The Myths, Successes, and Challenges of One of America's Most Successful Government Programs

by Steve Schwalb

Federal Prison Industries, Incorporated (FPI) was created over 60 years ago. Throughout our history, we have served Federal Government customers by producing competitively-priced, high-quality goods and services and backing them up with outstanding customer service and quality guarantees. But our immediate customers are only part of the picture: by keeping inmates positively focused and productively occupied, and by teaching them how to read, write, and work, we have also served the public by significantly increasing the security of Federal prisons and providing inmates with opportunities to become productive, law-abiding citizens after release.

FPI is a true success story; a Government program that has exceeded the expectations of its creators, cost taxpayers almost nothing, and benefited millions of constituents.

As I reflect on my early tenure as Assistant Director for the Industries, Education, and Vocational Training Division and Chief Operating Officer of FPI, I am particularly proud to be associated with two groups: my predecessors as Assistant Director, and the current staff of the Corporation. The former—comprised of such outstanding leaders and visionaries as James Bennett, A. H. Conner, Fred Wilkinson, Preston Smith, Wade Markley, Olin Minton, J. T. Willingham, John "J. J." Clark, Loy Hayes, Sr., Dave Jelinek, Jerry Farkas, and Rick Seiter—established the culture, standards, and tradition for FPI. The latter—through their continued professionalism and dedication—carry our reputation for excellence into the future.

Although FPI has faced and overcome numerous challenges during its history, it will probably face its greatest challenges in the years to come. Increasing Federal inmate populations, declining Federal budgets, and a rapidly changing Federal marketplace will require FPI to constantly improve operations to maintain its viability.

Numerous myths abound about FPI, perhaps because it is a relatively unknown Federal program. As we enter our 7th decade of operation, I want to address these myths as a way of both correcting misconceptions and sharing with our constituents and critics alike the basis for our immense pride in our accomplishments on behalf of the Nation.

Myth #1: Federal Prison Industries has an unfair competitive advantage over the private sector.

This, the most inaccurate of all FPI myths, apparently is based on a misunderstanding of the restrictions under which FPI operates. It is true that FPI pays its inmates less than a private sector worker would get paid for carrying out similar assignments. Yet any competitive advantage that accrues from this is more than offset by the lower average productivity of inmates and the security inefficiencies associated with employing inmates.

In addition, due to concerns expressed by both labor and private business at the time FPI was formed, Federal statute provides for significant constraints on FPI's activities, which further diminish any competitive advantage. Specifically, FPI is required by law to:

- Employ as many inmates as reasonably possible.
- Concentrate on manufacturing products that are labor intensive.
- Provide the maximum opportunity for inmates to acquire marketable skills for use upon release.
- Diversify production as much as possible to minimize competition with private industry and labor, and to reduce the burden on any one industry.
- Avoid taking more than a reasonable share of the Federal market for any specific product.
- Sell products only to the Federal Government, meeting the quality and delivery requirements of the Federal customer, and not exceeding current market prices.
- Comply with Federal procurement regulations.
- Operate in an economically self-sustaining manner.

In addition to these constraints, it should be noted that the average Federal inmate has an 8th grade education, is 37 years old, is serving a l0-year sentence for a drug related offense, and has never held a steady job. According to a recent study by an independent firm, the overall productivity rate of an inmate with a background like this is approximately l/4 that of a civilian worker. Finally, the costs associated with civilian supervision of inmate workers and numerous measures necessary to maintain the security of the prison add substantially to the cost of production.

It is hard to see how one could genuinely interpret the cumulative effect of these limitations as a "competitive advantage." In fact, Robert Q. Millan, a former member of FPI's Board of Directors, provided the following assessment of FPI's situation: "As a former banker, I am well aware of the operations of a variety of businesses. In private sector business, it is of primary importance to eliminate all inefficiencies possible in order to maximize profit. I could not recommend to my former bank, or any bank, that it make loans to a business that was controlled by the conflicting mandates and had the inherent inefficiencies that handicap FPI."

FPI has no competitive advantage. In fact, quite the opposite is true. That it has succeeded in spite of the obstacles it faces is a tribute to the support of our customers and the dedication of our staff.

Myth #2: FPI enjoys a "superpreference" for sale of its goods to Federal agencies.

The term "superpreference" is an inflammatory term coined by FPI critics to engender sympathy from certain quarters. The facts are much less provocative.

Federal procurement law requires that Federal agencies purchase products from FPI, provided that FPI can meet the purchaser's quality, price, and delivery requirements. This "mandatory source" (the proper term) designation merely requires that Federal agencies contact FPI to see if its products will meet their needs. If so, procurement from FPI is required. If not, FPI is obliged to grant a waiver, allowing the Federal customer to purchase the product on the commercial market. The waiver process has worked very effectively: in fiscal year 1995, FPI granted 80 percent of all waivers requested, thereby directing $383 million in Federal Government purchases to the private sector.

FPI's mandatory source provides a steady flow of work and reduces the requirement for FPI to expend large amounts of money on advertising and marketing. If such expenses had to be incurred, sales levels and market share would have to be expanded, which would have an adverse impact on private sector companies in the same businesses as FPI.

Myth #3: Inmates in FPI are not being taught marketable skills.

FPI teaches inmates the most marketable skill of all: how to work. No matter the job, successful employees must first possess a basic work ethic: dependability, reliability, the ability to work as a member of a team, the willingness to take direction from a supervisor, and pride in a job well done.

In addition, for many FPI jobs, the trade skills learned are directly transferable to the private sector. Examples include welding, soldering, printing, data entry, computer scanning and digitizing, furniture manufacture and refinishing, upholstery, metal fabrication, apparel manufacturing, and vehicle repair. Many of these programs are linked to a State certified vocational or apprenticeship program.

In order to advance beyond the entry level, inmates are also required to complete their GED. This is considered the minimum level of functional literacy required to be successful in today's society. Requiring such an achievement enhances an inmate's employment prospects.

A recently completed research study on post release employment of Federal inmates found that inmates who work in FPI are better behaved while in prison, are more likely to be employed—at higher wages—after release, and are significantly less likely to re-offend than inmates who did not participate in FPI.

Thus, FPI benefits both individual inmates and society as a whole by increasing the odds that ex-offenders can become law-abiding, tax-paying citizens. This is one of FPI's most noteworthy successes.

Myth #4: FPI has an adverse impact on the private sector.

This assertion is based on a narrow, illusory definition of the private sector. There is no dispute that if FPI did not exist, certain private sector companies would sell more products to the Federal Government. There is, however, more to the situation than meets the eye.

An independent market study recently concluded that FPI's sales represent less than 2 percent of the Federal Government's annual purchases. Further, when Federal procurements go down, private sector companies can increase the ratio of sales to the commercial market. By law, FPI cannot.

Virtually every FPI sales dollar is returned to the private sector. In fiscal year 1995, FPI had net sales of $459 million. Of this, $257 million was spent on raw material purchases from private sector vendors. Another $87 million was spent on wages and benefits for FPI staff, which in turn were spent in the private sector. Of the pay earned by inmates, 50 percent was paid to the public in the form of fines, restitution, and child support. Even items the inmates bought in the commissary (using their FPI earnings) were initially purchased from the private sector vendors.

These specific dollar illustrations do not take into account the intangible value FPI adds to the local community by contributing to safe, secure management of correctional facilities. More than one mayor has said that the combination of direct FPI expenditures in the local economy and the aforementioned intangible value on property values and community safety result in an overall net gain, even taking into account any direct effect on businesses in the same product line as FPI.

The plain truth is that the overall effect of FPI on private sector businesses is negligible. If FPI did not exist, the increased appropriations required to provide alternative programs for inmates, offset by increases in private sector income, would result in a net increased cost to the taxpayers.

A History of Success

For six decades, FPI has been self-sufficient, funding operations through the sale of its products to the Federal Government, rather than Government appropriations. In fact, over the years, FPI has returned over $80 million to the U.S. Treasury.

During its history, FPI has provided valuable products and services to the Federal Government. Soldiers have had their uniforms, bedding, shoes, dorm furniture, helmets, flak vests, and other items made by FPI. Likewise, FPI has provided veterans hospitals with pajamas, towels, sheets, and mattresses. FPI has also produced missile cables (including those used on the Patriot missiles during the Gulf War), wiring harnesses for jets and tanks, radio mounts, battery boxes, postal bags, weather instrument parachutes, office furniture, and signs. Services provided to the Government include rebuilding vehicles, remanufacturing electric motors, entering data, and printing Government documents (such as this one).

All these products and services have been provided in response to the needs of our Federal Government customers and in service to the Nation. It is a legacy of which we are very proud. And it is the reason why FPI is one of the country's most successful Government programs.

The Future Challenge

The challenge for FPI is to remain financially self-sufficient while providing enough work for an increasing number of inmates. The Federal inmate population has tripled over the last 10 years, and it is projected to continue growing for the foreseeable future. In order for the Bureau of Prisons to successfully manage the increased number of inmates, FPI will have to create jobs for these additional inmates.

FPI's influence on the successful management of Federal prisons is no secret; it has been a matter of public policy for over six decades. Policymakers have long recognized that increasing the number of incarcerated individuals means increasing the number of prisons and, in turn, increasing the size of FPI in order to improve both the management of the prisons and an inmate's chances of success upon release. As we begin the next decade, continued support of Federal Prison Industries will pay important dividends for the country.

Steve Schwalb is the Bureau of Prisons Assistant Director for Industries, Education, and Vocational Training and Chief Operating Officer for Federal Prison Industries, Inc.

Work, Education, and Public Safety: A Brief History of Federal Prison Industries

by John W. Roberts

Introduction

"No single phase of life within prison walls is more important to the public or to the inmate than efficient industrial operations and the intelligent utilization of the labor of prisoners," stated a Federal Bureau of Prisons report in 1949. This statement is still true today, nearly 50 years later. As long as society relies on incarceration to punish convicted offenders, it will be necessary to maintain vibrant industrial programs to employ prisoners. Safe and effective prison administration would be virtually impossible without prison industries.

Since 1934, Federal Prison Industries, Incorporated—a wholly-owned corporation of the United States Government—has operated factories and employed inmates in America's Federal prisons. Also known as FPI or UNICOR, Federal Prison Industries, Inc., has made an incalculable contribution to law enforcement by contributing to the safety and security of Federal correctional institutions. At the same time, it has produced a wide array of products for use by the U.S. Government and provided tens of thousands of inmates with the vocational training and work experience they needed to become gainfully-employed, law-abiding citizens after release. FPI serves many constituencies—the public, prison staff, other Federal agencies, and even the inmates themselves. It is one of the most successful and cost-effective enterprises of the Federal Government.

Historically, however, industrial and other work programs for prisoners have generated considerable controversy. Organized labor and small business alike have expressed fears that prison-made merchandise constituted unfair competition. And the brutal work programs that appeared in State and county prisons during the 19th century precipitated a national outcry.

FPI was created with such concerns in mind. It was designed to enable inmates to perform meaningful work under humane conditions without posing a significant competitive threat to private industry or free labor. In fact, properly-organized prison industrial programs such as FPI can be justified on several grounds:

1. ***Safe prison management and better prison discipline through the reduction of idleness.*** Idleness in prison is dangerous. It can give rise to boredom and frustrations that can explode in disputes among inmates and in attacks by inmates upon prison staff. Prison industrial activity is, first and foremost, a management tool. It enhances discipline within prison by keeping inmates occupied and by raising their morale. During the 20th century, periods of greatest unrest in prisons throughout the United States have coincided with periods of depression in prison industries.

2. Cost-efficiency. It is more expensive to operate a prison where the inmates are idle, tense, and disruptive than it is to operate a prison where the inmates are busy and well-disciplined. Investments in prison industries can lower expenditures on day-to-day prison operations and decrease the likelihood of having to expend resources to quell disturbances. Moreover, prison industrial programs enable inmates to produce items of value for the Government, such as furniture, electronics, signs, military gear, and so forth. Sale of these products, in turn, generates revenue that can be used to offset expenses that would otherwise have to be met through appropriated funds. FPI staff salaries are funded out of such earnings, and, for many years, FPI revenues were also used to subsidize educational and other programs for inmates.

3. ***Inmate job-training and rehabilitation.*** The primary task of prison is to confine offenders, but a secondary task is to provide inmates with ways to improve themselves during confinement. Prisons cannot magically rehabilitate offenders, but they can provide opportunities for inmates to reform their behavior and rehabilitate themselves. As former Federal Bureau of Prisons Director J. Michael Quinlan has written, "We can't 'cure' criminal behavior, but we know that *some* programs work for *some* inmates *some* of the time." Prison work programs are among those that can help. The work experience and vocational training they provide can increase ex-offenders' prospects for employment and reduce the likelihood of recidivism.

4. ***Inmate financial responsibility.*** Inmates have families to help support, court-imposed fines to pay, and victims to recompense. The wages they earn through employment in prison labor programs, however meager, can help them meet those obligations. Under the Bureau's Inmate Financial Responsibility Program (IFRP), all inmates who have court-recognized financial obligations must use at least 50 percent of their FPI earnings to pay their just debts. Since the program began in 1987, more than $80 million has been collected.

Sanford Bates, the first Director of the Federal Bureau of Prisons, once observed that "Prisoners should work because it is economically necessary, socially advisable, and because it represents the most important element in the general attempt to solve the problem of delinquency." In short, if prisons are necessary to protect society, then prison industries are necessary to make those prisons function properly.

In its 60 years of operation, Federal Prison Industries, Inc., has provided meaningful employment for inmates, developed sound educational and vocational training programs for inmates, and helped minimize the economic impact of prison labor on the private sector. As a component of the Federal Bureau of Prisons, its operations are limited to the correctional institutions of the Federal Government. But it has played a strong leadership role throughout the field of corrections and has served as an example to the prison systems of the various States. The history of FPI is a critical chapter in the history of corrections in general, and of prison work programs in particular.

Early Prison Work Programs

Prisons are a relatively modern social institution. Until the mid-18th century, fines, banishment from the community, corporal punishment, and execution were the primary means of punishing offenders. By the latter part of the century, incarceration was being championed as a more humane form of punishment.

Shortly after the first penitentiaries began to appear, prison administrators realized that inmates needed some way to productively occupy their time. The penitentiary system that evolved in Pennsylvania was based on keeping inmates in solitary confinement, where they could study the Bible, meditate about their misdeeds, and do penance for their crimes. The prolonged idleness and minimal contact with other people reputedly caused many prisoners to suffer mental breakdowns. To make the isolation less severe, and to help convicts prepare for honest employment after release, officials of prisons modeled on the Pennsylvania or "Solitary" system permitted inmates to work by themselves at various occupations in their cells, such as shoemaking, weaving, tailoring, and polishing marble.

By the 1820's, the New York State prison at Auburn was fashioning an alternative model for incarceration. Under the "Congregate" system, inmates worked together, under extremely rigid discipline, in prison factories. Prison factories during the 19th century produced shoes, barrels, carpets, engines, boilers, harnesses, clothing, and furniture—goods that could not be produced at all under the "Solitary" system, or not in quantities sufficient to generate a significant revenue. This merchandise was sold on the open market to American consumers or exported to Canada and Latin America, and the proceeds helped support prison operations.

Meanwhile, southern and midwestem States were developing their own prison systems, some of which adopted programs that leased inmates to toil virtually as slave labor for private businesses. The convict lease system generated income for the prison and reduced overhead because the contractors in many cases were responsible for feeding and sheltering the convicts they leased. Left to the mercy of the contractors, however, leased convicts were subjected to terrible abuses. The convict lease system expanded after the Civil War, particularly in the southern States, where it became a partial replacement for slavery.

Prison factories that produced cheaply-made, low-wage consumer goods undercut free labor and private business. Aggrieved unions and manufacturers joined forces to bring about legal restrictions and even abolition of prison industrial enterprises. While not as threatening to businesses, the convict lease system was anathema to unions because it pitted free labor against prisoners in direct competition for jobs, thereby driving down wages for free labor—or depriving free labor of jobs entirely.

Yet the alternatives to the brutal convict lease systems and the notorious prison sweatshops of the 19th century were almost as bad. Inmates would sit in their cells all day long or loiter in prison factories that had work only for a handful of men. With no work to do, and without the means for constructive educational or recreational programs, inmate idleness became a serious problem. Increasing numbers of inmates in deteriorating facilities with little to do led inevitably to disruptive behavior and to the harsh forms of discipline that prison administrators felt obliged to adopt in order to prevent chaos.

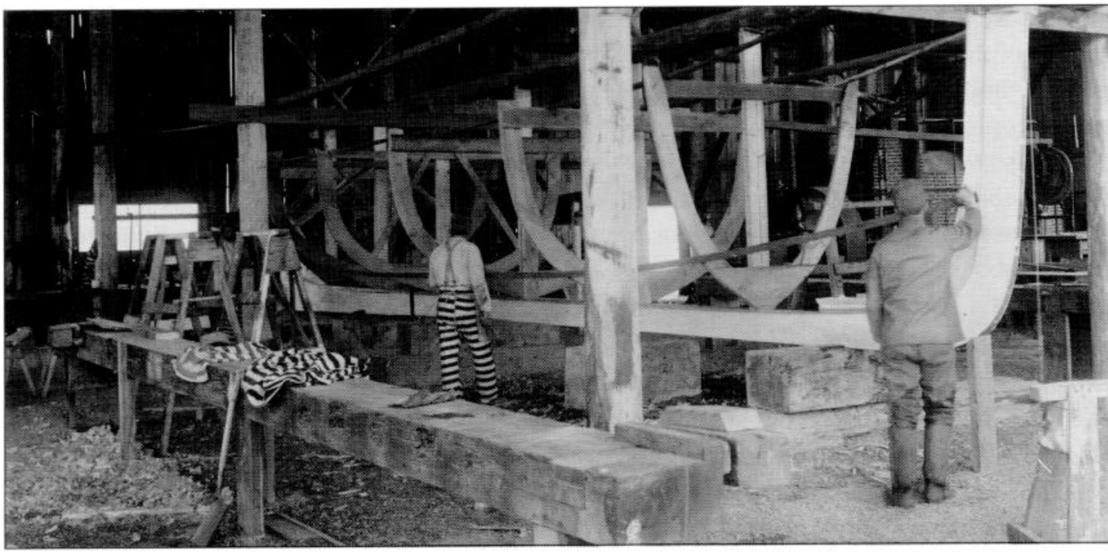
There were important efforts to reform prison and prison labor practices during the last quarter of the 19th century, most notably the “state-use” system. Devised in New York State, it prohibited prisons from producing goods for sale to the public, but encouraged the production of goods for sale to the New York State Government. For the most part, however, prison administrators in the 19th century were faced with a dismal choice: either accept debilitating and potentially dangerous inmate idleness, or maintain labor programs that exposed inmates to appalling abuses and threatened the interests of private industry and free labor.

Federal Inmate Work Programs Prior to the Creation of Federal Prison Industries

The controversy over prison labor was an important factor leading to the establishment of Federal prisons. Before the 1890’s, the Federal Government did not operate its own prisons. Instead, the Justice Department paid State prisons and county jails to house individuals convicted of committing Federal crimes. The public outcry over the convict lease system, however, motivated the passage of a Federal law prohibiting the leasing of Federal offenders. Consequently, many State prisons and county jails became reluctant to house Federal offenders, because it was not economically advantageous to incarcerate inmates they could not lease. Moreover, the expansion of Federal law enforcement activities and the enactment of new Federal laws in the late 19th century led to an increase in the prosecution of Federal lawbreakers and to overcrowding in the prisons where they were held. With a growing population of Federal prisoners, and the growing reluctance of non-Federal prisons to house them, the Federal Government had no choice but to build prisons of its own. Congress authorized the establishment of three Federal prisons in 1891.

Industrial and other work programs at the first three Federal prisons were woefully inadequate. Inmates helped build the U.S. Penitentiaries at Atlanta and Leavenworth, but construction work on those facilities was substantially complete by 1902 and 1906, respectively. Thereafter, inmates lucky enough to work at Atlanta, Leavenworth, and the

Inmate workers help build USP Atlanta, circa 1900.



Boat building at USP McNeil Island, circa 1910.

third penitentiary at McNeil Island, Washington (which the Bureau vacated in 198l), engaged in institutional maintenance and janitorial work; farming to produce food for prison use; tailoring, mending, and laundering of inmate clothing; performing clerical functions in prison offices; and working as houseboys or "trusties" at the houses of wardens or other staff members. Inmates at McNeil Island (located on Puget Sound) built boats, scows, and wharfs for official use by the prison. USP Atlanta opened a textile mill in 1919, and Leavenworth built a shoe factory in 1924; both institutions were required by law to sell their products only to Federal agencies. Although these work activities were better than nothing, they were not nearly ambitious enough to keep all inmates busy.

In 1928, the U.S. Bureau of Efficiency—forerunner of the modern Office of Management and Budget—issued a report on conditions inside Federal prisons. The following year, the Special Committee on Federal Penal and Reformatory Institutions of the U.S. House of Representatives also reported on Federal prison conditions and made recommendations for reform. The architect of both reports was a future Director of the Federal Bureau of Prisons, James V. Bennett.

The situation in Federal prisons, as described in the two Bennett reports, was deplorable. Overcrowding at the three penitentiaries was severe—eight men crowded into cells designed for four, and inmates sleeping in dark, poorly-ventilated basements or makeshift living quarters in the prisons' warehouses. Sanitation was atrocious, and there were no rehabilitation programs to speak of. And there was idleness—extreme, chronic idleness, brought about by a lack of prison industrial programs. In Atlanta, for example, only 850 out of 3,149 inmates could work in the textile mill. Although several hundred additional inmates were employed in prison maintenance activities or on the prison farm, hundreds of inmates at USP Atlanta had little or nothing constructive to do.

Accordingly, the Special Committee recommended that "immediate steps" be taken to establish additional shops and factories in Federal prison. The Committee noted that there

Early Federal prison factories, such as this one at USP Leavenworth, were cramped and inefficient.

was "an ample market" in the Federal Government to keep all Federal prisoners employed. It further noted that prison industrial programs could be self-sustaining and that industrial expansion would not require Congressional appropriations.

The Bureau of Efficiency and House of Representatives reports served as catalysts for legislation that consolidated the previously autonomous Federal prisons under the authority of a single, centralized agency: the Federal Bureau of Prisons (BOP). The BOP was established in 1930 as a component of the Department of Justice. Its first Director was Sanford Bates, and one of Bates' Assistant Directors was James V. Bennett.

Under Bates and Bennett, the new Bureau of Prisons implemented a wide array of desperately-needed reforms. It began a major prison expansion program to alleviate terrible overcrowding. It implemented an agency-wide policy system and a chain-of-command structure to ensure uniform practices and accountability. It introduced staff training programs and devised new programs for the classification and treatment of offenders. And it sought to create a new prison industrial structure that would solve the problem of inmate idleness.

The Birth of Federal Prison Industries, Inc., 1934-35

The new Federal Bureau of Prisons could not have achieved its goals of reforming Federal prisons without having a system of inmate work programs in place. But with the economy mired in the Great Depression and the passage of more laws that prohibited the transportation and sale of prison-made goods, inmate idleness was looming as a serious threat. James Bennett found that some wardens were so desperate to find tasks to keep inmates busy that they resorted to make-work assignments, such as having prisoners keep salt shakers in straight lines on mess hall tables. Bennett attributed the rash of prison disturbances in the early 1930's to the lack of meaningful work programs.

In order to keep inmates busy, prison administrators would have to create work assignments. The challenge was finding enough work assignments to go around. During the 1930's, the BOP developed four basic categories of work assignments for inmates:

- **Institutional support—**work within and for the prison, such as janitorial duties, groundskeeping, food preparation, clerical assistance, and routine maintenance and repair work,

- **Farming—**until the 1970's, nearly every Federal prison maintained a farm.

- **Public service—**highway construction, forestry on public lands, grounds maintenance on military bases, and assistance to other Federal agencies.

- **Prison industries—**work in prison factories, producing goods for use by the Federal Government.

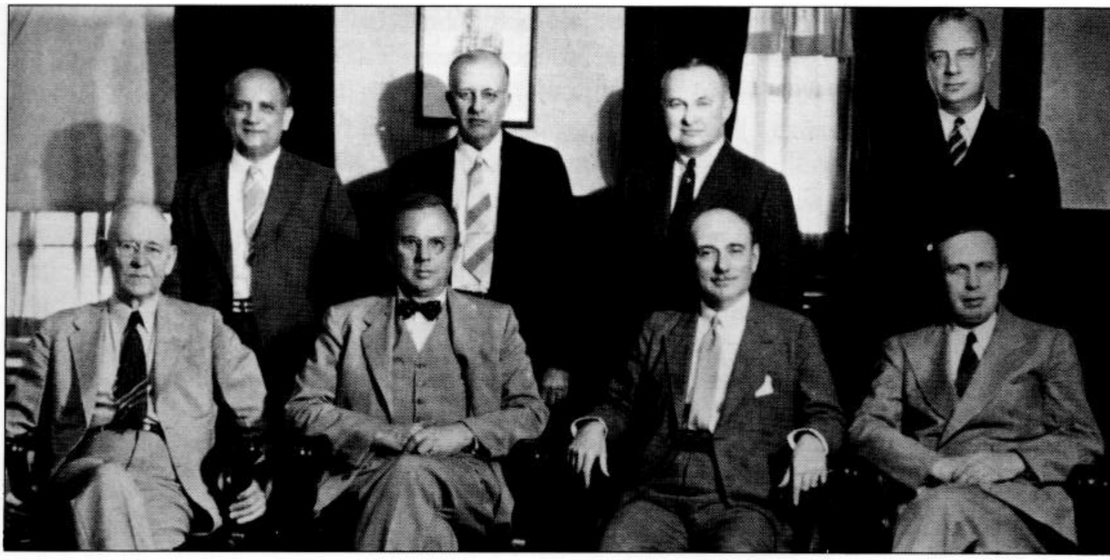
None of the categories by itself could employ all inmates who needed work. Having a variety of job options for inmates, however, helped ensure that there would be enough work for everyone to do—not merely digging ditches and filling them in again, but realistic assignments, with established procedures, regular hours, and definite goals.

At the heart of the work program was prison industries. This was the most difficult to implement, but it made everything else possible. It could employ a large enough percentage of the inmate population to take pressure off other work categories and make it unnecessary to dilute job assignments. Further, prison industries could provide skills training and, hence, was rehabilitative by nature. Finally, it could generate financial support for educational and recreational programs and pay modest inmate wages, thereby easing burdens on the taxpayers. But in the early years of the BOP, there remained powerful opposition to prison industrial programs from labor unions and business interests.

In order to create work programs necessary for prison safety and inmate rehabilitation while avoiding the alienation of labor and business, Bureau of Prisons Director Sanford Bates and Assistant Director Bennett devised plans for Federal Prison Industries, Incorporated. FPI was designed so that it would not interfere significantly with private industry and would involve minimal taxpayer support. The rudiments of the plan for FPI were as follows:

1. Federal Prison Industries, Inc., would make products for sale only to the Federal Government; it would not compete against private sector companies in any other market. The so-called "state-use" system had first appeared in the 19th century but had never before been attempted on such a scale.

2. FPI would be sufficiently diversified so as to avoid having an undue impact on any particular industry. Not only would the corporation be limited to one market—the Federal Government—but also within that market it would never be able to sell more than a certain, minimal percentage of merchandise in any product area. Moreover, FPI's suppliers would be private, so FPI programs actually would generate business for private companies, rather than take it away.



Federal Prison Industries Board of Directors, circa 1939. Sanford Bates is seated second from the left; James Bennett is seated far right.

3. A Board of Directors, composed of representatives of business, labor, agriculture, and consumer groups, as well as Government, would ensure that FPI would not cause undue hardship on any industry. It would determine what product lines should be avoided, what product lines had to be abolished, and in which product lines production should be moderated—partly in order to minimize the impact of prison labor on free enterprise.

4. Industrial work would be an important rehabilitative activity by giving inmates experience in various skilled trades and teaching them good work habits.

5. Inmates would be paid for their labor out of the Corporation's revenues; the inmates could use their stipends to purchase goods from the institution commissary, to help support their families, or to pay fines or restitution. Not only would those inmates who worked in FPI factories receive pay, but FPI proceeds would also be used to pay inmates in other work categories (such as farming and institutional support), albeit at lower pay scales.

6. The profits from FPI sales would go into a revolving fund that would finance all industrial operations (including capital improvements) and also help subsidize other prison programs for inmates. Thus, the financial basis for FPI had the advantage of requiring no additional burdens on taxpayers. A unique, intra-governmental multiplier effect came into play. Government money spent by an agency on FPI-made furniture, for instance, also offset prison expenses. The Government, in other words, got more value for its money; of course, that same money eventually passed back into the national economy, in the form of staff salaries, inmate wages, and payments to private sector vendors.

When legislation authorizing the creation of Federal Prison Industries, Inc., was introduced in Congress, however, the American Federation of Labor (AFL) immediately voiced its opposition. President Franklin D. Roosevelt took a strong, personal interest in the matter, and, one rainy morning in 1934, called Director Bates and AFL President William Green to the Oval Office. According to Bates' memoirs, Roosevelt greeted the labor leader with a hearty “Hello, Bill,” and said “we have a little problem here that we want you to solve for us.” Bates recalled that “I caught up my breath in amazement at this manner of approach.”

During the meeting, Bates and Roosevelt were able to draw out Green’s objections to the proposed legislation as well as his suggestions for improvement, and, ultimately, the American Federation of Labor withdrew its opposition. Emphasis on the “state-use” system had overcome the skepticism of organized labor. (Subsequently, AFL Vice President Thomas Rickert became a charter member of FPI’s Board of Directors. Later, William Green’s successor as AFL President, George Meany, also served as an FPI Board member.)

On June 23, 1934, President Roosevelt signed the law that authorized the establishment of Federal Prison Industries, and on December 11, 1934, he issued Executive Order 6917, which formally created FPl. FPI officially commenced operations on January 1, 1935.

FPI Through Depression and War, 1935-1945

In 1934, there were only a handful of industrial operations at Federal prisons—a textile mill producing cotton duck cloth at USP Atlanta, a shoe factory at USP Leavenworth, and a broom and brush factory at the Leavenworth Penitentiary Annex. Those factories and all of the BOP’s industrial assets—including a revolving capital fund that had been set up in 1930—were transferred to FPI when the corporation came into existence on January 1, 1935. This transfer of assets represented an initial capital investment by the U.S. Government of just over $4 million in FPI—an investment paid back many times over, as FPI paid $82 million in dividends to the U.S. Treasury between 1946 and 1969.

FPI immediately embarked upon a program of expansion and diversification. In its first 2 years of operation, FPI opened a mattress factory at USP Atlanta; a clothing factory and wooden furniture factory at USP Leavenworth; a clothing factory and metal furniture factory at USP Lewisburg; a foundry and brick plant at the Chillicothe, Ohio, Reformatory; a cotton garment factory at the Federal Industrial Institution for Women at Alderson, West Virginia; a broom factory and woolens mill at the El Reno, Oklahoma, Reformatory; a clothing factory and rubber mat shop at USP Alcatraz, California; and a rubber mat shop at the New Orleans Federal Jail. It also opened laundries at USP Atlanta and at the Federal Detention Headquarters in New York.

On the eve of World War II, FPI was producing more than 70 categories of products at 25 separate shops and factories. It offered a very wide range of items for sale to the Federal Government. Canvas products included mechanic’s aprons, basket inserts, coal bags, feed bags, laundry bags, mail bags, drop cloths, map cases, autolnobile and truck seat covers, tarpaulins, knapsacks, and tents of all sizes. There was metal furniture (filing cabinets, bed frames, stationery cabinets, library carts, waste receptacles, chairs, desks, lockers, and shelving); fibre furniture (wicker chairs, settees, library tables, and writing desks); and wooden furniture (bureaus, tables, chiffoniers, stools, office screens, hat racks, chairs, and desk trays). The foundry cast bronze name plates, tablets, and land survey monuments; aluminum stamp handles; and iron boiler grates, gutter grates, manhole covers, ballasts, flanges, door holders, and bushings. FPI also produced clothing (chambray work shirts, woolen suits and uniforms, dungarees, undergarments, hospital gowns, riding breeches, overalls, and leather jackets); cotton textiles; metal food trays and document cases; mattresses; footwear (military shoes, men's and women's dress shoes and Oxfords, canvas Oxfords, children's shoes, leather arch supports, and baseball cleats); rubberized and wood-block mats; work gloves and mittens; and a multitude of brooms and brushes (shaving brushes, tooth brushes, paint brushes, dust brushes, scrubbing brushes, typewriter brushes, hearth brooms, parlor brooms, and warehouse brooms).

For a brief time in the 1930's, FPI even manufactured license plates for Federally-owned vehicles—but FPI was a long way from the stereotype about prisons and license plate factories. FPI was becoming a major corporation, employing a growing workforce in numerous skilled trades, and producing an impressive variety of goods.

FPI was meeting one of its most important goals by increasing the percentage of inmates it employed. In 1935, FPI employed just over 2,000 inmates, or 13 percent of the Federal inmate population. By 1940, these numbers had grown to 3,400 inmates and 18 percent of the Federal inmate population. FPI's revenues were also on the increase during this period.

Above: inmates participate in a graphic arts vocational training class at USP Atlanta, 1939.

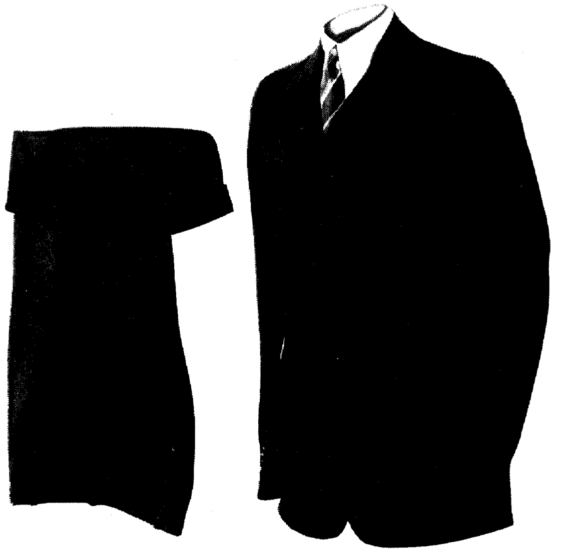
Overleaf: pages from early Federal Prison Industries product catalogues, showing the diversity of products manufactured on the eve of World War II.

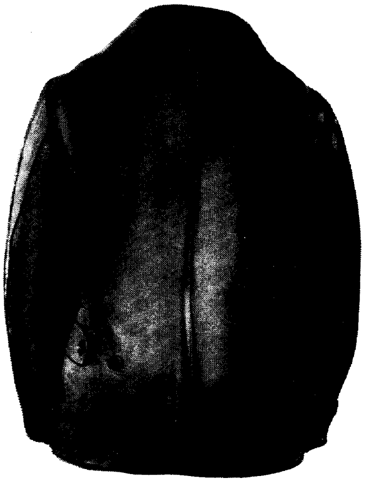
In 1937, its third year of operation, FPI realized nearly $570,000 in profits, on gross sales of over $3.7 million. "We scarcely believed this could be done in a Depression year," Bennett recalled in his autobiography. By 1940, sales approached $5.4 million.

Part of the profits were paid to the United States Treasury as dividends. The rest were plowed back into FPI operations through the revolving fund and into expanded vocational training courses for the inmates. By the late 1930's, FPI was on sufficiently firm financial ground to establish a fund to finance vocational training programs and job placement services. It began hiring industrial counsellors at individual institutions to plan vocational study courses and appointed a job placement director to coordinate FPI's vocational training opportunities with the needs of outside industry, to help ensure that inmates would learn the most marketable skills.

Tailored by Federal Prison Industries, Inc,

Jackets—Leather-faced





55-J-95—Made of soft pliable russet leather, O. D. woolen blanket lined throughout. Jacket is well tailored. Two button adjustable wrist and back straps. Four button front, the top button forming a snug fit at the throat. The collar is of the shawl type and is woolen blanket faced. Non-flap pockets at the waist line, are also lined with the same material.

Prices quoted upon request.

26-C-4810—Fibre arm chair. Friezette or tapestry upholstered spring seat cushion, wing back, braced flat arms. Matches settee 26-S-32290 and library table 26-T-6435. Height of seat 16½ inches, width 20 inches, depth 18 inches, height of back above seat 23 inches. Estimated crated shipping weight 100 pounds.

26-C-15500-Fibre rocker. Same dimension as arm chair 26-C-4810. Estimated crated shipping weight 110 pounds.

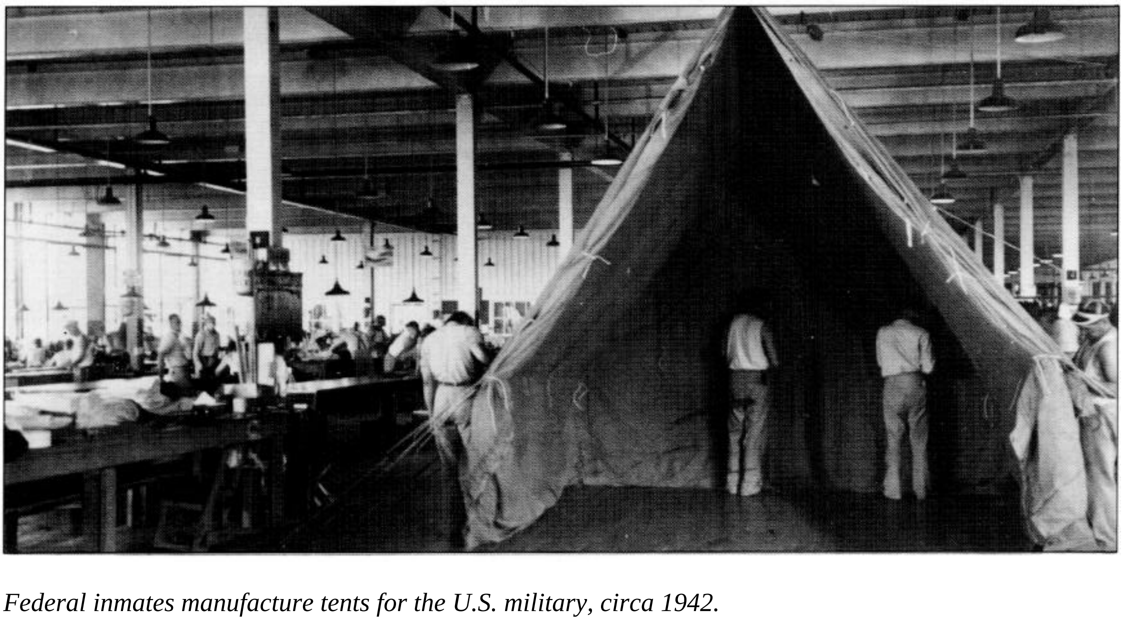
26-S-32290—Fibre settee, with three removable Friezette or tapestry upholstered spring seat cushions, braced flat arms an straight back. Matches arm chair 26-C-4810, library table 26-T-6435. Height of seat 16½ inches, width 62½ inches, depth 20 inches, height of back above seat 23 inches. Estimated crated shipping weight 170 pounds.

26-T-6435—Fibre library table, desk style, made in one length only, with drawer and book shelves. Matches settee 26-S-32290 and arm chair 26-C-4810. Top made of hardwood. Height 30 inches, width 30 inches, length 48 inches. Estimated crated shipping weight 130 pounds.

FPI's expansion, however, was strictly controlled. The law and FPI's own regulations imposed severe competitive disadvantages to prevent FPI from having an unfair negative impact on private industry. Many of the restrictions were particularly tight because they had been conceived during the Depression. Apart from limiting its customers to Federal agencies, the biggest competitive disadvantage that FPI cultivated was diversification. By spreading its work out over as many industries as possible, it minimized its sales potential in each area. Had it specialized in a handful of industries, of course, it could have increased its efficiency, lowered its costs, and acquired much larger market shares. FPI also spread the work out among as many inmates as possible by requiring a maximum of hand labor and prohibiting overtime; although these requirements made FPI less efficient, they aided prison management by keeping a larger number of inmates occupied. And, even though Federal agencies were required by law to purchase FPI goods whenever possible, FPI surrendered millions of dollars of potential sales by issuing clearances authorizing Federal agencies to buy merchandise from private industries.

In addition, FPI met with representatives of unions and private industry, listened to their grievances, and negotiated settlements where appropriate. In 1935, FPI officials met with the Legislative Committee of the Cotton Duck Association and voluntarily agreed to limit the number of spindles at the USP Atlanta textile mill, the hours those spindles operated, and the total output of woven textiles. After negotiations with representatives of the Brush Manufactures Association, FPI agreed to restrict installation of labor-saving machinery at the Leavenworth Annex brush factory and to refrain from developing new product lines in that industry. In 1937, it negotiated mutually-satisfactory arrangements with the Marking Device Industry Association, the Association of Metal Furniture Manufacturers, the Shoe Manufacturers Association, and various units of organized labor.

When the United States entered World War II in December 1941, FPI was almost 7 years old, and it was well-enough established to make a major contribution to the war effort. Its most immediate contribution was in the manufacture of war material. Production soared as



Federal inmates manufacture tents for the U.S. military, circa 1942.

FPI factories went on 2 or 3 shifts per day, and 9.5 percent of the output was sold to the military. Sales jumped from a little over $7 million in 1941 to nearly $18.8 million in 1943. The Army and Navy were among FPI's biggest customers even before the war, and, during the war, FPI added many new products specifically for the military, such as bomb fins and casings, TNT cases, parachutes, cargo nets, and wooden pallets (for use in storing military gear). FPI also handled much of the laundry for stateside military bases, and the shipyard at USP McNeil Island built, remodeled, and repaired military patrol boats, tugboats, barges, and Navy floats used in submarine defense. Even though the number of inmates employed by FPI remained fairly stable at about 3,500, FPI increased production three-fold and, in 4 years, produced more than $75 million of goods that went directly to the war effort.

Even before the United States intervened in World War II, FPI stepped up production to supply the military, which had already begun its massive buildup in anticipation of entering the conflict, and to provide goods sent to the embattled Great Britain under the Lend-Lease program. By May 1941, USP Atlanta alone produced eight to ten train carloads of defense

A chalk drawing reminds FPI workers during World War II of the importance of their work.

products per day. FPI's production did not escape the attention or the criticism of the Nazi government. Warden Joseph Sanford of USP Atlanta noted with satisfaction that the Germans "apparently... didn't realize that even men in prison in America were willing to work hard to preserve the future liberties to which they could now look forward."

Another way in which FPI contributed to the war effort was by training inmates to move directly into jobs in defense industries after being released from prison. FPI hired additional personnel to provide job placement services for inmates and set up job placement centers at several institutions that helped hundreds of inmates every year find jobs in defense industries.

To meet special war needs, FPI also introduced 35 new vocational training courses and revamped 37 existing ones. Alongside such traditional training courses as painting, masonry, plumbing, and office machine repair, FPI added welding, aircraft sheetmetal work,

Inmates at the Federal Reformatory in Chillicothe, Ohio. learn about aircraft mechanics.

ship-building crafts, automobile mechanics, aviation mechanics, drafting, and electrician training. An airplane mechanics school at the Chillicothe Reformatory, for example, provided full-time training to inmates who could expect immediate placement following their release from prison in the all-important aircraft industry.

Having been born in the midst of economic hard times, FPI had matured into a valuable national asset that played an important role in helping to win the Second World War.

Temporary Downturns and New Directions, 1946-1959

The end of World War II ushered in a period of fluctuation in FPI's fortunes. By the mid-1950's, however, stability was restored as FPI developed new products and services.

As soon as the Axis powers surrendered in 1945, the military canceled millions of dollars worth of contracts with FPI. FPI, in turn, was forced to cancel orders with its suppliers. Sales plummeted from over $17.5 million in 1945 to less than $10.7 million the following year. Even with the decline, however, sales remained well above pre-war levels.

Reconversion from a wartime economy to a peacetime economy caused dislocations throughout the United States, so the decline in sales and production for FPI was not unexpected. FPI was able to mitigate the effects of reconversion by turning to the backlog of orders from civilian agencies that had built up during the war, when military orders took precedence. It was able to promote constructive inmate activity in other ways by developing new training programs—especially in such emerging fields as radio communications, air conditioning, and refrigeration.

United States intervention in the Korean War in June 1950 generated a flood of new military orders for FPI. In 1952, sales peaked at over $29 million, and the number of inmates employed by the corporation reached an unprecedented 3,800. Sales fell by more than one third after the armistice was signed in 1953.

Fewer defense-related orders after the Korean War and the need to re-tool factories in order to produce new products led to some temporary shutdowns of FPI factories and an increasing problem with inmate idleness. By 1954, in fact, FPI had only enough work for 18 percent of the Bureau's inmates. The corporation's biggest losses were in textiles. FPI struggled to cope with these difficult circumstances by shifting as many industrial jobs as possible to the penitentiaries, to ensure that as many of the potentially more disruptive inmates requiring higher security were kept occupied.

Industrial programs in State prisons also faced a declining number of orders in the 1950's, and State industries' problems were often more severe than the FPI's. As a result of inmate idleness, State prison systems experienced a rash of disturbances in the early and mid-1950's. Even the Bureau was not immune; some minor disturbances that occurred at two or three facilities during the 1950's coincided with the reduction of prison industries operations at those institutions.

FPI's Board of Directors commented on the connection between idleness and the violence in State prisons. In its *Annual Report* for 1954 it observed:

> "The prison riots and disturbances which have occurred so extensively in State prisons throughout the country in the past 2 years have demonstrated most effectively and at tragic cost the absolute necessity for a well-planned and comprehensive work and production program. . . . (L)arge groups of idle prisoners create a constant hazardous situation. The deteriorating effect of long periods of idleness in prison is in turn one of the major causes of the unrest and tensions underlying these costly and destructive outbreaks."

The period of decline for FPI, however, was short lived. With tightening Federal budgets in the 1950's, FPI realized that there would be a new market in renovating existing equipment,

MCFP Springfield inmates manufacture prosthetic limbs, circa I950.

so that Federal agencies would not always have to purchase expensive new merchandise. FPI opened shops at BOP facilities at Petersburg, Virginia; Terminal Island, California; Terre Haute, Indiana, and elsewhere, that specialized in repairing, refurbishing, and reconditioning furniture, office equipment, tires, and other types of Government property. Other new industrial programs included a tobacco processing factory at FCI Ashland, Kentucky, and a new woolen factory at USP Terre Haute. In addition, FPI introduced new vocational training programs, such as the manufacture of artificial limbs and dentures, hospital attendant work, and television repair.

Between 1957 and 1960, FPI undertook a major expansion program. The $5 million program—financed entirely through FPI's revenues and not through Congressional appropriations—built or renovated factories, vocational training buildings, warehouses, and other structures in 18 of the Bureau's 31 institutions. This capital improvement program helped make possible the higher production and enhanced vocational training that would characterize FPI during the 1960's.

FPI expanded operations in another way during the 1950's. Under a law passed in 1949, FPI assumed responsibility for operating factories at certain military prisons. It operated a clothing factory at the Army's Disciplinary Barracks at Lompoc, California, and a tailor shop at the Army's Disciplinary Barracks at Fort Leavenworth, Kansas.

For the first 10 years after World War II, as the national economy shifted back and forth between wartime and peacetime production, FPI's sales fluctuated significantly, and there were occasional instances of inmate idleness. By the end of the 1950's, however, capital expansion and the development of new products and services pushed FPI's sales above $31 million annually for the first time, and FPI was employing a greater number of inmates than ever before. The stage was set for FPI to assume new responsibilities in the coming decade.

The Medical Model and Modernization, 1960-1980

Since its inception in 1930, and particularly during the administration of Director James V. Bennett (1937-1964), the Federal Bureau of Prisons emphasized the goal of rehabilitating offenders through a series of "individualized treatment" programs that included counselling, education, vocational training, and work. The rehabilitation philosophy reached its zenith in the 1960's. The "Medical Model"—the theory that an inmate's criminal tendencies could be diagnosed and treated, almost like a physical disease—was in vogue throughout the Bureau and corrections in general. If the diagnosis showed poor socialization and inadequate work skills as the factors causing a person to turn to crime, the prescription could involve a combination of social skills counselling and vocational training. The desired result of rehabilitating the inmate was not always achieved, although Bennett frequently cited a Ford Foundation study that demonstrated a marked decline in recidivism during his years as Director.

Although primarily justified as a method for maintaining stability within BOP institutions, FPI had always played a vital role in the Bureau's rehabilitation efforts. During the "Medical Model" phase of the 1960's, FPI's rehabilitative efforts assumed greater value and visibility.

The legislative high point of the Medical Model era was passage of the Federal Prisoner Rehabilitation Act of 1965. Implemented during the administration of Bennett's successor, Myrl Alexander, the act provided for a variety of diagnostic, counselling, halfway house, study release, and work release opportunities (similar opportunities already were available to youthful offenders). FPI's job placement service acquired an important responsibility for making possible the work release provision of the new law.

Within the prisons, FPI improved its educational offerings during the 1960's. "Teaching machines," with modules in a variety of academic and vocational subjects, were distributed throughout the Bureau. New training programs were introduced in auto body repair, farm equipment repair, and other occupations. In addition, job rotation was stepped up and "cluster training" was developed, so that inmates could learn the basic skills for several related occupations at the same time.

FPI in the 1960's also sought to develop those industries that had the most training potential. The corporation expanded its electronics operations, such as electronic cable assembly for the military at the factory at USP McNeil Island. It also inaugurated industrial keypunch operations at FCI Terminal Island and FPC Alderson, opened a custom furniture factory at FPC Allenwood, and established a plastics factory at USP Terre Haute that manufactured dinnerware, trays, and chairs. Meanwhile, FPI scaled back outmoded industries with limited training value for modem job markets, such as the laundries, foundry operations, and the needle trades.

The trend of improving educational programs and developing modern industries offering valuable training experiences continued into the 1970's. A textile vocational training school opened at USP Atlanta; an Industrial Programs Division was established at FPI headquarters to develop new industrial operations providing better work and skills training; production-training units appeared in 1975, to coordinate classroom training programs with on-the-job

FPC Alderson inmates take classes in keypunch operations.

learning during actual production; and new industrial operations included key-to-tape data processing at FPC Alderson, a computer programming service at USP Leavenworth, key-punch operations at FCI Fort Worth and FCI Miami, an electronic cable factory at FCI Memphis, a wood/plastics prototype shop at FCI Petersburg, and a machine tool and die shop at USP McNeil Island.

Modernization occurred in other ways, as well, during the 1960's and 1970's. Capital improvements included new vocational training buildings at Alderson, Atlanta, Englewood, and Marion, a dry kiln at Ashland, the installation of steel fabricating machinery at Terminal Island, and new industrial buildings at several sites. To control environmental pollution, FPI modernized its industrial waste systems. Also, FPI began putting more disabled inmates to work in such assignments as fabricating weather balloons. Finally, with the inmate population diminishing, FPI implemented strategies to maintain production levels, such as redesigning plant layouts, obtaining new kinds of raw materials and modern machinery, devising new production methods, and introducing new product lines.

Meanwhile, the Vietnam War helped precipitate fluctuations in FPI's sales and production. As the conflict escalated in the late 1960's, FPI sales to military agencies accelerated. Increased Federal spending on the Vietnam War was offset, however, by cutbacks for FCI's non-military customers, resulting in an overall decline in FPI sales in 1969 and 1971. Sales also declined when the United States ended its involvement in the war and military purchasing was curtailed.

By the middle of the 1970's, FPI was working to moderate sales fluctuations through a greater emphasis on marketing and customer service. In 1974, it established regional marketing positions and organized the corporation into seven divisions, each of which handled resource management, production, and sales in a specific FPI industry (Automated Data Processing, Electronics, Graphics, Metals, Shoe and Brush, Textiles, and Woods and Plastics). A year later, it initiated a program to improve product quality and acceptability. Although the law required that Federal agencies purchase from FPI whenever possible, the corporation still had to compete in order to win customers.

Then in 1977, FPI introduced a new corporate logo and a new tradename: "UNICOR." Coinciding with its new image, FPI established a Corporate Marketing Office to develop nationwide marketing strategies and programs. The marketing initiatives of the middle and late 1970's presaged even greater efforts during the 1980's and 1990's to make UNICOR more responsive to customer needs and to base UNICOR's activities squarely on modern business principles.

Marketing the Product and Selling the Program: UNICOR Since 1980

Since 1980, the Federal Bureau of Prisons has undergone startling changes. The inmate population has gone up drastically. The composition of the inmate population has changed as well, with larger numbers of violent offenders, drug offenders, and alien detainees. And the Bureau has moved away from the Medical Model to adopt a more balanced philosophy of corrections. The need to help the Bureau cope with all the changes has underscored the value of industrial programs as an inmate management tool. Yet just as UNICOR's contributions to Bureau stability were becoming more vital, UNICOR's very mission of providing work for inmates came under unusually harsh scrutiny. Thus, UNICOR not only had to improve its marketing efforts to ensure sufficient sales to keep increasing numbers of inmates employed, it also had to work tirelessly to explain UNICOR's vital public safety function to lawmakers and citizens.

The Bureau officially de-emphasized the Medical Model in 1975. Critics of the Medical Model had contended that it did not have as favorable an effect on recidivism as James Bennett and others had believed, that it encouraged inmates to try to give the false impression that they were rehabilitated and suitable for early release, and that it was unrealistic to expect prisons to do a better job of socializing and educating people than institutions in the free community. Above all was the view that the Medical Model was a form of coercion and that genuine changes in human behavior could not be coerced. Norman Carlson, who presided over the shift away from the Medical Model as BOP Director from 1970 to 1987, explained that "there are limitations to what Government can do to intervene in people's lives when there is no desire to change."

In place of the Medical Model, the Bureau adopted the Balanced Model of corrections. Rehabilitation was not abandoned as a goal of incarceration, but it was balanced against other correctional goals such as punishment, deterrence, and incapacitation. While rehabilitation ceased to be the primary objective, rehabilitation programs were still offered for inmates who wished to take advantage of them.

UNICOR continued to play an important role in Federal prisons under the new philosophy. Its work programs, of course, would always be an indispensable component of inmate management. The work and education programs that UNICOR provided remained the backbone of the rehabilitative opportunities that were part of the Balanced Model.

Modernization in UNICOR factories—while somewhat limited by the need to employ as many inmates as possible—kept the corporation competitive during the 1980's and 1990's. It also made possible good vocational training experiences for inmates. UNICOR overhauled its textile line in the 1980's and enhanced its metal and wood furniture lines and its electronic product lines. It developed new lines in stainless steel products, thermoplastics, printed circuits, modular furniture, ergonomic chairs, Kevlar-reinforced products (such as military helmets), and optics, and it introduced state-of-the-art production techniques (including the use of modern printing equipment for the automated production of Government forms). The new and enhanced products helped UNICOR respond to customer demands and expand employment. Moreover, the adoption of more modern techniques and equipment permitted UNICOR to upgrade its on-the-job training, thereby better preparing inmates for post-release employment.

On-the-job training had always been an essential component of the occupational training that was available to inmates. Consequently, occupational training at any particular institution was often limited primarily to the industrial operation that happened to exist there. In the 1980's UNICOR moved to broaden its vocational training base. For a few years in the 1970's, responsibility for administering education programs had been shifted away from UNICOR. But by 1981, recognizing the close relationship between academic education and occupational training, the Bureau returned educational programs to UNICOR. UNICOR immediately embarked upon "Project One Million" and "Project Three Million," which, together, provided four million dollars of start-up money for modern occupational training programs throughout the Bureau. These would give inmates more diverse training opportunities, would meet outside standards for vocational programs, and would not be tied to existing UNICOR industrial programs at a particular institution.

Meanwhile, the commitment to academic training was redoubled. In 1982, the Bureau decided that inmates must demonstrate a 6th grade literacy level before they could advance beyond entry level pay status. In 1986, the literacy standard was increased to 8th grade level, and in 1991 a high school diploma or GED certificate became the requirement. To promote academic achievement still further, education departments at each institution established incentive programs to motivate students and recognize their accomplishments, and a new position of Associate Warden for Industries and Education was established at many larger institutions to improve coordination between industrial work assignments, vocational training, and academic education.

The move to enhance UNICOR's educational programs coincided with a sharp increase in the number of Federal inmates. Between 1930, when the BOP was established, and 1979, the number of Federal inmates remained fairly constant, ranging from 17,000 to 24,000. After 1980, the population began to climb dramatically: from 24,000 in 1980, to 50,000 in 1987, to nearly 95,000 by 1994. Increased prosecution for drug-related crimes, longer sentences, the abolition of parole, and an increasing responsibility for housing aliens awaiting deportation accounted for much of that increase.

A critical need existed for constructive activities as a safety valve to relieve institutional tensions at a time when more and more inmates were crowding into the system. Accordingly, UNICOR embarked upon spirited marketing and customer service campaigns in order to increase the demand for UNICOR products.

UNICOR conducted market research; increased its participation in trade shows around the country; opened marketing centers, field office display areas, and a product showroom at

To compete effectively in a shrinking Government marketplace, UNICOR regularly shows its products and services in trade shows around the Nation.

BOP headquarters; and set up product distribution centers to respond more quickly to customer needs. Stressing "total customer satisfaction" as a goal, UNICOR established a customer service program, expanded its quality enhancement program, and provided extensive training on quality improvement to hundreds of line staff and managers. Although its marketing activities were modest in comparison to those of private industries, UNICOR felt they were essential for retaining its customer base in a time of increasing competition. Fortunately, these customer satisfaction initiatives and limited marketing campaigns were effective in generating enough sales to support adequate work opportunities for Federal inmates.

Meanwhile, UNICOR streamlined its administrative operations by reorganizing product divisions, implementing strategic planning principles, introducing an automated management control system to reduce costs and facilitate product delivery, and adopting a factory activation program that coordinated construction design with product planning. It also renovated and expanded many of its existing factories during the 1980's and 1990's to make them more efficient.

In short, UNICOR endeavored to follow the modern marketing and management principles in the 1980's and 1990's that had proven successful for private sector enterprises. According to long-time Board member William E. Morgan, the adoption of modern business methods reflected the influence of astute business executives who served on the Board at that time, such as John Marshall Briley (former Vice President and General Counsel of Owens-Corning Fiberglass), Donald A. Schwartz (President of Medallic Art Company), and Mark D'Arcangelo (Vice President for Marketing and Sales, General Electric Company). Because of these measures, UNICOR was able to increase production annually by 4 percent between 1987 and 1990, even though Federal procurement in UNICOR's product lines decreased by 40 percent during the same period.

At the same time, it was also able to respond more effectively than ever before to customer demands. One example was its role as a supplier to the military during the 1990-91 Persian Gulf conflict. UNICOR provided Kevlar helmets, camouflage battle uniforms, lighting systems, sandbags, blankets, and night vision eyewear for the military to use during Operation Desert Shield and Operation Desert Storm. It even manufactured cables for chemical gas detection devices and for the Patriot missile systems that played a key role in defending Allied troops during the Persian Gulf War. Brigadier General John Cusick, commanding officer of the Defense Personnel Support Center, praised UNICOR for the "superb support [it] provided to America's Fighting Forces" and for helping ensure that "we received the supplies the troops needed to win the war."

UNICOR's successes, however, generated controversies like those it had previously encountered. Still worried by a recession that occurred in the late 1980's, some elements of

UNICOR manufactured a wide range of items to supply the U.S. military during the Persian Gulf War.

private business and organized labor began to voice a very old concern: that prison industrial programs posed a threat to free enterprise and to the jobs of the non-offending population. Bills were introduced in Congress that would have severely hampered UNICOR's ability to add or expand product lines. UNICOR and the Bureau faced the same challenge that Sanford Bates and James Bennett had faced more than a half-century earlier: to justify prison industrial programs and prove that they could be operated in such as way as to avoid harming the private sector.

UNICOR's critics focused particular attention on "mandatory sourcing"—the statutory requirement that Federal agencies purchase from UNICOR if it could provide the desired products on time and at competitive prices. UNICOR responded that it was empowered to waive mandatory sourcing to permit Federal agencies to buy competing products from the private sector and pointed out that in 1989 alone it granted $78.9 million in waivers. It also explained that mandatory sourcing was necessary to offset some of its competitive disadvantages (such as labor intensive production, mandatory diversification of product lines, an untrained, undereducated labor pool, the extra security costs and production delays associated with operating factories within prisons, and, of course, its restriction to a single customer). Finally, UNICOR reasserted that it was a stimulus to the private sector in many ways: purchasing products from private sector suppliers, doing business with private sector sub-contractors, and being a major employer of non-inmate staff members in the communities where it operated factories.

To provide an objective assessment of the controversy, Congress mandated in 1990 that an independent market study of UNICOR be undertaken. The nationally respected Deloitte and Touche accounting firm conducted the study. One of the principal findings of the study, completed in August 1991, was that UNICOR's impact on the private sector was negligible.

Deloitte and Touche found that UNICOR's sales amounted to only 2 percent of the Federal market for the types of products and services that it provided. The study confirmed that UNICOR's operations were concentrated in labor-intensive industries, and noted that the output and efficiency of UNICOR's inmate employees was only one-quarter of workers in the private sector. Deloitte and Touche also noted that the mandatory source advantage was offset by the corporation's built-in competitive disadvantages, such as increased overhead costs due to product diversification. While Deloitte and Touche noted that UNICOR's customer service and delivery ratings were below average in some of its product lines in comparison with other suppliers, it also found that UNICOR received high ratings from customers for its custom-made products (such as electronics assemblies for military equipment) .

In addition, the study determined that UNICOR's prices were comparable to those of private sector vendors. While the Deloitte and Touche study addressed UNICOR's impact on the private sector, another study conducted about the same time demonstrated that UNICOR was successfully carrying out its mission in another way by playing a very favorable role in preparing inmates for release. The Post-Release Employment Project (PREP) was a 7-year study conducted by the Bureau's Office of Research and Evaluation that compared post-release activities of a group of inmates who had participated in UNICOR programs with those of another group of inmates who had not. One of the most important recidivism studies in decades, the PREP study showed that inmates who were involved in UNICOR's industrial or educational programs were less likely to engage in misconduct while incarcerated than inmates who were not involved in those programs. It also showed that those inmates were more likely to find and keep full-time, better-paying jobs than those who were not involved in UNICOR programs. Of greatest significance, perhaps, was the fact that participants in UNICOR work and education programs were less likely to commit crimes after release and less likely to return to prison. The PREP study, therefore, seemed to reveal a link between UNICOR programs and lower recidivism rates.

A principal focus of the Deloitte and Touche study was to identify options for creating additional inmate jobs without relying exclusively on expansion in traditional products. The report recommended three strategies: that private sector businesses be required to subcontract with FPI to use inmate labor on Government contract work; that FPI be authorized to work with private sector partners, using inmate labor to produce goods that would otherwise be manufactured or assembled by offshore labor sources, and sell them on the open market; and that FPI's mandatory source be expanded to include services, as well as goods.

Following release of the study, the Brookings Institution agreed to host a Federal Prison Industries Summit to bring together representatives from business, labor, the criminal justice system, and the Congress to engage in a high-level, broad-based discussion of the study and of FPI's future growth requirements. The Summit, which occurred in June 1992, spawned a series of workgroups and subcommittees that attempted to develop more detailed growth strategies. These initial deliberations culminated in a second Summit in July 1993. A final Summit proceedings report, which provided a comprehensive analysis of each growth strategy, including dissenting opinions, was transmitted to Congress in October of that year. The Summit report indicated that there were a variety of growth strategies available, ranging from expansion in traditional industries to manufacture of products for sale to charitable and relief organizations. It concluded, however, that no combination of growth opportunities could generate a sufficient number of inmate jobs without generating opposition from some quarter.

As a follow-up to the Summits, a Growth Strategies Implementation Committee was established, with representatives from private industry, organized labor, the Small Business Administration, and FPI suppliers. The Committee, which has met regularly since early 1994, has been successful in maintaining an open, honest dialogue on key issues.

Another follow-up to the Summit report was the National Prison Industries Task Force, which met in 1994 to discuss growth strategy options. It was co-chaired by former Chief Justice Warren Burger and former Federal Judge, FBI Director, and CIA Director William Webster.

Continuing on these initiatives, FPI has made a concerted effort over the past several years to reach out to labor, industry, and related parties to maintain a constructive dialogue. Relationships have improved, and progress continues to be made toward a peaceful co-existence among parties with divergent interests.

Conclusion

Federal Prison Industries' greatest success is impossible to quantify: the extent to which it has prevented inmate unrest that would have been costly—in lives as well as dollars. This success is also obscured by the snarl of contentiousness over programs for inmates and sales to the Federal Government. But as one Federal warden commented in an interview, "When you get inmate idleness, you get discontent, and that breeds rebelliousness ... If they burn this place down, it would cost $30 million to rebuild." In the face of an escalating inmate population and an increasing percentage of inmates with histories of violence, UNICOR's programs have helped ease tensions and avert volatile situations, thereby protecting lives and Federal property. Prisons without meaningful activities for inmates are dangerous prisons, and dangerous prisons are expensive prisons. The work and education programs of Federal Prison Industries have played an essential role in protecting lives, preserving stability, and saving money in America's Federal prisons.

At the same time, Federal Prison Industries has met its other goal of offering opportunities for inmates who want to take the personal responsibility for rehabilitating themselves. Most inmates eventually will be returned to society; industrial and educational programs can help them to steer clear of criminal activity after release. Former United States Chief Justice Warren E. Burger, a strong advocate of UNICOR, once asked, “Do we really want [released inmates] coming out without any training, without any skill they can sell on the outside?” Calling UNICOR “one of the most enlightened aspects of the Federal prison system,” Burger stated, “My position on this is the most conservative one you can imagine. If you can take an individual and train him so that he can do something a little more useful than stamping license plates, he’s a little less likely to go back [into prison]. . . This isn’t for the benefit of the criminal community. It’s for the benefit of you and me.” In other words, work programs serve society by making prisons safer and less costly to operate, and by helping prisoners reform their behavior so they are less likely to be a threat after release. Federal Prison Industries works with inmates, but its primary beneficiary is the law-abiding public.

Federal Prison Industries was created in 1934 to solve the plague of inmate idleness in Federal prisons. From the beginning, its work programs were based on the “state-use” system so that it would not harm the private sector. It quickly became a remarkably cost-effective enterprise for the Federal Government by selling needed merchandise to Federal agencies and using the income to fund its own operations, to pay dividends to the U.S. Treasury, to subsidize inmate educational and vocational training programs, and to avoid the high costs associated with trying to manage disruptive prisoners.

Having come into existence during the economic depression of the 1930’s, FPI expanded its productive capacity rapidly during World War II and became an important defense supplier. Throughout its history, FPI has adapted and upgraded its product lines in response to changing customer demands; the canvas feed bags for horses and wicker settees it produced in the 1930’s, for example, have been supplanted by automated data processing services, modular office furniture, and electronic cables for defense systems. It also has continually revised and improved its educational programs, adding training programs in such emerging industries as aviation mechanics in the 1940’s, television repair and air conditioning in the 1950’s, and computers in the 1980’s, to better prepare inmates to enter the job market after release. Consistently praised as an exemplary prison management and correctional program, FPI borrowed marketing and customer service principles from the private sector in the 1980’s, and streamlined its operations, in order to succeed even during the period of Government belt-tightening in the 1990’s.

For over 60 years, Federal Prison Industries, Incorporated, has been the most important program in Federal prisons. As the Federal inmate population climbs during the remainder of this century and well into the next, FPI will continue to be a critically important tool for managing Federal prisons that are orderly, cost-efficient, productive, and humane.

John W. Roberts, Ph.D., is Chief of Communications and Archives for the Federal Bureau of Prisons.

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Appendix A: Key Personnel in FPI History

BOP Directors, 1930-1996

Sanford Bates	1930-1937
James V. Bennett	1937-1964
Myrl E. Alexander	1964-1970
Norman A. Carlson	1970-1987
J. Michael Quinlan	1987-1992
Kathleen M. Hawk	1992-present

Assistant Directors for Industries, 1930-1996

James V. Bennett	1934-1937
A. H. Conner	1938-1960
Fred T. Wilkinson	1960-1961
Preston G. Smith	1961-1965
T. Wade Markley	1965-1966
Olin C. Minton	1967-1969
J. T. Willingham	1969-1971
John J. Clark	1971-1972
Loy S. Hayes	1972-1973
David C. Jelinek	1974-1979
Gerald Farkas	1979-1989
Richard Seiter	1989-1993
Steve Schwalb	1993-present

FPI Board Members, 1934-1996

Original Members Appointed By President Roosevelt:

Sanford Bates	1934-1972
Dr. Marion L. Brittain	1934-1952
Sam A. Lewisohn	1934-1951
Thomas A. Rickert	1934-1941
Judge John B. Miller	1934-1937

Representing Agriculture:

Judge John B. Miller	1934-1937
Emil Schram	1938-1966
Dr. William E. Morgan	1966 to present

Representing the Attorney General:

Sanford Bates	1934-1972
Peter B. Bensinger	1974- 1984
Richard Abel	1985-1990
Shirley D. Peterson	1991-1992
Harry H. Flickinger	1992-1992
Stephen R. Colgate	1994 to present

Representing the Secretary of Defense:

E. Earle Rives	1949-1953
Frank A. Reid	1953-1959
John Marshall Briley	1960-1988*
Robert Q. Millan	1989-1996
Todd A. Weiler	1996 to present

*Board Member Emeritus: 1989-1990

Representing Industry:

Dr. Marion L. Brittain	1934-1951
Berry N. Beaman	1954-1976
Daryl F. Grisham	1979-1982
Paul T. Shirley	1982-1990
Mark J. D' Arcangelo	1991-1995*
Susan A. Loewenberg	1995 to present

* Chairman Emeritus: May 1995-present

Representing Labor:

Thomas A. Rickert	1934- 1941
Robert J. Watt	1943- 1947
George Meany	1947- 1979
Lane Kirkland	1980- 1988
Kenneth Young	1994- 1995
Richard G. Womack	1996-present

Representing Retailers & Consumers:

Sam A. Lewisohn	1934-1951
James L. Palmer	1951-1976
Monica Herrera Smith	1979- 1984
Donald A. Schwartz	1985-1992
Thomas N. Tripp	1993- 1994
Joseph M. Aragon	1994 to present

Appendix B: Legislation Authorizing FPI

AN ACT

To provide for the diversification of employment of Federal prisoners, for their training and schooling in trades and occupations, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it shall be the duty of the Attorney General to provide employment for all physically fit inmates in the United States penal and correctional institutions in such diversified forms as will reduce to a minimum competition with private industry or free labor.

SEC. 2. The Attorney General may make available the services of United States prisoners to the heads of the several departments under such terms, conditions, and at such rates as may be mutually agreed upon, for the purpose of constructing or repairing roads the cost of which is borne exclusively by the United States; clearing, maintaining, and reforesting public lands; building levees; and for construction or repairing any other public ways or works which are or may be financed wholly or in major part by funds appropriated from the Treasury of the United States. To carry out the purpose of this section the Attorney General may establish, equip, and maintain camps upon sites selected by him and designate such camps as a place for confinement of persons convicted of an offense against the laws of the United States, or transfer thereto any person convicted of any offense against the laws of the United States. The expenses of transferring and maintaining prisoners at such camps shall be paid from the appropriation "Support of United States prisoners," and said appropriation may, in the discretion of the Attorney General, be reimbursed for such expenses.

SEC. 3. The Attorney General shall establish such industries as will produce articles and commodities for consumption in United States penal and correctional institutions or for sale to the departments and independent establishments of the Federal Government and not for sale to the public in competition with private enterprise: *Provided,* That any industry established under authority of this Act be so operated as not to curtail the production within its present limits, of any existing arsenal, navy yard, or other Government work shop. In establishing said industries the Attorney General shall provide such forms of employment in the Federal penal and correctional institutions as will give the inmates a maximum opportunity to acquire a knowledge and skill in trades and occupations which will provide them with a means of earning a livelihood upon release. The industries to be established by the Attorney General under authority of this section may be either within the precincts of any penal or correctional institution or in any convenient locality where an existing property may be obtained by lease, purchase, or otherwise.

SEC. 4. In lieu of the working-capital funds authorized for the textile mill at Atlanta Penitentiary by the Act approved July 10, 1918 (chapter 144, Fortieth Statute, page 897; section 799, title 18, United States Code), and for the shoe factory at the Leavenworth Penitentiary by the Act approved February 11, 1924 (chapter 17, Forty-third Statute, page 7; section 772, title 18, United States Code), there is hereby created a consolidated prison industries working-capital fund which shall be available for carrying on industrial enterprises at any of the several Federal penal and correctional institutions heretofore or hereafter established.

SEC. 5. All money appropriated for, or now on deposit with the Treasurer of the United States to the credit of the said working-capital funds at Atlanta Penitentiary and Leavenworth Penitentiary, shall be credited to the consolidated prison industries working-capital fund herein authorized. All money received from the sale of the products or by-products of such industries as are now or hereafter established, or for the services of said United States prisoners, shall be placed to the credit of said prison industries working-capital fund, which may be used as a revolving fund. There are authorized to be appropriated such additional sums as may from time to time be necessary to carry out the provisions of this Act.

SEC. 6. The prison industries working-capital fund shall be administered and disbursed by or under the direction of the Attorney General, and shall be available for the purchase, repair, or replacement of industrial machinery or equipment; for the purchase of raw materials; for compensation to inmates employed in any industry under rules and regulations promulgated from time to time by the Attorney General; for the employment of necessary civilian officers and employees engaged in any industrial enterprise at any of the Federal penal and correctional institutions and in the District of Columbia; for the repair, alteration, erection, and maintenance of industrial buildings and equipment; and for travel and any other expenses incident to or connected with the establishment, operation, or maintenance of such prison industries as are now established or may hereafter be established by the Attorney General at the several penal and correctional institutions.

SEC. 7. The several Federal departments and independent establishments and all other Government institutions of the United States shall purchase at not to exceed current market prices, such products of the industries herein authorized to be carried on as meet their requirements and as may be available and are authorized by the appropriations from which such purchases are made. Any disputes as to the price, quality, suitability or character of the products manufactured in any prison industry and offered to any Government department shall be arbitrated by a board consisting of the Comptroller General of the United States, the Superintendent of Supplies of the General Supply Committee, and the Chief of the United States Bureau of Efficiency, or their representatives. The decision of said board shall be final and binding upon all parties.

SEC 8. The Act of Congress approved June 21, 1902 (Chapter 1140, Thirty-second Statutes, page 39i), as amended by the Act of April 27, 1906 (Chapter 1997, Thirty-fourth Statutes, page 149; sections 710 to 712a, inclusive, title 18, United States Code), providing for commutation of sentences of United States prisoners for good conduct shall be applicable to prisoners engaged in any industry, or transferred to any camp established under authority of this Act; and in addition thereto each prisoner, without regard to length of sentence, may, in the discretion of the Attorney General, be allowed, under the same terms and conditions as provided in the Acts of Congress referred to in this section, a deduction from his sentence of not to exceed three days for each month of actual employment in said industry or said camp for the first year or any part thereof, and for any succeeding year or any part thereof not to exceed five days for each month of actual employment in said industry or said camp.

SEC. 9. All Acts and parts of Acts in conflict herewith are hereby repealed.

Approved, May 27, 1930.

[PUBLIC.—No. 461—73D CONGRESS]
[H.R. 9404]
AN ACT

To authorize the formation of a body corporate to insure the more effective diversification of prison industries, and for other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That in order more effectively to carry out the policy and purposes of the Act of May 27,1930 (46 Stat. 391; U. S. C., title 18, sec. 71l), entitled "An Act to provide for the diversification of employment of Federal prisoners, for their training and schooling in trades and occupations, and for others purposes," the President is hereby authorized and empowered, in his discretion, to create a body corporate of the District of Columbia to be known as "Federal Prison Industries," which shall be a governmental body.

SEC. 2. The President shall appoint a board of directors of said corporation which shall consist of five persons, one of whom shall be a representative of industry, one a representative of labor, one a representative of agriculture, one a representative of retailers and consumers, and one a representative of the Attorney General. The board of directors shall serve at the will of the President and without compensation.

SEC. 3. The President shall transfer to said corporation the duty of determining in what manner and to what extent industrial operations shall be carried on in Federal penal and correctional institutions and may transfer to said corporation any part or all of the other powers and duties now vested in the Attorney General or any other officer or employee of the United States by said Act of May 27, 1930. It shall be the duty of the board of directors to diversify so far as practicable prison industrial operations and so operate the prison shops that no single private industry shall be forced to bear an undue burden of competition from the products of the prison workshops.

SEC. 4. The Secretary of the Treasury is hereby authorized and directed, upon the formation of the corporation, to transfer to a fund to be known as the "Prison Industries Fund" all balances then standing to the credit of the prison industries working-capital fund. All moneys under the control of the corporation shall be deposited or covered into the Treasury of the United States to the credit of said fund and withdrawn therefrom only pursuant to accountable warrants or certificates of settlement issued by the General Accounting Office. All valid claims and obligations payable out of said fund shall be assumed by the corporation. The corporation is hereby authorized to employ the aforesaid fund, and any earnings that may hereafter accrue to the corporation, as operative capital for the purposes enumerated in the said Act of May 27, 1930, and in accordance with the laws generally applicable to the expenditures of the several departments and establishments of the Government, and also for the payment of compensation in such amounts as the Attorney General may authorize to inmates of penal institutions or their dependents for injuries suffered in any industry: *Provided,* That in no event shall compensation be paid in a greater amount than that provided in the Federal Employees' Compensation Act of September 7, 1916, as amended. Accounts of all receipts and disbursements of the corporation shall be rendered to the General Accounting Office in such manner, to such extent, and at such times as the Comptroller General of the United States may direct for settlement and adjustment pursuant to title III of the Act of June 10, 1921 (42 Stat. 23), and such accounting shall include all fiscal transactions of the corporation, whether involving appropriated moneys, capital, or receipts from other sources.

SEC. 5. The board of directors shall make an annual report to Congress on the conduct of the business of the corporation and on the conditions of its funds.

SEC. 6. This Act is supplemental to the Act of Congress approved May 27, 1930, and in the event of the failure of the corporation to act as herein authorized the Attorney General shall not be limited in carrying out the duties conferred upon him by the Act approved May 27, 1930.

Approved, June 23, 1934.

Appendix C: Presidential Order Establishing FPI

EXECUTIVE ORDER

Creating A Body Corporate To Be Known As Federal Prison Industries, Inc.

By virtue of the authority vested in me by the Act of June 23, 1934, (Public No. 461,73rd Congress), it is hereby ordered that a corporation of the District of Columbia be and is hereby created, said Corporation to be named as

FEDERAL PRISON INDUSTRIES, INC.

1. The governing body of said corporation shall consist of a board of five directors to hold office at the pleasure of the President. The following persons shall constitute the first Board of Directors:

Mr. Sanford Bates
Mr. Thomas A. Rickert
Hon. John B. Miller
Dr. M. L. Brittain
Mr. Sam A. Lewisohn

2. The principal office of said corporation shall be in the City of Washington, District of Columbia, but the corporation shall have power and authority to establish such other offices or agencies as it may deem necessary or appropriate.

3. The said corporation shall have power to determine in what manner and to what extent industrial operations shall be carried on in the several penal and correctional institutions of the United States and shall, so far as practicable, so diversify prison industrial operations that no single private industry shall be forced to bear an undue burden of competition with the products of the prison workshops. It shall also have power to do all things it is authorized to do by the said Act of June 23, 1934, and all things incident to or necessary or proper in the exercise of its functions.

4. Pursuant to the provisions of Section 4 of the said Act, the Secretary of the Treasury is directed to transfer to a fund to be known as “the Prison Industries Fund” all balances standing to the credit of the Prison Industries Working Capital Fund on the books of the Treasury and the corporation is authorized to employ the aforesaid fund and any earnings that may hereafter accrue to the corporation, as operating capital.

5. The Attorney General is directed to transfer to the corporation hereby created all personal property, assets, accounts receivable, and equipment of any and every kind now under the jurisdiction of the Industrial Division of the Bureau of Prisons of the Department of Justice.

6. The corporation shall assume all valid claims and obligations now payable out of the Prison Industries Working Capital Fund.

7. Said corporation shall have power to sue and be sued.

8. Any vacancies occurring in the membership of the Board of Directors shall be filled by the President of the United States.

9. The heads of the several executive departments, independent establishments and Government owned and Government controlled corporations shall cooperate with the corporation in carrying out its duties and shall purchase, at not to exceed current market prices, the products or services of said industries, to the extent required or permitted by law.

10. All powers and duties vested in the Attorney General and not specifically transferred to the corporation by said Act of June 23, 1934, or by this Executive Order and assumed by said corporation, shall remain vested in the Attorney General or his duly qualified representatives as heretofore.

FRANKLIN D. ROOSEVELT

The White House, (No. 6917)
December 11, 1934

Published in May 1996 by Federal Prison Industries, Inc.

Kathleen M. Hawk, Chief Executive Officer

Steve Schwalb, Chief Operating Officer

Edited and Designed by Andrew Stephens

Cover Design by Paul Lloyd

Printed by Federal Prison Industries, Inc.
Federal Correctional Institution, Sandstone, MN