

Of Race and Revenue: The Effects of Fiscal Stress on Racial Bias in Local Revenue Generation

Siân Mughan

Abstract

This paper looks for evidence of racial bias in drivers' licenses suspensions issued by judges resulting from failure of a defendant to pay a fine by the required date, and investigates whether fiscal stress moderates or exacerbates this bias. Whether large observed differences in criminal justice outcomes, such as suspensions, between whites and minorities result from racial bias or are an artifact of differences in observed characteristics remains an open question. Using state court administrative data from Indiana, I establish a large racial differential in suspensions between black and white defendants and, exploiting random assignment of cases, provide evidence strongly suggesting a portion of the gap is due to racial bias against black defendants. I then expand the literature by considering factors outside race that may affect the racial gap, namely fiscal stress. Estimates indicate the racial gap varies inversely with fiscal stress; large and significant when local government is in good financial standing the gap narrows as fiscal stress increases, driven by a relative increase in the probability of suspension among white defendants. In short, fiscal stress attenuates racial bias. This result is robust to controlling for individual income.