

**A RAND NOTE**

**The Organization of High-Level Drug Markets:  
An Exploratory Study**

**Peter Reuter, John Haaga**

**February 1989**

**RAND**

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The National Institute of Justice,  
U.S. Department of Justice**

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## PREFACE

This Note reports the results of an investigation into the organization of high-level drug markets, conducted under grant number 85-IJCX-0058 from the National Institute of Justice. This research should be of interest to policymakers concerned with drug enforcement, to researchers dealing with criminal careers and illegal markets, and to economists studying the structure of the underground economy.



## SUMMARY

### BACKGROUND OF THE STUDY

Cocaine and marijuana are distributed through mass markets involving many thousands of participants. The success of efforts to suppress these markets will be affected by how the markets are organized and how people enter into them. This study explores a method for learning about careers and organizations in the upper levels of the cocaine and marijuana markets.

During the past decade, the federal government has convicted increasing numbers of persons for participation in the wholesaling of cocaine and marijuana. As a result, the federal prison system now houses thousands of former high-level cocaine and marijuana dealers. The study reported here was undertaken to determine whether it was possible to obtain from these incarcerated dealers data of sufficient credibility, detail, and scope to provide a comprehensive description of these high-level markets.

The study was motivated by an interest in the effectiveness of the enforcement strategy pursued by the federal government. This strategy is aimed primarily at incapacitating organizations, rather than pursuing individuals, particularly at the higher levels of the market (those at which kilogram bundles of cocaine or hundred-pound bundles of marijuana are sold). Organizations, i.e., enduring hierarchical arrangements of specialists, are seen as the low-cost distributors, the removal of which would have particular value.

Earlier research<sup>1</sup> questioned whether organizations in these markets were in fact durable. The little available evidence suggested that the organizations were not durable and hierarchical enterprises, but consisted rather of temporary and shifting coalitions of dealers. Moreover, entry into these markets might be sufficiently easy that new

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<sup>1</sup>Peter Reuter and Mark Kleiman, "Risks and Prices: An Economic Analysis of Drug Enforcement," in M. Tonry and B. Morris (eds.), *Crime and Justice: An Annual Review of Research*, 7, 1986.

organizations could spring up to replace those disabled by effective enforcement.

## DATA COLLECTION METHODS

To test hypotheses about drug market organization and careers, it is necessary to obtain new data. Appropriate data may be contained in the files of investigative agencies, in particular the Drug Enforcement Administration (DEA). But whether or not that is the case--and a few interviews raise some doubt about it--the logistical and legal problems of obtaining those data appear to be very substantial. The alternative, therefore, is to obtain information directly from participants.

It seemed unlikely that we could obtain access to a sufficient number or to an appropriately representative sample of currently active dealers to obtain adequate information for our study. Though several researchers have interviewed large numbers of low-level drug market participants, higher-level participants are much more difficult to reach.

Therefore, we chose to approach high-level dealers who are currently incarcerated in federal prisons, drawing on a research tradition of collecting data from inmates about their past criminal activities. We approached the U.S. Bureau of Prisons and were granted permission to conduct pilot interviews in a small number of facilities.

An interview protocol was prepared, covering the inmate's career, financial details of various transactions, and information about his (we excluded women from the study) relationships with other participants in the business. Respondents were told not to provide real names of other participants but to use pseudonyms that would permit tracking of participants in complex stories. Other areas covered in less detail were personal drug use, use of violence, and career activities other than drug dealing. The interviews were completely voluntary, and no financial inducement was offered, this being prohibited by a rule of the Bureau of Prisons.

This approach raised three central methodological issues. First, could we obtain access to the individual inmates? Second, would the inmates be willing to talk with us? Third, would they provide credible information? We deal with each of these questions.



### **Access to Inmates**

The Bureau of Prisons was concerned about the risks posed to inmates who consented to be interviewed. Despite the disclaimer that we were not seeking, and would not record, any real names of associates provided by the respondent, there was widespread concern that respondents would be regarded by other inmates as having acted as informants. This in turn might lead to retaliation against them.

In light of this concern, the project was initially restricted to interviews in the lowest security prisons (level 1 facilities). These facilities house inmates who are believed to pose minimal threat of physical harm to others; few of them have a significant record of criminal violence, and there are almost no incidents of inmate violence.

In only one facility did respondents appear to feel anxiety about the reactions of other inmates, and in that facility the participation rate was very low. In the others, although a number of other factors (discussed below) led to only modest participation rates, there seemed to be negligible concern about the possible reactions of other inmates.

The majority of those approached were willing to discuss being interviewed, although many of them declined to sign the informed consent statement that was necessary to conduct the interviews. Nor did prison staff pose any barrier to access. In fact, most staff members seem to have provided active encouragement to those inmates who inquired about the legitimacy and utility of the project.

### **Inmate Participation Rates**

If access proved less a problem than anticipated, participation proved quite the opposite. We approached 94 randomly selected inmates in five facilities. Of those, only 40 consented to be interviewed. The participation rate varied greatly by facility, from 76 percent in Fort Worth to 8 percent in Danbury Prison.

The three reasons for refusal most commonly given by those who did provide reasons were (1) mistrust of the government, (2) advice of their lawyers, and (3) a wish to put the past behind them.

**Mistrust of the government.** Not surprisingly, many inmates felt that the government had not dealt with them fairly. Even those who were perfectly willing to admit that they were guilty and had been major participants in high-level transactions felt that they had received unreasonably harsh sentences, been denied a fair parole hearing, etc. Although we tried to separate ourselves from the government--a task of some difficulty, since we always stated that our funding was provided by the National Institute of Justice--many inmates were unwilling to participate in a study they saw as being primarily of use to the federal government.

We also had a major problem in persuading inmates that our notes were legally protected against government review. Even though we made it clear that no names were recorded, it was often impossible to shake the mistrust. Anger at the prison administration, in at least one facility, was another element in the inmates' mistrust of the government.

**Advice of lawyers.** In our initial letter to inmates, at four of the five facilities, we said that anyone who had a question about the wisdom of participation could consult his lawyer. Some did so. No lawyer ever advised his client to participate. This is understandable, since the client stood to gain nothing and the lawyer was scarcely in a position to determine our *bona fides*.

**Putting the past behind.** Some inmates maintained that their participation had been marginal and that they now wanted to make a new life for themselves. The interview would only dredge up the unpleasantness of the past.

This does not cover all the reasons for refusal to participate. Some of the people we contacted provided no reason at all. And at least two had limited command of English and may not have wished to enter a lengthy conversation that would prove exceedingly difficult for that reason.

### **Reasons for Participation**

Given the lack of any reward for participation, one might ask why anyone did participate.

In the Fort Worth Federal Correctional Institution, some of those interviewed were dealers who had been heavy drug users and were now convinced of the danger of the drugs they had previously sold. Indeed, some of them grilled us quite closely to determine that the research was likely to be helpful in reducing the level of drug use. These were persons who, despite generating enormous incomes from the sale of drugs, had often used such large quantities of cocaine that they had been essentially bankrupt at the time of their capture. They saw cocaine as an all-consuming and extremely dangerous drug.

Others regarded their participation as a matter of some interest and something that posed little threat to themselves. One young dealer was eager to talk about the mistakes that he had made in the past and how much he had learned from them. The interview was a rare chance for this man to explore these matters with someone who was interested but not threatening.

A few were relatively passive personalities who seemed to believe, despite our clear and repeated statements about the voluntary nature of participation, that we were in authority and had the right to ask these questions. Still others seemed to have seen the interview as an opportunity to boast.

### **The Quality of the Interviews**

Most of those who did agree to participate provided highly detailed information about careers, transactions, and organizations. Many of them were able to provide relatively complete descriptions of all their transactions, including revenue from each transaction and their relationships with others.

The completeness of the descriptions depended, of course, on the length and complexity of the respondents' careers. Some had had relatively short careers before they were caught. Indeed, the interviews suggested, not surprisingly, that one's first high-level deal

(certainly if it was consummated without much experience in the lower levels of the business) was the riskiest. Novice dealers gave us full descriptions of their brief careers.

Others had long and complex dealing careers, sometimes involving more than one drug and often with more than one spell. These subjects summarized periods of their careers (e.g., during this period I was dealing with four buyers, each taking about 4 ounces of cocaine a week), although more detailed information generally was provided about the final stage of their careers, particularly the events surrounding their capture.

### Validity Checks

We used two types of validity checks: an internal validity check and a comparison of the interview against information in the subject's Pre-Sentence Report (PSR). Neither check is as powerful as one would like, but both provided reassurance complementing the interviewers' own perceptions that respondents were attempting to provide accurate responses.

For most subjects, we obtained access to the PSR kept in the inmate's file at the prison. Some PSRs contained lengthy accounts of the "prosecutor's view" of the offense and the subject's role in it. For inmates who had pleaded guilty, this account was often heavily dependent on the inmates' own statements; in those situations, the check was merely a consistency check. But in other cases, even including some where a guilty plea had been entered, additional sources had provided information to the prosecutor. Sometimes this information concerned the career of the subject in other drug deals. In only two or three cases where the PSR was available were there disagreements in the accounts, and these were on fairly minor issues. Except for the novices whose first big deal led to their arrest, almost all the respondents told us in the interview about more crimes than were mentioned in the PSRs.

The other consistency check involved the subjects' answers to questions about the frequency and size of transactions. For example, an interviewee might be asked about how many buyers he dealt with in a typical week, the size and frequency of the transactions with those

buyers, and the prices charged. At another point of the interview dealing with the same period, he would be asked similar questions concerning sellers with whom he transacted at that time. Consistency of totals here was considered a good test of internal validity. Since some subjects had very simple careers (perhaps involving as few as three deals), the test was of varying power. Only two respondents failed this test.

### **SAMPLE SELECTIVITY**

A participation rate of 42 percent would be less disturbing if there were not reason to believe that participation was correlated with some of the major characteristics of interest. Although only limited information was available for nonrespondents, the available evidence did suggest that response was highly selective. The elements of this selectivity that we believe are most significant for the analysis are summarized below:

1. Black and Hispanic inmates were more likely to refuse to participate than white inmates. (Blacks and Hispanics serving time for federal drug offenses are also more likely than whites to be in high-security prisons, to which we did not have access.)

2. Prisoners with records of violent crime were almost precluded from assignment to the low-security prisons to which we had access; thus most of our information about violence in the drug trades had to be second-hand.

3. The participation rate was higher among those in treatment programs for drug and alcohol abuse. The central technique in treatment programs in prison is group discussion. Inmates are socialized into discussion of their past experiences. It is impossible to say how this affects the representativeness of our sample with respect to the characteristics of the dealer population with which we are concerned, but it could be significant.

## THE ORGANIZATION OF DRUG MARKETS AND ENFORCEMENT STRATEGIES

Although we cannot claim to have a representative set of subjects in the high-level cocaine and marijuana markets, our data provide some interesting insights about these markets. Our observations fall somewhere between informed speculations and empirical findings; the reader must bring his own judgment to bear. With those caveats, let us suggest four observations:

1. Barriers to entry into the higher levels of the drug markets are minimal. Most of our subjects, including those who were making many hundreds of thousands of dollars from high-volume deals, attained their positions without having to undergo long apprenticeship or accumulate large quantities of capital. A certain amount of energy, discretion, and luck was all that was required (and sometimes not even all of these).

Revolving credit is the custom the business. Everyone "fronted" their customers, i.e., the customer only paid for the last delivery when he received the next. Longer credit terms were occasionally provided, but revolving credit was the standard mode of transaction, at least after the initial deal between a particular buyer and seller. This was true whether the deal involved five kilograms or five grams of cocaine.

2. Successful operation does not require the creation of a large or enduring organization. Such organizations do exist, but it is certainly possible to operate successfully (i.e., to make large incomes for a period of some years) without acquiring the encumbrances of organization. Outside of the smuggling/importing sector, high-level dealing is simply brokerage. Some supplier/customer relations last a long time, but they are rarely exclusive, and those that are exclusive are voluntarily so.

3. It is possible to function as a high-level dealer without recourse to violence. Here we must be particularly careful to note that our information is second-hand and came from a select population of offenders. The violence of street-level cocaine markets in recent

years, as well as the "wars" that have occasionally characterized the Miami wholesale cocaine market, cannot be denied. But not only did our subjects report little use of violence themselves (almost a prerequisite for being housed in a low-security prison), they also had little experience of explicit threats or even of a sense of danger in the higher levels of the trade.

4. The wholesale market is national rather than regional. Experienced and opportunistic dealers were not bound by their particular locations. They were willing to make deals with anyone who offered a credible source or customer, even if the deal occurred in a distant part of the nation. Some subjects were more local in their orientation, but entrepreneurial ambition was by no means uncommon.

Before turning to the policy implications of these findings, we should note that this research has left us with a decided analytic puzzle. We simply cannot explain the very high incomes earned by many of the subjects that we interviewed. Talking to a heroin addict who was able to provide credible evidence (backed by his PSR) that he was earning perhaps \$300,000 per year as a cautious cocaine dealer immediately raises the question of why that opportunity was available to someone with as few skills as this subject apparently had. If the risks from police and other participants are truly as modest as they seem, such incomes should be diminished through competition.

We can adduce *ad hoc* explanations related to the dynamics of growing markets, but they are speculative. Clearly, the cocaine market, at least, is not in long-run equilibrium; the continuing decline in the price of the drug, despite sharply increased pressure from law enforcement, points to that. It may be that we were interviewing dealers from an earlier era (most were reporting careers that peaked in the very early 1980s) who were earning the transient returns of being there relatively early. But we make no claim to have a good explanation for why incomes were so high.

None of the findings about careers and organizations are encouraging for enforcement against high-level markets. The "immobilization of organizations" strategy, which has been part of the

federal program in recent years, has not succeeded in disrupting high-level markets. Some large organizations may arise because certain individuals have more leadership qualities and ambitions than our subjects exhibited. But on the evidence presented here, it is possible for individual dealers to operate effectively in these same markets.

Ease of entry also lessens the hope that the removal of the more experienced individuals could make a significant difference. Lower-level dealers are higher-level dealers in training. There is too little differentiation between low- and high-level dealers to suggest that raising the rate at which experienced higher-level dealers are incarcerated or otherwise incapacitated could disrupt the markets.

This does not mean that high-level enforcement is not worthwhile. Presumably (we can make no stronger statement), the price of the drugs would be lower and greater quantities would be consumed if the risks faced by high-level dealers were not as great as they are now. The few hundred million dollars (certainly less than \$500 million) currently allocated for high-level enforcement in 1987, the year of this research, may have been well spent. There simply is no basis for comparison among different kinds of enforcement programs in terms of their effectiveness in reducing drug consumption.

But more and better high-level enforcement is not likely to prevent the continued smooth functioning of the drug markets. The fact that very large numbers of high-level dealers are imprisoned during a period in which the price of cocaine has continued to collapse indicates that the population of persons competent and willing to fill that role is extremely large, perhaps many tens of thousands. Enforcement that makes their lives riskier and their prospects of incarceration greater accomplishes a worthwhile goal. But one should not confuse that goal with a significant impact on the consumption of cocaine and marijuana.



## ACKNOWLEDGMENTS

Dr. Bernard Gropper of the National Institute of Justice served as project monitor for this grant and gave us useful advice and reactions. Many officials of the U.S. Bureau of Prisons helped us select a sample, arranged interviews in prisons, shared their experience in research in prisons, and in many ways made our work easier. Peter Nacci and Jerry Mabli went well beyond the call of duty to assist the project. We are also grateful to Robert Hassen, Harriet Lebowitz, and Barbara Trask. We thank the wardens of the Fort Worth Federal Correctional Institute, Danbury Federal Prison, Lompoc Federal Prison, and Boron Federal Correctional Institute, and their staffs, for making this work possible. Our RAND colleagues Patricia Ebener and Mark Peterson advised us on inmate interviewing and commented on our questionnaire. Stephen Klein conducted some of the interviews. Terry Dungworth tested methods of extracting information from federal sentencing data. Patrick Murphy and Amy Praskac provided able research assistance. Joan Petersilia wrote a very helpful review. Barbara Williams provided guidance and support throughout the project. Most of all, we thank the inmates who were willing to describe their careers to us.

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## I. STUDYING ILLEGAL DRUG MARKETS

### INTRODUCTION

Despite the enormous concern in recent years with the use of illicit drugs, particularly cocaine, there is a dearth of data on the operation and structure of the markets for these drugs. The view that these markets are dominated by a few operators, generally associated with the Mafia, is no longer widely held. But there has been little effort to provide an alternative account.

The project described here tested a method of collecting systematic data on high-level cocaine and marijuana markets. The federal prisons now contain a large population of persons convicted of participating in these markets. We therefore explored the feasibility of using interviews with persons in federal prison on charges of participating in high-level cocaine and marijuana transactions to obtain a description of such activities. This was a pilot project which, if successful, was intended to lead to a larger project to produce a large-scale database for detailed analysis and research. As it turned out, a low and selective participation rate raised questions about the desirability of a larger study. Nonetheless, the project did produce some interesting data, and the research experiences are themselves worth reporting.

The first section of this Note reviews available evidence on drug market operations and structure and discusses the factors that motivated the design of the study. Section II describes the procedures used to obtain the interviews, the problems encountered, and the nature of the resulting sample. Section III summarizes the most interesting results of the interviews, dealing with the organizations and the dealers' careers. The final section presents some conclusions about methods for studying high-level drug markets and about the functioning of the markets themselves.

## THE SIGNIFICANCE OF HIGH-LEVEL MARKETS

The massive increase in federal drug enforcement resources, from \$707 million in fiscal year 1981 to \$2.5 billion in fiscal year 1988, has been accompanied by a similar growth in the outputs of the enforcement system. The numbers of convictions and prison sentences have increased substantially, as has sentence length. Of the 20,000 commitments to prison for federal offenses for the twelve months prior to June 1986, 8,000 convictions were for violations of the Drug Prevention and Control Act; in 1981, a total of 3,900 persons were committed for violating the same act. The average 1986 sentence was 70 months, compared with 51 months in 1981.

Despite this massive increase in the visible products of federal enforcement, there is little evidence that these efforts have affected the scale of the drug problem in the United States. Cocaine consumption has apparently expanded substantially; the official estimate is that 1985 consumption was between 111 and 153 tons; in 1981, it was approximately 40 tons. Marijuana consumption has apparently declined somewhat (from 12,000 metric tons to approximately 10,000 metric tons in official estimates); however, given the increased potency (THC content) of the drug,<sup>1</sup> that apparent decline may be spurious.

The prices of the drugs have also not moved in the expected direction. Cocaine now retails for \$100 per gram (60 percent pure) compared with \$200 for the same gram in 1981. Marijuana prices appear to have risen, but the data do not reflect any adjustment for increased potency. The best measure of availability, the proportion of high school seniors reporting the drug readily available or available, has declined only from 89 percent in 1981 to 85 percent in 1986 (Johnston et al., 1986).

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<sup>1</sup>A marijuana testing laboratory at the University of Mississippi has reported the potency of exhibits since 1972; the THC content has risen steadily, from 0.5 percent in that year to 4 percent in 1985 (Research Institute of Pharmaceutical Sciences, 1983, 1986). It is impossible, however, to determine whether this sample is representative of all the marijuana consumed in the nation.



The increase in volume and the decline in retail price are not by themselves evidence that the federal enforcement effort has been unsuccessful. Federal enforcement strikes at the higher levels of the market. Few federal resources are devoted to investigation or prosecution of retailers. As evidenced by the Drug Enforcement Administration (DEA) scoring system (GDEP), in recent years an increasing percentage of all DEA arrestees are in Class 1, the highest category of drug dealer. About 40 percent of the federal resources are used for interdiction, the effort to seize the drugs between the source countries and the United States.

The effects of these federal programs should be reflected in the prices charged by importers and wholesalers to their customers. If risks to importers and wholesalers had increased as a result of interdiction and targeted enforcement, we would expect to see wholesale drug prices go up (even if lower risks to retailers offset these effects at the retail price level). However, the available data concerning wholesale and import prices of cocaine suggest that these prices, like retail prices, have fallen quite precipitously since 1981. The fragmentary evidence concerning the pressure against marijuana and cocaine retail markets (in the form of arrest and incarceration data) suggests that, if anything, the pressure against users and retailers has increased, along with the pressure on high-level dealers. The paradox of lower prices and greater availability despite increased enforcement thus cannot be explained by assuming counteracting trends in different levels of the markets.

Part of the puzzle about the behavior of these markets is the apparently very high incomes earned by dealers who seem to face quite modest risks, at least from law-enforcement agencies. Reuter and Kleiman (1986) estimated that a cocaine retailer in 1984 had an expectation of spending no more than 9 percent of his time incarcerated; yet his expected earnings might have been approximately \$75,000 per year. This is a much higher risk return than is available in other criminal occupations, although drug dealing does not seem to require any greater skill than alternatives. While it is possible that this high

return represents return for incurring risks (theft and violence) from other participants, it may also represent what economists term "quasi-rents"<sup>2</sup> for early entry and the acquisition of experience.

There are a variety of possible explanations for the failure of the cocaine and marijuana markets to respond to the increased high-level pressure. There might, for example, be a change in the structure of the market; where previously a small number of dealers controlled the market and were able to set prices (by restricting output), the past five years may have seen the erosion of their market power and the entry of numerous smaller dealer enterprises, with a consequent decline in price and rise in throughput. Indeed, that could itself be the result of intensified enforcement if the enforcement had selectively targeted the dealers and organizations that possessed market power.

Alternatively, a new and more efficient dealer organization may have emerged with the expansion of the market. What we are observing, if this is the case, is the later stages of an industry learning curve. Though law-enforcement agencies have shown considerable ingenuity in catching high-level dealers, dealers may have simultaneously acquired additional skills (e.g., modes of moving drugs, recruiting agents, corrupting enforcement officials) that lower their perceptions of the risks of the business.<sup>3</sup>

There are no doubt other possible explanations. We suggest, though, that they all rely on changes in the operation and structure of these high-level markets. This project was intended to develop systematic data about these markets that would permit testing of alternative hypotheses about their changes over time and their reactions to law-enforcement strategies.

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<sup>2</sup>A supplier earns quasi-rents when he has an asset (in this case, contacts and experience) that has lower cost than the comparable asset used by some other supplier in the same market.

<sup>3</sup>This hypothesis, in the context of drug smuggling, is developed in Cave and Reuter (1988).

## PRIOR RESEARCH ON MARKETS AND DEALERS' CAREERS

There is a small sociological literature on careers of drug dealers. Lieb and Olson (1976) studied the career development of a small sample of dealers in a college town; Langer (1977) did a similar study of Australian marijuana dealers. Redlinger (1975) studied careers of heroin dealers, using interviews in a Texas border city. All three found fragmentation of organizations. Given their opportunistic samples, it was not surprising that they reported little evidence of upward mobility. Of more interest is that they all reported considerable turnover in the dealer populations.

These earlier studies focused on retailers of drugs. Our interest is in the higher levels of the markets. The literature there is even thinner, as might be expected; there are many more low-level dealers, and researchers can more readily obtain access to them. High-level dealers are fewer in number, have more at risk from being apprehended (higher sentences, as well as loss of higher incomes), and less reason to make themselves known to anyone not in the business of drug dealing.

There are some semifictional accounts of higher-level dealers, the best being Sabbag (1978). The only systematic study of higher-level dealers is that of Adler (1985), who reported observations on 65 high-level dealers and smugglers in Southern California. The sample was predominately white, middle-class, and without prior criminal records; this is scarcely surprising, since it grew out of contacts Adler and her husband made during their graduate school studies. It included both marijuana and cocaine dealers. The study provides a rich history of the trades over the last two decades. Adler had the important advantage of studying the operations of dealers *in vivo*, unhindered by the dealers' possible tendency to recast events in a later retelling or by the bias that might result from talking only to those dealers unlucky enough to land in prison.

Adler noted considerable range in the closeness and stability of relationships among participants. Some formed close and enduring partnerships that were quite exclusive; for example, one pilot was constantly being recruited by a smuggler neighbor but refused to work

for him because of his loyalty to his regular employer (p. 66). But other dealers, characterized as "less reputable," existed in a network of shifting alliances. "Tom," a multikilo marijuana dealer, described his perception of the dealing market as open:

Everybody is always shuffling around, getting new people to buy from, new people to sell to. Sources dry up, people retire. If you stay in the trade pretty actively it's not hard to make new connections. You're always running into somebody who has a good friend, somebody always has a deal; somebody always has a surplus because one of their buyers isn't around and is looking for someone else they can trust. (Adler, 1985, p. 70)

The organizations Adler studied were very small. Those of cocaine dealers typically consisted of only two or three people. Marijuana smugglers, confronted with the problems of rapid loading and unloading of tons of contraband, had organizations that were slightly larger, usually three to eight persons.

Adler reported substantial barriers to exit from the drug business, some arising from the very attractive lifestyle associated with it, others from the fears that exit raised among collaborators. She concluded that "this is not an arena dominated by a criminal syndicate but an illicit market populated by individuals and small groups of wheeler-dealers who operate competitively and entrepreneurially." (p. 2) The generality of her findings was obviously limited by the nature of the sample recruitment and by her concentration on one geographic area. It is also important to note that most of her data were gathered in the 1970s.

A very sensible journalistic account of two large-scale operations of the higher levels of the marijuana trade is provided by Warner (1986). One operation (The Company) imported marijuana from Colombia into Florida in the late 1970s. It was a flamboyant and ultimately very vulnerable organization, distinctly a product of its time and not likely to be found in the more intense enforcement environment of the mid-1980s. (Another description of The Company is given by Mills (1986). The other operation, of more recent vintage, distributed domestically

produced marijuana and was much more circumspect, again a product of its time.

Warner offers interesting speculations about the generality of these two operations. He sees The Company as a fluke, highly unstable, arising to its glory mostly by chance. Intensified enforcement, in his account, led to the exit of the flashy amateur smuggler and brought in tougher, more professional criminals. The domestic operation was, in a sense, the discreet, compartmentalized successor of The Company.

### RESEARCH APPROACH

There are relatively few methods for collecting systematic data on higher-level drug markets. In general, markets are studied indirectly, using data on prices, quantities, innovation, etc., to make inferences about their structure and conduct (see Scherer, 1980). However, the quality of the data available on high-level marijuana and cocaine markets is not sufficient to permit such inferences.

Moreover, we need to learn not only about organizations in these markets, but also about careers. The nature of the persons involved in high-level dealing affects the performance of the markets in ways not contemplated by conventional industrial organization theory. The use of violence and the constraints on size and durability of organizations arising from hostile law enforcement are factors that fit poorly into the industrial organization research paradigm. For both of these reasons, participant interviews seem the most plausible mode for collecting the required data.

To obtain a sample of unincarcerated dealers involves both substantial expense and risk. Adler took advantage of her connections with a group of dealers in one part of the country, but her fieldwork occupied some six years; ethnographic fieldwork is very time-intensive. Adler's method also depended on personal acceptance by her subjects. Thus, generalizability is an issue. Recruiting participants through advertisements seems implausible, given the high risks posed for the dealers and the modest size of the rewards that can be offered for participation in a research project.

Therefore, we chose to investigate the possibility of collecting data from an institutionalized population of high-level market participants. The intensity of federal enforcement has generated a large captive (literally) population of high-level drug dealers in federal prisons. Most of them have been incarcerated relatively recently and thus, if they are willing, they can provide data on the performance of markets throughout the nation during a relatively short period of time for data collection. No other institutions bring together such a large collection of participants so conveniently.

A number of successful studies have been based on prison interviews. The first RAND prison inmate study (Petersilia, Greenwood, and Lavin, 1977) used structured interviews with 49 convicted armed robbers, who were judged to have provided reasonably complete and accurate responses. Other studies, such as that of Klockars (1974) on professional fences, have also found that prison inmates are willing to talk to researchers about their personal experiences in criminal trades. As Klockars suggests, such interviews can provide a welcome relief from the boredom of prison life, as well as "a rare, and gratifying, opportunity to speak with authority on one of the few subjects about which they could actually do so" (p. 209).

We excluded heroin dealers from the study, despite the fact that there are many such dealers in the federal prison system. Heroin distribution involves a very different type of trafficking organization, itself probably a consequence of the much higher risks (both from police and from other participants) associated with that drug. Heroin enters the United States in relatively small bundles, is distributed more clandestinely, and involves a narrower organization. There is likely to be much greater suspicion surrounding the business and a longer tradition of violence for discipline. We also expected that a smaller percentage of heroin dealers would be willing to participate in the study if approached. Concern about the possibility of retaliation within the prison seemed more serious for heroin dealers.

The federal Bureau of Prisons agreed to permit the study but restricted the initial interviews to level 1 facilities, i.e., those with minimum security. This restriction arose from a concern that participation in the study might be interpreted by others in the prison as providing information to the government, and could hence lead to violent retaliation. It was thought that this risk would be minimized by confining the study to institutions that housed few violent offenders. After some experience in these minimum-security facilities, the Bureau of Prisons agreed to permit interviews in level 2 facilities as well.

## II. METHODS

The preliminary phase of the research was designed to assess the feasibility of the approach and to investigate issues of sample selectivity and data validity. This section first describes the methods of selecting a sample and conducting the interviews and then assesses the representativeness of the sample of completed interviews. The major problem with the research design turned out to be the high percentage of inmates who refused to participate and the selectivity of the final sample. To the limited extent that we were able to assess the data actually obtained, they appeared valid.

The interviews dealt with five aspects of the subjects' dealing experiences: (1) their career progression in the illicit drug trades; (2) the partnerships or larger organizations of which they were members or with which they did business or competed; (3) turnover, prices, and credit terms of transactions; (4) the costs and methods of search for buyers or sellers; and (5) violence and evasion of law enforcement. We were interested in deals and dealers above the retail level, up to and including the largest wholesalers and importers.

### SAMPLE SELECTION AND INTERVIEW METHODS

Interviews were conducted at five institutions: Fort Worth (Texas) Federal Correctional Institute (FCI), Danbury (Connecticut) FCI, Danbury satellite camp, Lompoc (California) satellite camp, and Boron (California) FCI. Federal prisons are classified in six security levels; all the facilities in our project are level 1 (the lowest security level), except Danbury FCI, which is a level 2 institution. These institutions were selected to cover a range of different types of programs and inmate populations from different parts of the country.

Initially, we were concerned that these low-security prisons would contain few eligible dealers, but they turned out to be well stocked with drug offenders. In April 1987, a total of 7,109 drug offenders were incarcerated in level 1 and 2 prisons, compared with 3,683 in



levels 3 through 6. (Another 1,845 federal drug offenders were on "administrative" status.) We shall discuss later the selectivity of the population in the lower-level institutions.

Fort Worth FCI was chosen for the first few interview trips, during which we tested methods of eliciting cooperation and refined the interview instrument. This facility has a high concentration of drug offenders from many parts of the country because of its substance abuse treatment programs. Fort Worth FCI also has a research unit serving the regional office of the Bureau of Prisons, and the research staff greatly facilitated the early stages of our work.

A list of inmates eligible for our study was generated for each institution by selecting all those in the Bureau of Prisons computer files whose offense code indicated that they were currently serving time for a violation of section 841, 846, 960, or 962 of the Drug Abuse Prevention and Control Act of 1970.<sup>1</sup> Section 841 makes it illegal to "create, manufacture, distribute or dispense" controlled substances on two schedules of "narcotic" and "non-narcotic" drugs. Unfortunately, heroin and cocaine are on the same schedule (Schedule I), which made it impossible to sort out cocaine dealers from heroin dealers in advance. Section 846 bans conspiracy (among other things) to "create, manufacture, distribute, or dispense" narcotics or non-narcotics controlled substances. Sections 960 and 962 make illegal "knowing or intentional importation or exportation" of narcotic and non-narcotic controlled substances. Those whose current offenses were possession of controlled substances (section 845), distribution to a minor (section 390), or violations of sections dealing with diversions of pharmaceuticals, etc., were not included in the list of eligibles. Many of those serving sentences for possession are dealers who were prosecuted on the lesser charge, whether because of a plea bargain or a

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<sup>1</sup>We excluded inmates of federal prisons who had been convicted of drug violations of the District of Columbia code. We felt they were much more likely than federal offenders to be retail dealers, and they were also likely to be involved with drugs (e.g., heroin, phencyclidine) other than cocaine or marijuana. In April 1987, 650 inmates of federal prisons were District of Columbia drug law violators, and 12,637 were federal drug law violators.

strategic decision by the prosecutor, but we were advised by researchers in the Bureau that anyone serving on a possession charge or one of the other peripheral charges was unlikely to be a high-level dealer or part of a large conspiracy.

Except for the current sentence codes, the only other information on the eligibility lists were the inmates' names, prison registration numbers, dates of birth, and sentence dates. No other details were sought until after an inmate had been contacted and his agreement to participate had been sought.

We were unable to obtain any information prior to sample selection concerning the drug or level of market involved, so the initial listing included some fairly low-level dealers and dealers of drugs other than cocaine and marijuana.

A random number table and fixed selection interval were used to select inmates at random from the alphabetical list of names. The selected inmates then received through the regular institutional mail distribution a short unsigned letter (reproduced in Appendix A) announcing the interview. At Danbury and Boron, we also distributed to the prison staff a memo describing the project and answering some of the questions about the project that inmates had most frequently asked their own case managers and work supervisors (see Appendix A). The staff member handling logistics for us then set up an interview schedule and arranged for the selected inmates to be "on callout" at the right times.

At most of the institutions, our first contact with the inmate was in a private meeting with one of the researchers, in a classroom or research office. The researcher explained the purpose of the study and assured the inmate that notes would be kept confidential, that participation was voluntary, and that no reward or punishment could be given. If the inmate then signed the consent form (Appendix B), the interview began immediately. Each inmate was also asked to provide the interviewer with access to his Pre-Sentence Investigation Report (PSR).

The interviews followed a standard list of topics, but the wording of questions, the order in which they were asked, and the amount of time and number of follow-up questions on a particular topic all varied depending on the inmate's responses. The instrument (Appendix C) served

mainly to jog the memory of the interviewer about topics that had to be covered and as a place to record details of transactions.

We modified the instrument several times during the course of the project. Although we considered the possibility of using a closed-form, possibly self-administered questionnaire, we found it necessary to revise wording and to add and drop questions to generate the information we wanted. Careers and roles proved diverse, terminology was not standard, and in many cases the interviewee himself was not the entrepreneur, but another participant in the organization (which required a change of wording for most of the subsequent questions). For these reasons, we kept the instrument flexible.

Some sections of the interview instrument proved unproductive. The variation in responses to some sections was so great that we were unable to find any useful summary or representation for those sections in our small sample; an example of this was the series of questions on non-criminal careers. Other segments did not elicit responses from many respondents, e.g., our questions about knowledge of law-enforcement techniques.

When an inmate gave us his signed consent for access to his Bureau of Prisons files, we read and took notes on the PSR, a document usually written by a probation officer for the judge's consideration at sentencing. Data coded from the PSR included both background information on the inmate (age, place of birth, education, employment history), prior arrests and sentences, the probation officer's estimate of the offender's assets, and the prosecution version of the offense leading to the current sentence. This information was used to confirm the inmate's answers to some interview questions and to assess the completeness and plausibility of the information gathered during the interview. In addition, we hoped to learn if there were potentially fruitful questions that we were omitting, and also to see whether the PSRs alone might provide enough accurate information to carry out the economic analyses we planned. The PSR notes were stored securely and separately from interview notes.

Interviews lasted from 20 minutes (for inmates who had short careers and were unable to tell us much about other market participants) to over 2 hours (for those with long and involved careers).

### LOGISTICAL PROBLEMS

The routines of prison life make it difficult to pull individuals unobtrusively away from their appointed tasks for interviews. "Callouts" had to be arranged the day before each contact, and supervisors at prison worksites or teachers of classes had to be notified. Some worksites, e.g., a ranch connected to the Lompoc camp, were far from the prison offices, which made it necessary for selected inmates to miss half a day or a full day of work. Also, inmates leaving some of the worksites were quite conspicuous, which we feel made them reluctant to be interviewed. At the Danbury camp, for example, some workers had to be called away from their places on assembly lines in a large shop floor. The need for advance notice to the staff and the inmate made it difficult to arrange a substitute interview when one inmate refused or proved to be unsuitable for the sample.

Setting up the location for the interviews was important. Prisons often have rooms set aside for confidential interviews, but these are associated with parole board hearings, or, even worse from our point of view, with law-enforcement agents seeking information for current investigations. At Fort Worth, we were able to use offices in a corridor occupied by the Research Office; there are enough different programs taking place in this facility during the day, and trips to the Research Office are sufficiently commonplace, that the inmates did not seem to feel conspicuous or ill at ease.

At most of the other institutions, classrooms provided the right combination of privacy and familiarity. In one of the satellite camps, however, there were few programs other than work on a large, open shop floor, and no rooms in which to hold interviews except two that opened onto a crowded corridor in living quarters; one of the rooms was separated from a crowded, noisy television room by only a thin wall. Here, only a few inmates agreed to be interviewed, and interviews were

occasionally interrupted by other inmates peering in or shouting comments at the selected inmates as they were entering or leaving. Attempting to do research in a closed environment like a prison, where anything out of the ordinary excites comment and the inmates are naturally suspicious, requires a good deal of attention to such details as scheduling and the choice of a suitable physical location for interviews.

### REFUSALS AND SAMPLE SELECTIVITY

The major difficulty with the research, and the most important threat to the validity of findings based on the data, was the high rate of refusals by inmates to participate at all. As Table 1 shows, only 40 (42 percent) of the 94 inmates selected for the sample signed the consent form for the interview. Of those who did agree to the interview, seven refused consent for inspection of their files.

High refusal rates would not by themselves make the research design unworkable. If those who refuse are not otherwise dissimilar from those who participate, it would be possible to make up for refusals simply by adding more inmates to the initial sample. Even if the final sample were highly selective, the design might still achieve its purpose, if the interviewees provided information about their transactions with, and the careers and dealing arrangements of, a full range of other market participants.

In other words, a representative sample of markets, transactions, organizations, and careers is needed for the economic analysis. It is not necessary to have a representative sample of people to transmit the information. As it turned out, our interviewees did provide information about the structure and operations of some of their suppliers and customers. But many were quite ignorant about these matters, since participants in drug markets have very strong incentives not to reveal much to customers about their suppliers or other customers. They want to minimize the danger of being named by informants. Also, wholesalers' ability to profit on transactions depends on keeping ambitious retailers from cutting them out and dealing directly with larger suppliers and importers. Despite our attempts to work around it, the selectivity of

Table 1  
PARTICIPATION RATES, BY INSTITUTION AND  
RACE/ETHNICITY OF INMATES

Institution/Inmates	Agreed to Interview		Refused
	Number	Percent	
<b>Institution</b>			
Fort Worth FCI	22	76	7
Danbury prison camp	6	29	15
Danbury FCI (level 2) <sup>a</sup>	1	8	11
Lompoc prison camp	5	30	12
Boron FCI	6	40	9
Total	40	42	54
<b>Race/ethnicity<sup>b</sup></b>			
White, non-Hispanic	30	62	18
Black	3	50	3
Hispanic	3	21	11
Asian	1	50	1
Not recorded	3	-	21

<sup>a</sup>Danbury FCI refusals were made in small group meetings; in all other institutions, inmates were contacted individually.

<sup>b</sup>Interviewer's subjective assessment.

our sample of completed interviews made it impossible for us to claim that the information we obtained provides a complete and representative portrayal of the cocaine and marijuana markets.

#### REASONS FOR REFUSAL

We tried a number of approaches to recruiting participants at the interview meetings. Our initial strategy was to emphasize the essentially academic nature of the study, hoping to allay any fears that the information would be used by police or prosecutors. We used the words "study" and "economics" a good deal. After a while, we became aware that academic was, for many of them, synonymous with boring. It appeared to be a poor motivator and failed to lull the suspicious.

After talking to colleagues with more experience in inmate interviews we then shifted to a more aggressive approach. We stated (truthfully) that we were seeking to write a book that reflected the experiences of those who had actually been in the trades. We made (slightly subtle) appeals to their anti-government feelings by suggesting that policy would be improved if there were a better understanding of how these markets actually operated. Inmates appeared less bored but no more cooperative.<sup>2</sup>

We asked those who refused the interview to give us their reasons for doing so. Two or three Spanish-speaking inmates seemed unable to speak English well enough to talk to us, which could be rectified in future attempts by use of bilingual and/or bicultural interviewers.

Many of the younger black and Hispanic inmates, in particular, appeared reluctant to get into anything they didn't understand and couldn't control. "Never volunteer for anything" is probably as useful a general guide to conduct in prison as it is in the army. These inmates were neither hostile nor curious, and we were at a loss to come up with a change in the initial approach or explanation of the project that would change this reaction at all. Other inmates, both white and black, did not want to talk about the past at all: "That's over; it doesn't do any good to talk about it." This reaction also could not be overcome by our assurances of confidentiality or restatements of the purpose and nature of the interview.

Still other inmates were involved in litigation or expected further trouble with investigations (e.g., by the Internal Revenue Service). Several said that they would like to have helped but they had instructions not to discuss anything with anybody. Both the written consent form and our oral description of the project at the initial contact with the inmates made it clear that participation was completely

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<sup>2</sup>In the last institution, Boron, we made one other change in procedure. The PSR turned out to be a provocative issue for many inmates. Instead of asking for permission for the interview and inspection of the PSR simultaneously, we asked for the latter permission only at the end of the interview. This did not seem to enhance participation rates.

voluntary and that no rewards would be forthcoming. The letter reminded inmates that they had a right to consult their lawyers before making a decision; those few who did were all advised not to participate. Incarcerated drug dealers nearly all have experience bargaining with the government; the only asset they have is information about their dealings and it is to their advantage not to give it away. As one inmate put it in refusing to participate: "I've given out information before, but never for free."

All these were rational justifications for turning the project down. But most of the refusals seemed to be based on simple anger at the government. We identified ourselves as researchers for a private institution, but with funding from the National Institute of Justice (NIJ); none had heard of the NIJ, but most suspected (correctly) that it is a government institution. "I hate the government after what they did to me, and I don't want to spoil your book, but I'm not doing anything that might help the government." Refusals of this form often took as much time as successful interviews, since inmates told us their entire story by way of justifying their decision not to agree to tell us their story. Human Subject Protection rules prevented us from taking notes on these interviews.

Because drug dealing above the retail level is done through private transactions between secretive, willing participants, arrests of high-level dealers usually involve the use of an informant or undercover agents in a set-up deal. In their versions of events, only a few of our subjects were caught "fair and square." The methods by which they were caught often seemed like entrapment to the dealers themselves.

When the case against one dealer is based on information obtained during the unraveling of a different organization, arrest and prosecution take place several years after the specific deals; psychologically, if not logically, it can seem like bad luck or a dirty trick to the offender arrested a long time after the specific offense. The subsequent period of bargaining with the prosecutors can also be conducive to resentment and cynicism, especially if, as must often be the case, an equally culpable informant has already made his deal.



A closely related reason for several of the refusals appeared to be a personality type best described as "the wise guy"--the inmate who would string us along with extensive questions about the survey, its methods, funding, potential uses of the data, The RAND Corporation, etc., ending at last with a triumphant rejection, clearly planned from the very beginning.

In summary, we were rejected for many reasons. We lacked the means to motivate participation. The rules of the Bureau of Prisons forbade us from offering any material incentive; in any case, many of the dealers were so wealthy that we probably could have added few participants with the small monetary payments a research project can afford.<sup>3</sup>

Perhaps just as significantly, we were dealing with inmates who, though appropriately unhappy and indignant, were not subject to the great restrictions and boredom found in state and local correctional institutions. Prior researchers (e.g., Klockars, 1974) may have succeeded in part because inmates were bored and tightly confined. The institutions in which we were interviewing, though certainly not luxurious, were not so grim. We ascribe at least some part of our failure simply to the fact that we were dealing with subjects who were not so unhappy that talking to an interested interviewer about the highlights of their criminal life was a particularly attractive opportunity.

#### THE PROBLEMS THAT DID NOT ARISE

In most of the institutions, inmates were unaccustomed to having outsiders come in to ask questions except as part of investigations by law-enforcement agencies. But the confidentiality provisions attracted much less curiosity than we expected. Few inmates asked for details or, as far as we know, checked the relevant section of the U.S. Code. The only inmates who commented on our assurances of immunity of the notes

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<sup>3</sup>It should be noted, though, that Berry and Kanouse (1987) report surprising success, in terms of higher participation rates, with \$20 payments to doctors for filling out an interview schedule which took about 30 minutes.

from legal process told us simply that we were wrong to believe in such guarantees.

Interestingly, our credentials were never challenged. No inmate ever expressed any doubt that we were who we said we were, or even that we ourselves believed that the interview notes would be immune from legal process. This is probably due in part to us looking the part of researchers--we were assured several times by both inmates and prison staff that we did not look like law-enforcement or corrections officers--and partly to the inmates' confidence in their own ability to detect cons.

In planning the project, we devoted considerable attention to ways of keeping the fact of an inmate's participation secret. One of the important reasons for going only to low-security institutions was our fear for the safety of inmates known even to have been approached for interviews. But, at least in these institutions, inmates did not seem worried about future retribution, either from fellow inmates or from former associates.

In the Danbury camp, our respondents were flustered when other inmates were milling around noisily just outside and in an adjoining room and passing adverse comments during the interviews. But in all the other institutions, even inmates who refused to participate seemed quite willing to spend long periods of time with us and to greet us in hallways later. (We naturally avoided acknowledging them first in public.) Our identity and the broad outlines of the project were known all over each of the institutions by the second day we were there. Those we had contacted were clearly discussing the project openly. The prison staff told us on our subsequent visits that there had been no repercussions from our initial visits.

We were somewhat surprised by how little concern our visits caused; those who decided not to participate seemed to have done so for the essentially private reasons outlined above, and those who decided to participate seemed fairly unconcerned about telling us all sorts of things that were potentially damaging to both themselves and other people. Indeed, we had on occasion to remind subjects that we did not want to have actual identifications of other offenders about whom they were providing information.

## REASONS FOR PARTICIPATING

Given the wide variety of reasons for not participating, why did anyone talk to us at all? We did not ask inmates this explicitly, since the study was extensively discussed in the prisons, and we did not want to convey the impression that cooperating with us was deviant behavior. But we did get an idea of participants' motives both in the interviews and in subsequent discussions with Bureau researchers and prison staff members.

The inmates who seemed most willing to talk with us were those in drug or alcohol abuse treatment programs at Fort Worth FCI. The programs rely on group therapy and counseling, and success in the recovery process is defined in large part by an ability to talk openly and honestly about one's involvement. These inmates were accustomed to talking about their experiences, practically on a daily basis, and to responding to questions from professionals who were not involved in law enforcement. Some who agreed to be interviewed were enthusiastic converts to the drug-free life and used the interview as an occasion to expatiate, sometimes at length, on the evils of drugs.

At least three inmates volunteered the information that they were talking to us because they were bored and found our project somewhat interesting. These were well-educated men who seemed to have formed an accurate opinion that we could do them no harm. One asked some reasonable questions about our methods and anticipated many of our methodological conclusions. Two others, one from Florida and one from California, had been central figures in partnerships that imported very large quantities of drugs; they seemed to enjoy telling their stories, perhaps because they realized that we would find them fascinating and their methods ingenious. These men had given a lot of information to investigators,<sup>4</sup> and the lengthy PSRs agreed closely with the stories they told us in the interviews.

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<sup>4</sup>Another subject proudly told the interviewer that his operation had been the focus of a *60 Minutes* segment.

As noted above, the feeling of many inmates that they were arrested as a result of bad luck or a dirty trick was probably the most important reason for refusals. But for some inmates, that same resentment seemed to be a motive for agreeing to an interview. Several men seemed eager to tell their stories to illustrate the point that they really were not deeply or continuously involved in the drug trade. They would admit technical guilt but seek the interviewer's confirmation that their role did indeed seem minor or understandable. In these cases, the PSR contained the same details of actual offenses as the inmates' accounts; the latter just added a great deal of explanatory material. Some of these interviews produced useful insights into the structure of the drug market, even when the respondent was convinced of (and convincing about) his own minor involvement in it.

#### SELECTIVITY OF THE SAMPLE OF COMPLETED INTERVIEWS

The racial and ethnic composition of our sample of completed interviews was unbalanced. Eight percent of the respondents were black and 8 percent were Hispanic, compared with 16 and 26 percent in the total population of drug offenders in levels 1 and 2 federal prisons at that time (Table 2). This is the closest comparison we can make, since we cannot differentiate high-level dealers from other drug offenders in the prison census figures. The low participation rate of blacks is due both to their higher refusal rate (50 percent, shown in Table 1) and to the greater concentration of black drug offenders in the higher-security federal prisons (Table 2). Our screening of low-level dealers may also have reduced the number of blacks on our list of contacts. Finally, it may be that blacks are genuinely underrepresented in the upper echelons of the cocaine and marijuana trades.

The refusal rate was especially high (79 percent) for those we identified as Hispanics, and Hispanics are more heavily represented in the higher-security than in the low-security prisons.<sup>5</sup>

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<sup>5</sup>The identification of "Hispanic" refusals is based solely on our subjective assessment and may well be an undercount. For those who agreed to be interviewed, the identification is based on place of birth, if outside the United States, or our assessment, for those born in the United States. Race of participants was based on our own assessment.

Table 2

CHARACTERISTICS OF RAND SAMPLE AND OF POPULATION OF  
DRUG OFFENDERS IN FEDERAL PRISONS, APRIL 1987

Offenders	N	Percent White	Percent Black	Percent Hispanic	Average Age (years)
RAND sample					
Agreed to participate	40	81	8	8	39.0
Refused to participate	54	54	9	33	N/A
Federal drug offenders in federal prisons					
Security levels 1-2	7,109	82	16	26	37.6
Security levels 3-6	3,683	75	23	40	38.9
Total <sup>a</sup>	12,637	79	20	32	37.8

SOURCE: Interview data, Federal Bureau of Prisons.

<sup>a</sup> Includes 1,845 drug offenders on "administrative" status.

Non-Hispanic whites were represented in our sample of completed interviews in almost exactly the same proportion as in the population of drug dealers in low-security federal prisons. The average age of respondents (39 years) was also very close to that of the population.

For logistical reasons, we did not include women in the sample. Women make up only 7 percent of drug offenders in federal prisons.

The participation rate appeared higher for those in treatment programs for drug and alcohol abuse, although we cannot be sure of this, since we learned about treatment programs only from participants who volunteered the information and we do not know about such programs for those who refused. It is impossible to say how this affects the representativeness of our sample with respect to the characteristics of the dealer population with which we are concerned, but the effects could be significant.

Perhaps the most important potential bias arose from our sample being limited to low-security institutions. As Table 2 shows, 29 percent of federal drug offenders are in level 3 and higher

institutions. (If we ignore offenders on administrative status and count only those currently in institutions, 34 percent are in the higher-security institutions.) Inmates are assigned at the beginning of their terms to a security level on the basis of several criteria, an important one being whether they have a history of violent crime. Once in the system, inmates can be reassigned to a higher-security prison if they break rules, or to a lower-security prison as a reward for good behavior. Twenty-four percent of the higher-security drug offenders had a "seriously violent" offense in their arrest record, compared with only 2 percent of the drug offenders in low-security institutions (Table 3).

Inmates completing a long term most of which was spent at higher-security institutions often spend a few months at one of the low-security prison camps or a halfway house as an adjustment to outside life. Both prison officials and inmates told us that there were some inmates in their institutions who had come from higher-security institutions, though none of our respondents had themselves moved down through the levels this way. Thus, even when researchers are restricted

Table 3

VIOLENCE IN CRIMINAL HISTORIES OF DRUG OFFENDERS  
IN FEDERAL PRISONS, BY SECURITY LEVEL<sup>a</sup>

Prison Security Level	Violence in Criminal History				Total
	None	Minor	Serious	Unknown	
1-2					
Number	4,610	368	166	1,965	7,109
Percent	(65)	(5)	(2)	(28)	(100)
3-6					
Number	1,850	332	888	613	3,683
Percent	(50)	(9)	(24)	(17)	(100)
Total <sup>b</sup>	7,585	812	1,174	3,066	12,637

SOURCE: Bureau of Prisons.

<sup>a</sup>Includes instant offense, rated by Bureau of Prisons.

<sup>b</sup>Includes 1,845 inmates on administrative status.

to the lower-security institutions, they may have access to some individuals who had compiled the sorts of records that earn initial assignment to the worse prisons.

### **Violence**

The effects of this type of sample selectivity on the accuracy of our picture of the drug trades are hard to gauge. We asked several questions about violence in most of the interviews. It is not surprising, given the fact that we were conducting the interviews in low-security institutions, that few of our respondents claimed to have used violence, or even threatened violence. This was particularly striking because they willingly described many nonviolent crimes not mentioned in their PSRs that would have put them in higher categories in sentencing guidelines than those for which they were convicted.

Surprisingly, they rarely mentioned any violence, or even threats, directed against them. One reference was made to 'a motorcycle gang serving as protectors for one set of high-level dealers in Seattle (our respondent knew little about the arrangement and had been surprised himself when he learned about it), and several respondents mentioned at some point that they preferred to deal with Colombians only at one remove, because of the Colombians' reputation for violence. Three dealers described threats of violence and the display of guns, all involving Hispanic dealers in Florida. A Mexican-American dealer reported killings connected to drug deals in Mexico, which he thought might be a deterrent to would-be importers. If the view held by non-Hispanic inmates that South Americans are the most violent participants in the drug trade is correct (and it is partially borne out, as Table 2 shows, by the greater concentration of Hispanic drug offenders in higher-security federal prisons), then our inability to conduct interviews in Spanish may have worsened the bias toward nonviolence in our sample.

A Florida man told us that one of the important attractions of the higher levels of the trade, as opposed to the street levels "where you are dealing with the general public," was that there was no violence. To some degree, this may reflect the fact that a sample of prisoners,

many serving long sentences, provides information that is potentially out of date. Many respondents expressed the opinion, which is also widespread among those not personally involved, that both the cocaine and marijuana trades were attracting a meaner and more violent sort of person now than they did in the good old days of the 1970s. But even allowing for the possible selection bias and the dated information, it seemed to us remarkable that the great majority of our respondents were able to pursue their careers in lucrative illegal enterprises with very little physical danger.

### Market Levels of the Participants

Another important element of selectivity was the level of the market in which the subjects participated; would we obtain cooperation only from those who were unimportant or relatively unsuccessful? We can say little that is definite about this, since we had no information about the levels at which nonrespondents operated. We were unable to review their PSRs, and the data system used to identify potential respondents contained no information about market levels.

We were able to obtain some participants who had long and (except for their current term of imprisonment) successful careers in the trade. Some subjects had been sellers of multiple kilogram lots of cocaine<sup>6</sup>; others had imported multiton shipments of marijuana. Of the 41 prisoners who agreed to participate, 3 were primarily involved with sales of heroin or other opiates, and 10 were mainly retailers who gave us only minimal information about the higher levels of the cocaine and marijuana trades. The remaining 29 dealers, from whose accounts most of our substantive results are drawn, are classified in Table 4 by primary drug, level of the trade in which they were involved, and the amounts of drugs they bought in typical transactions at the height of their careers. We classified the participants as importers (either the entrepreneurs who personally organized the transactions or, in one case, a pilot), wholesalers (those who bought drugs directly from importers

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<sup>6</sup>Note that many of the participants entered prison before 1985, i.e., they were active dealers before the era when 10-kilogram deals became commonplace.



and sold to other dealers), or retailers (those who sold directly to persons who themselves used most of the drugs they bought). Cocaine retailers were included here if they provided significant information about the larger dealers with whom they did business.

Of the 20 cocaine dealers, 2 were regularly involved in the importation of quantities of 10 kilograms or more, and 10 others dealt in quantities larger than a kilogram. Of the 9 marijuana dealers, 2 were involved in the shipment of more than a ton of marijuana at a time, and the others all purchased more than 100 pounds at a time. One of the cocaine dealers and 3 of the marijuana dealers had been involved in drug deals for more than 10 years. Six of the cocaine dealers, by contrast, had been involved in drug deals for less than 2 years before the arrest

Table 4

MARKET LEVELS AND DURATION OF CAREERS OF COCAINE  
AND MARIJUANA DEALERS IN RAND SAMPLE

Measure	Market Level		
	Importer	Wholesaler	Retailer
Cocaine Dealers (N=20)			
Size of purchases			
Over 10 kg	2	0	0
1-10 kg	1	9	3
Under 1 kg	1	0	4
Duration of career			
Over 10 yrs	0	1	0
2-10 yrs	3	9	1
Under 2 yrs	1	2	3
Marijuana Dealers (N=9)			
Size of purchases			
Over 1 ton	2	0	-
100 lb-1 ton	3	4	-
Duration of career			
Over 10 yrs	2	1	-
2-10 yrs	3	2	-
Under 2 yrs	0	1	-

leading to their current imprisonment. The sample is a mixed one, though thin at the very top levels.

### VALIDITY OF THE INTERVIEW DATA

For many reasons, self-report data from convicted drug dealers are suspect. Dealers may be inclined to downplay their own role in deals they acknowledge and may omit to mention many deals, from a desire to present themselves as socially respectable or from a belief that through the interviewers they can influence parole boards. In contrast, some other respondents may be inclined to exaggerate their role, from a desire to present themselves as important or from a (mistaken) belief that they can protect former associates by assuming all guilt. Also, the same orneriness that led some inmates to waste our time before refusing to participate might have led others to agree to an interview in order to feed us misinformation.

We used two approaches to assess the validity of the information given to us by the inmates: We checked answers to related questions for internal consistency and compared interview answers with the biographical information and descriptions of current offenses recorded in the PSRs. With a few exceptions, the information from the interviews was plausible, internally consistent, and consistent with the PSR information. It appears that the inmates reacted to this situation by making one initial choice, to participate or refuse; if they agreed to participate at all, they provided accurate answers even to awkward questions.

### Internal Consistency

For every period of a dealer's career, we asked about the prices, size, and frequency of his drug purchases; we asked separately about his sales during the same period. In all but two cases, the information tallied, that is, the amounts sold times the frequency of sales were roughly equal to (or less than by amounts personally consumed) the larger amounts purchased times the smaller number of purchases in the same period, and the respective prices would give a plausible profit.

Only one dealer reported figures for usual sales and own consumption of cocaine larger than the amounts that he reported buying during those periods. The interviewer called this to the dealer's attention and he admitted that he diluted the cocaine. Another subject, who handled money for a large Texas marijuana operation, reported sums that were too high for the quantities, prices, and frequency of transactions he described. We concluded that, although he was the "accountant" for the operation, he was essentially numerically illiterate. His figures only meant that he counted a lot of money. It is always possible, of course, that the consistency of most of our respondents shows an ability to construct lies that hang together, but the mental arithmetic required to do this on the spot would have been considerable, since conversions between metric and English measure were often involved,<sup>7</sup> along with several multiplications. (We made our own quick calculations on note pads.)

As a less systematic check, we would often ask questions about events and associations out of chronological order. Our respondents would add details or clarify what they had said earlier in the interviews, but we never caught them in contradictions, even when going back over quite convoluted stories. Again, this is not a proof of veracity, but it does lead us to believe the inmates were usually telling the truth as they saw it. The events discussed were often not offenses for which they had been arrested, so these stories were not simply regurgitated testimony.

### **Comparisons with Pre-Sentence Reports**

The Bureau of Prisons files included sentence summary sheets listing each inmate's birth date and place, race, address, education, most recent employment, current offense, plea, and sentence. We found virtually no discrepancies between the background information the inmates provided us in interviews and what was recorded on these summary sheets. More important was the narrative account in the PSR prepared by probation or parole officers for the consideration of the judge at

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<sup>7</sup>Small wholesale transactions of cocaine involve ounces; larger transactions involve kilograms.

sentencing. The PSRs varied in their content and level of detail, but most provided information about the inmate's childhood circumstances and current family, previous arrest and prison records, legitimate jobs, assets and liabilities, and the prosecution version of the current offense. For those inmates who had agreed to cooperate with the government and who had been involved in drug dealing for several years, the narrative account of the current offense ran for several pages.

As noted above, seven inmates did not give us permission to review their PSRs; most of them complained bitterly that they themselves could not get access to the most important parts of the PSRs under the Freedom of Information Act. We have no way of knowing whether the files would corroborate what they told us. For the inmates who did give us permission, the PSR accounts coincide remarkably well with the interviews. The only discrepancy on the basic background questions was in the response of one heroin addict who had spent a few years in college on a basketball scholarship. He named in the interview a school with a more successful basketball team than the one listed in the PSR biographical data. Another man, a rather unsuccessful Midwestern cocaine and marijuana wholesaler, did not mention in the interview two nondrug arrests and convictions.

Usually, the inmates described far more deals, often larger ones, than were listed in the PSR. This suggested to us that the interview accounts were accurate, rather than that the inmates were exaggerating, because the career progressions were plausible and the amount of circumstantial detail about how they met new sources and customers, what happened to them later, etc., was considerable.

In many cases, the interviews added more information about entrepreneurship, i.e., who was taking the initiative in arranging new deals, than was found in the bare-bones PSR accounts. Sometimes the nuances added in the interview tended to make the inmate seem less blameworthy, but often they did not. For example, a young inmate who had been involved in five importations of marijuana by sailboat made it clear in the interview that he had taken the initiative in moving up from being a loader to being a partner (with his brother) in the schemes, having made a sizable investment in their boat. A California

man who had been an active partner in a California cocaine importing ring told us how he had originally gotten involved, again following a brother already in the business, by arranging some lucrative deals with outlets he had found on his own initiative. In both cases, the PSR accounts described these men as mere underlings whose brothers had taken the initiative. In contrast, three inmates who had been the targets of setup deals (one large-scale marijuana dealer, one who had previously been only a cocaine consumer, and one businessman who was in some personal and tax trouble) described being pestered to get involved by the persons who later turned out to be informants. The PSR accounts are silent on the issue of how much pestering was required.

In only one case did the comparison with the PSR suggest that the inmate had left out an important detail. This was a large-scale marijuana importer who had given a rich account of his own long career in smuggling and was willing to describe the roles of accomplices, including corrupt law-enforcement officials, but who refused at several points to answer questions on some of the details of his last deal (a setup in which he had agreed to buy marijuana from an informer). The PSR account revealed that his wife had been involved and that his guilty plea had been part of a deal to keep his wife from being charged. This man also described in the interview a flourishing legitimate family business, while the PSR recorded that his wife had said the business was failing and the man had agreed to the last deal only to get the money needed to save it. This discrepancy might be explained by the incentive the couple had to "poor-mouth" at the time of his arrest and sentencing.

Although the PSRs often contained whatever information the officials preparing them had been able to uncover about the assets owned by the convicted dealers, we did not find these useful for corroborating accounts, since most of the lists seemed to be incomplete. In several cases, the assets listed seemed clearly to be more than what could be expected for someone with the legitimate employment histories described, but this only confirmed the fact that the person was a drug dealer, which he had already told us. More often, we were given the impression during the interviews that the inmates had more assets than were revealed in the PSR lists. Partly for our own protection, we did not

ask inmates directly about their current assets or what they had done with the proceeds of their dealing.

In summary, we feel the interviews gave us an accurate picture of our respondents' careers and of the opportunities they found in the cocaine and marijuana markets. We obtained information about all aspects of their business, from a few very large-scale importers as well as smaller-scale wholesale distributors. The important sources of bias in our data, which limit the generalizability of our conclusions, are:

- The restriction to low-security prisons, which meant that information about violence had to be second-hand, and that many drug offenders--including a disproportionately high percentage of blacks and Hispanics--were not eligible for our sample.
- Higher refusal rates from black and Hispanic inmates.
- Possibly higher proportions of drug addicts and novice dealers in our sample than exist in the whole population of drug dealers.

Though these data give us a picture of what was possible in drug markets in different parts of the country in recent years, we cannot provide a complete picture of these markets or a basis for generalizations about the whole population of dealers.

### III. CAREERS, ORGANIZATIONS, AND MARKETS

This section summarizes what we learned from the interviews. The material is organized around a set of enforcement-relevant hypotheses concerning the functioning of high-level drug markets. We first spell out the major hypothesis, then present our findings concerning careers, income, and organizations.

Legal markets are characterized by great variety in the types of organization that survive as suppliers. At one extreme are certain manufacturing industries, such as automotive production, in which a small number of large firms account for the vast bulk of production. At the other extreme are certain service industries, such as shoe repair, in which production is widely disbursed among many small firms. The field of economics known as industrial organization is concerned, *inter alia*, with explaining why such variation occurs.

Now consider the enforcement implications of different kinds of structure in an illegal drug market. If that market were organized like the automotive market, the removal of a few large organizations would have significant impact; even though production might continue, it would provide a lower-quality product at a higher price. If it were like the shoe repair market, then the removal of individual organizations, even of many, would only raise perceptions of risk among those interested in staying in or entering the industry and would lead them to adopt techniques to control their risks.

We have stated the alternatives in relatively extreme form to permit a clear statement of our hypotheses. We are interested in determining whether the high-level cocaine and marijuana industries (or particular segments of those industries) are more like the automotive or shoe repair industries. Are there advantages to large-scale organization, which would imply that the removal of a few of the more significant dealer organizations might have a noticeable effect on the market, reducing the efficiency with which drugs reach the retail system? Or are these markets characterized by such decentralized

production (i.e., distribution) that enforcement can only affect price and availability by increasing perceived risks?

We believe that the interviews point strongly to the second of these alternatives. Though there may be large drug distribution organizations with stability, division of labor, and hierarchy, small distribution and importation enterprises are able to survive profitably within the same markets. But that presents us with a major puzzle, for the incomes earned by the participants in these markets are far higher than we would consider compatible with competition, admittedly a somewhat subjective judgment. We examine, then, whether there are barriers to entry that might serve to explain these "excess profits."

## **INCOMES, ENTRY, AND CAREER PROGRESSIONS**

### **Incomes**

Our sample was small enough and covered such a heterogeneous set of participants that it would be inappropriate to present statistical measures claiming to describe the distribution of incomes generated by dealing in cocaine. Some of the dealers we interviewed were selling tens of kilos of cocaine per month; others were handling barely one kilo per month. There was also a considerable range of time: Some reported careers that peaked in 1977; others, careers that peaked in 1984.

However, there was consistency in the sense that our respondents, or at least those who were in the business for a number of high-level transactions, made incomes that, on an annual basis (some did not last a full year at their peak levels), were in the hundreds of thousands of dollars. For example, one Southern dealer reported buying three 1-kilo lots of cocaine per month, at \$1,500 per ounce (in about 1980), and selling it in 4- to 8-ounce batches for between \$2,200 and \$2,400 per ounce. This yielded a gross income of about \$75,000 per month. It was hard to identify any significant expenses, apart from the subject's own cocaine habit. Another dealer, operating in about 1983 in the Seattle area, bought about eight 4-ounce lots per month, for about \$1,800 per ounce, and sold them (in 1-ounce units) for \$2,800 per ounce; this yielded \$32,000 per month.



Not everyone did so well. One respondent was the principal in a series of cocaine shipments (from 1 to 5 kilograms each) from Bolivia to the United States and seems to have netted no more than \$10,000 from all of this activity. He was also a somewhat confused young man, involved in a variety of legitimate activities, and not the kind of person who would strike one as a competent conspirator.

But the income figures provided by respondents clearly support the common perception that this is an enormously profitable business. Men of no obvious skill were able to earn enormous incomes for incurring quite modest risks.

These unusually large incomes were almost entirely rewards for risk-taking, since no large initial investments were required. Capital in this business consists almost entirely of an inventory which is turned over very rapidly and the "good will" built up by knowing good suppliers and customers. If the cocaine and marijuana trades were truly functioning as ordinary markets, the competitive pressure from eager new entrants should have driven down these extraordinary returns eventually, unless there were significant barriers to entry.

### **Entry and Career Progressions**

We use the career histories of our respondents to identify the barriers both to initial entry into the trades and to progression to higher levels that might account for the respondents' ability to earn seemingly exceptional rents over long periods of time. How does one get started as a high-level drug dealer?

Most of our respondents began as low-level dealers, and they simply stayed with it until they happened on a good new source. Their initial participation was driven by their own use.

Some of our respondents had already been active in other types of crime (robbery, fraud, and forgery were common), but with one exception these were not very successful or entrepreneurial dealers. The dealers who had important or organizing roles in remunerative schemes tended not to have extensive prior criminal records; many had done well (often continuing to work while dealing drugs) in some legitimate sales-type

profession (real estate in at least two cases, and import/export, which provides good training as well as good cover). The ability to get on in the drug trades seems to depend on personality and luck as much as anything. An individual who inspires trust and is affable, moderately intelligent, well organized, ambitious, and willing to take risks can prosper.

Several respondents told us they looked for these same qualities in retailers: "a good businessman" was the term of praise, occasionally contrasted with excessively flamboyant and unstable characters, heavy users, and addicts, who would lose track of their accounts, miss appointments, and dip into their inventories. What was remarkable about the most successful dealers we interviewed was how unremarkable they were. The qualities that helped them get where they were at the time of their arrest are the same qualities that have helped prosperous small businessmen in legal pursuits get where they are today.<sup>1</sup>

Four of our respondents (all cocaine dealers) were owners or managers of bars, nightclubs, or restaurants before becoming dealers, and at least three others made most of their sales contacts in bars; all these respondents reported that they themselves used drugs and/or alcohol to excess. People who work in bars are professionally convivial and spend a great deal of time around other people with low inhibitions against substance abuse. They get to know local small-time dealers and observe them as they evaluate and approach potential customers. Through them they can meet large dealers. As was true for many of our respondents, there was a large element of chance in these meetings. One Louisiana man, for example, described how he met his most significant source when he helped the latter extricate himself from a fight in the bar our respondent managed.

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<sup>1</sup>Again, though, we must note that we were interviewing a select group. Long histories of involvement in other crimes are one criterion for inmates to be assigned initially to a higher-security prison. These data tell us not necessarily what is typical of the backgrounds and personalities of all dealers, but what is possible in different parts of the country for at least some successful dealers.

An ability to "party" with potential customers seems to have been useful for several of our respondents. One wholesaler told us how drug-using and bar-hopping sessions served the function of job interviews, allowing him to observe how discreetly a prospective retailer could act when high.

Three of the "bar-scene" dealers described their first involvement as consisting of little more than introducing one acquaintance to another, receiving some cocaine or an offer of a partnership in return. An immigrant from the Middle East who worked at a nightclub in New Jersey got started by introducing different sets of the club's customers to each other and getting cocaine to support his own worsening habit as a reward; he was later arrested acting as a go-between for a much larger dealer. Another man in late middle age served primarily as the purchasing agent for a group of patrons of his bar in Oklahoma, heavy drinkers who used cocaine and alcohol in alternate binges. (This pattern of use was described by another respondent as well.) One enterprising young man, having received an offer from one of his bar patrons of a partnership in a large cocaine purchase, did some market research first, going around to all the other bars in his small Southern city to see how many people were willing to buy from him and how much they were currently paying for cocaine.

Four white respondents, all in their thirties (three from small cities and one from Seattle), described careers that began in junior high school and essentially progressed continuously and smoothly to higher-level deals until their current incarceration. Growing up in the business provided some key contacts later on. A Michigan native, for example, met his first Mexican source through an old high-school friend and fellow drug user, who had met the source while gambling in Las Vegas. A heroin addict who branched out into the cocaine trade was able to recruit as his retailer women who had been friends in high school and were now divorced mothers in the suburbs.

One large marijuana importer from Texas now in his forties also grew up in the business, not as a high-school user-dealer but as an all-purpose smuggler. He described how from his early teens he would drive

back and forth across the border, taking contraband in both directions; he originally imported fighting cocks and later added marijuana to his loads. This man had grown up with Mexicans and employed them both on ranches he managed and as "packers" to carry supplies across the border in his smuggling business. Two Mexican-American respondents, one born in Mexico and the other in Arizona, got their start in the drug trades as frequent visitors to Mexico; they both had friends and relatives there who trusted them and helped them get started, first as "mules" (couriers) and then trading on their own accounts.

The ability to speak Spanish and fit into border society clearly provides an advantage. The Texan did not understand the point of our questions about how he made contact with suppliers and customers; he just knew them as neighbors, employees, etc.: "If you need drivers you just go to a truck stop and ask around.... If you need Mexicans to help you load and unload, you just go over and ask around." In contrast, another respondent, a Midwestern small-time dealer trying to enter the higher levels of the trade by making contacts in the border towns, told us of numerous attempts, most of them futile, to meet connections and arrange deals in the same cities and the same years (late 1970s) that the Texan was describing. The Midwesterner spoke no Spanish and also was less gregarious and engaging than the Texan.

Another way to make valuable contacts is to serve time in prisons. An Ohio man who had several different importing schemes for cocaine and Quaaludes made crucial contacts during a short sentence in a prison camp on a non-drug-related charge. These friends included a Bolivian, a sailboat owner, and a large cocaine distributor in another state. He left prison embittered and determined to make money importing drugs, and the contacts he had made served him well on numerous occasions.

Many of our respondents told us how they made new connections that constituted discrete jumps to new levels of the trades. In most cases, the opportunities simply came up after a dealer had been around for a while. One dealer selling cocaine in gram quantities in Louisiana was contacted by a former customer who had moved to Florida and made a bigger connection; the Louisiana dealer then became a distributor of much larger amounts for his ex-customer. A retailer in Seattle was

content to distribute small amounts of cocaine to finance his own heroin habit until his source died. The source's widow then introduced our respondent to the higher-level dealer who had been the source's source, and the respondent agreed to take over the old source's business, giving regular payments to the widow in return for her help in making it possible.

Family connections were important for many of our respondents at times of transition. One young white man in Texas, who claimed to have been a frequent but not heavy drug user in college, described a chance encounter at a party with a large cocaine importer who was distantly related to him, had been a fraternity brother of his cousin in college, etc. Our respondent used drugs at parties with the dealer, suspected the nature of his business, and later offered to put the dealer in touch with another group in a different city (which turned out to include DEA agents). Two of our informants moved to higher levels of the trades (one in cocaine importing in California, the other in marijuana importing in Florida) by joining brothers who were already established. One young man left Louisiana to join his father, who was a cocaine wholesaler in Texas, to learn the trade from him.

Three respondents (one based in Alabama, another in Florida, another in the Northeast) were pilots or flight instructors. Each of them reported that their first involvement began after being approached by a casual acquaintance who had already begun making arrangements to import large amounts of marijuana or pills and needed a pilot. The Alabama man claimed (and his PSR did not contradict it) that he only referred the dealer importuning him to a pilot friend who might be interested; he said such approaches were very common in the late 1970s and early 1980s at small airports. Piloting is perhaps the one skill that the would-be drug importer cannot just teach himself, so it is not surprising that the pilots among our respondents reported that drug trades came and found them rather than the reverse.

What all this points to is the ease with which one can become a high-level dealer, even an importer. All one needs is a good connection and a set of reliable customers. Making a good connection is a chance event, resulting in a retailer moving up to wholesaler. A set of

reliable customers is also likely to be generated simply by being in the business long enough; those with whom you are currently partying may well become next year's steady outlets.

All this mobility is made easier by a rapidly expanding market. There are more niches for wholesalers each year, particularly as so many high-level participants are removed by drug-enforcement activities.

There was a general perception that the business is getting more dangerous and violent, so that a tolerance for incurring and an ability for managing physical risks may become increasingly important. However, it is useful to recall that most of our subjects had been out of the business for at least one year, and some of them as long as five years. Their perceptions about change may be inaccurate and may also be tinted with the veterans' view, in almost all fields, that things are getting worse.

## ORGANIZATIONS

We asked dealers if they had ever regarded themselves as part of an organization. Several said yes, and others used the word "organization" in describing their operations even before we raised the subject. But the arrangements described were not so formal and permanent as either legitimate businesses or the traditional criminal organizations described in, say, the Valachi papers (Maas, 1967). Most of the arrangements would be better described as small partnerships, in which each partner is also involved in trading on his own account, or as long-term, but not exclusive, supplier-customer relationships. Like Adler (1985), we found evidence of some long-term relationships between suppliers and customers, but these were rarely exclusive. Hierarchical organizations may exist, but they are not necessary for lucrative careers in cocaine and marijuana importing and wholesaling. For the dealers in our sample, at least, there was little economic advantage to be gained from formal organization.

Economic organizations exist to take advantage of economies of scale of operations and specialization of roles. Even successful organizations do not grow in size indefinitely to the point where every industry is monopolized, because at some size the diseconomies posed by

the need to coordinate activities, monitor subordinates, etc., outweigh the incremental benefits of further expansion. In a classic model of the economics of organization, firms conduct internally those transactions that are easiest to coordinate, and they contract at arm's length for those services that would be costly and complicated to perform internally (Scherer, 1980). In the drug trades, the costs of large size and specialization of roles begin to mount up very quickly. The bigger the organization, the more likely it is to come to the attention of law-enforcement authorities or rivals, and the more people involved in any transaction, the greater the likelihood that one of them is, or someday will be, an informant.

The benefits of specialization are correspondingly low. With the significant exception of pilots, there were almost no special skills or equipment required by the organizations our respondents described. There are, then, no great economies of scale to be achieved by bringing many operations together under one roof. Perhaps the only activity for which it would be good to have a large number of employees all serving the same purpose is organized violence. But, as discussed above, our respondents were not threatened often or severely, and they preferred to avoid detection or deal in a roundabout way with the violent (usually Latin American) dealers, rather than confront them with their own private armies. Even violence can be subcontracted; one need not recruit permanent employees or retainers. (In one case described to us, a motorcycle gang in the Northwest was engaged for protection by a partnership of cocaine importers.)

In some legal enterprises, there are economies to be achieved by bringing large numbers of salespersons into one organization. These economies usually have to do with the pooling of information and sharing of advertising costs and a brand name (e.g., in national real estate and tax preparation firms). But even in these cases, problems arise with incentives and monitoring of subordinates' efforts. In the wholesale drug trades, illegality puts a premium on secrecy, making it very difficult to monitor geographically dispersed subordinates (see Reuter, 1983, Chap. 6). The drug wholesaler can check on the retailer only by giving him short-term credit, typically for a week's worth of supplies,

then waiting to see if he keeps coming back with the requisite amounts of money on time. At the street levels of the trade, there may be economies in search costs from having well-known street markets and "smokehouses." Retailers might be able to keep an eye on their runners, touters, and go-betweens, if all the action takes place in a limited area. But this open activity leaves retail dealers susceptible to police sweeps, not to mention casual violence, and is probably not feasible for those engaging in large transactions. Paradoxically, it may be that the larger the deal, the smaller the number of people needed to carry it out efficiently.

### IMPORTING

At only one stage in the process, physically getting the cocaine or marijuana into the United States, are there enough tasks requiring enough different skills or large investments to warrant specialization and cooperation among groups of people. In the case of cocaine, even for the importation of quite large amounts, the arrangements sound more like groups of independent merchants coming together to finance one speculative venture than like lasting organizations. More than one person would be involved, but often the people would sound like equals, each performing much the same task, and each taking his share of the product off for disposal as he wished once it was safely in the country.

For example, one couple residing in Florida would travel with another couple to South America, posing as tourists, and would then hand off their packages to the owner of a sailboat in a Caribbean port for delivery to a Florida location. The husband had a contact in Bolivia, whom he had met during a short stay in federal prison for a non-drug-related offense. The sailboat owner was a friend of a friend, also tracing back to a contact made in prison. The two couples would part company after each trip, each taking a share of the proceeds. The sailboat owner was paid partly in cash and partly in kind. The entrepreneurial couple also owned a plane and a hangar for flying in Quaaludes from the islands, and they had a fleet of four ordinary-looking people around the country to drive their products in ordinary-looking cars.



Thanks to prison and his former life as a small businessman, the husband of this couple had enough contacts in different parts of the country to get his large quantities of cocaine and Quaaludes distributed within a short time after arrival. In some five years of operations described to us, about a dozen people had taken part; clearly, the entrepreneurial couple initiated and directed their joint activities, but it is hard to call them an organization. The entrepreneurial couple would recruit associates as needed for an importation and have no other dealings with them afterward.<sup>2</sup> One set of associates had nothing to do with, and did not know, the others. The arrest of the entrepreneurial couple did remove the four drivers from the drug trades (they were described as otherwise law-abiding people, making a little extra money for this one service to one couple they trusted, which made them especially successful as delivery persons). But the other, more seriously involved associates were not affected by their arrest.

Marijuana, being bulkier, requires more physical labor and storage space than cocaine. Transportation of significant amounts requires the use of an entire boat or plane (rather than just hiding the drugs on board a commercial vessel), and unloading and storage require many people and careful scheduling. For large shipments, handlers, loaders, sailors, and stash-house minders might be required. But they are required sporadically, in most cases. Mexican backpackers and truck loaders can be recruited on a per-job basis in Mexico for cross-border transit. An importer who delivered large loads of marijuana to wholesalers in Northeastern cities described how the wholesalers would arrange for all their otherwise independent retailers to be waiting to help unload the truck quickly in darkness at a stash house, then scatter with their own purchases. One group that imported marijuana from South America to the East Coast via sailboats needed about eight people for quick unloading at night onto small boats and subsequent stash-house-

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<sup>2</sup>Their operations unraveled after a bizarre episode involving South Americans kidnapping the wife to force the couple to do business with the South Americans, who did not know enough people in the United States.

sitting. The four principal partners in this operation, college professors and other professionals, engaged trusted friends for this purpose once or twice a year. One of the unloaders, our respondent, reinvested his earnings from two of these annual operations in a sailboat he owned with his brother and then became a principal investor in the the next four importations. Interestingly, he did not seem to know the last names of his many original co-workers in the unloading phase. The lesser characters knew and were known by one or more of the principals, but they came together only for these annual events and kept knowledge of their own identities compartmentalized among themselves.<sup>3</sup>

#### WHOLESALE DISTRIBUTION

Even with marijuana, and still more with the more compact drugs, the need for organization, or indeed cooperation, breaks down once the drugs are inside the country. Everyone involved is essentially fulfilling the same role, that of independent salesman. Most of the relationships described by our respondents, even the fairly long-term ones, were arm's-length buyer-seller relationships, which were neither exclusive in any sense nor centrally directed.

The successful dealer is one with a reliable source of large amounts of drugs, perhaps with some backup sources for periods of drought, and several reliable outlets. The day-to-day business of dealers at the middle stages of the distribution networks--that is, dealers who buy from an importer and sell to other wholesalers or retailers--consists largely of dunning customers for timely repayment of their short-term loans in order to have cash ready to repay the supplier for one's own short-term loan, so that next week's or next month's drugs will be delivered and the whole process can continue. We heard very little about any delegation of authority. Dealers advance to higher levels of the trade, not by recruiting assistants to work under their supervision, but by meeting a better source and moving larger amounts of drugs, usually to no more than a half-dozen steady customers.

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<sup>3</sup>It is always possible that he was protecting them, of course, both in our interview and in the account given as part of his plea bargain. But he gave many incriminating details about some of his fellow principals, including one who was still a fugitive.

One reason for the lack of formal organization is the great difficulty of supervising subordinates, at least in their day-to-day activities. Two big dealers told us of informal screening methods they used to evaluate the character of potential customers/agents. They would socialize with the prospective associate in public places, including using drugs together, to see if he was loud, flashy, or boastful about his status as a drug dealer. Only if the person appeared discreet would the wholesaler later suggest that they do business with each other.

Once having made the decision to do business with a customer, the wholesaler can only hope that the customer will be discreet and watch him for signs of deterioration. Lacking the ability to supervise a subordinate, the short-term credit described above is a wholesaler's only method of loosely monitoring a subordinate's activities.

The chief danger is that the customer will become careless due to his own addiction. The warning signs appear when a customer/agent starts to miss payments and make excuses and to take chances, shortchanging old reliable customers, indiscreetly looking for new ones, and taking foolish risks selling while high. A prudent dealer, we were told several times, protects himself by never allowing a customer to get so heavily into debt that the dealer cannot simply to write it all off as a bad debt and never do business with him again.

Another cocaine wholesaler had a very trustworthy set of outlets: divorced suburban mothers whom he had known in high school, who had children to raise, rent to pay, and reputations to protect, and who were not participating in other crimes. They were not part of the local bar or street scenes; the women themselves had stable contacts for sales in local businesses. The best way to supervise subordinates in illegal activities is to choose subordinates who need no supervision. This same dealer reported one instance in which his own activities were monitored. He had been observed in a dangerous part of town by members of a motorcycle gang who were paid by his supplier to provide protection, and he was warned not to jeopardize the arrangement by such risky behavior. He was quite surprised and disturbed that his actions had been observed.

This was the only instance of such detailed supervision and reprimand described to us, and it was also, significantly, the only instance of an army of retainers paid to provide protection to a supplier organization.

The whole structure of the trades is based on asymmetries of information that would preclude formal organization. If A sells large quantities to B and B sells smaller quantities, perhaps diluted, to C, then B has a strong incentive to keep C from meeting A. Knowing A and being trusted by A is the only asset B has, and it is only valuable if C does not know A and is not trusted by him. A, if he is cautious, does not want to be known by too many people. A wants to meet C only if, over a long period of time, C has shown an ability to sell large amounts of drugs discreetly, and A is considering dealing with C as an equal to, or a replacement for, B. One astute A doing business in Texas told how he once invented an excuse to hang around a B's apartment, to meet a particularly promising C. A then followed C home, revealed his own identity, offered him a promotion, and began a mutually profitable relationship. A eventually quit doing business with B, who was described as unreliable. Only C, if he is ambitious, is unequivocally interested in greater information sharing.

These chains are not unlimited in length. Some descriptions of the trades imply that drugs pass through innumerable hands on their way to the ultimate consumer, the drugs being cut at each step of the way and profits being made almost at will. The distribution chains described in our interviews were actually fairly short, at least down to the point where small quantities were traded or shared on the street (or perhaps better, "bar") level. Dealers to whom we spoke who were not themselves importers either bought directly or at only one remove from importers of large quantities, and they sold to retailers whose own customers were either strictly consumers or else very small retailers. The same wholesaler would likely know, or have met, the Colombian gangsters at one end and the college students or other individual consumers at the other end of the chain.

Someone just getting started in the trades, or whose source of supply has been cut off, needs to search openly for suppliers or customers. This is a obviously a period of special vulnerability, like

the moulting time of crustaceans. In equilibrium, a dealer does not want to deal with new people except on rare occasions under controlled circumstances. Frequently during the interviews, we were told something like, "I didn't know too much about what else he was doing. I didn't want to know." Some of this denial of knowledge was no doubt due to the desire of our respondents to avoid being asked to inform on others, but it was also clear that successful dealers really did not know very much about things they did not need to know about.

Supply relationships are rarely exclusive. Although suppliers and customers clearly place a high value on stability and prefer to deal with people they know, it does seem to be common for both parties to a transaction to keep up other contacts. Again, this makes it difficult to characterize even long-term arrangements as organizations; the lack of exclusivity makes deals look more like an open market than like intrafirm transactions.

The lack of exclusivity enables dealers to cope with irregularity and their suppliers' need to minimize communication. For example, one respondent bought all his cocaine from a single importing group. The group sent a representative into town regularly, but our subject had no way of contacting the representative if he was short of supplies. On the few occasions when he ran out of drugs, he turned to another wholesaler, a Mexican who was supplied by another group. The Mexican would lend him a few ounces, which the subject would return when he was resupplied. He provided the same service to the Mexican when the latter ran short.

One cocaine importing group that operated in Florida in the early 1980s also illustrates the lack of exclusivity. Two men were clearly in charge: They knew when a shipment was coming in and they used our respondent as a go-between, giving him money and instructions on where to deliver it and where to pick up the cocaine. The respondent used the word "organization" to describe this arrangement and listed one other specialized role, that of drivers who dispersed the large quantities to other parts of the country. But the "drivers" for the importing organization sounded like fairly independent regional franchisees. These men received large quantities of good drugs at attractive prices,

in exchange for their reliability in taking delivery quickly and getting the drugs away from the importers' initial stash house in short order. Our respondent was paid partly in kind, and he was dealing on his own account with what he called "lieutenants" in the importing organization, who themselves had other suppliers. He drifted into and out of this organization and considered himself retired when he was picked up, after being named by one of the lieutenants, for a deal not involving the importers, in which our respondent had agreed ("as a favor") to take delivery of a large quantity of cocaine from the lieutenant operating on his own account.

This also illustrates the multiplicity of roles. Our respondent was eager to portray himself in the interview as a flunky, an old hippie (his term) earning money playing a minor part for the big operators who were the real drug dealers. Perhaps to strengthen this portrayal, he adopted the language of the military bureaucracy in telling his story. Looking at it in outline, though, he is seen to have exercised discretion, moving into or out of the "organization" under his own volition, maintaining his own retail contacts, and dealing with at least one supplier outside the structure of the organization. And everyone else involved, whatever job title he gave them, also sounded like generally independent salesmen.

#### **SUPPLIER-CUSTOMER RELATIONSHIPS**

The successful arrangements described by several of our respondents can best be considered as stable supplier-customer relationships. They were held together by considerations of long-term mutual benefit; neither side would press its advantage in negotiating a single transaction to the point where the long-term relationship was destroyed. Lawyers and economists have described similar symbiotic relationships even in legitimate businesses, for which contract law and the courts exist as alternative ways of governing transactions (Macaulay, 1977). The prudent supplier does not charge as much as the market would bear, because he does not want to incur the risks involved in looking around for the highest-paying customers. Nor does he dilute his product as much as he feels he could without detection, again because he wants to

encourage loyalty among a reliable group of purchasers. Both parties want to keep transactions simple and quick. For their part, good customers (retailers) help their supplier by consistently purchasing large quantities and repaying what they owe on revolving credit within the agreed time. The great threat to all concerned is uncertainty-- about deliveries of promised goods or money, or about new customers.

In a formal organization, power and discretion, as well as incomes, are supposed to be greater for the people at the top. But in the supplier-customer relationships described to us, everyone involved seems to have exercised discretion, and it is not clear that even large dealers had more "power" than their customers. Again, the language of markets seems to work better as a way of understanding what we were told than the language of organizations.

For example, one respondent, imprisoned for his part in a four-man operation that for years brought kilograms of cocaine to the San Francisco Bay area for resale to distributors all over the Western United States, proudly claimed a good reputation for fair dealing.<sup>4</sup> He and his partners neither "cut" nor overpriced their product, and customers kept coming back to them. They were discreet, reliable, friendly, and forgiving of the minor transgressions of their customers; these attributes were contrasted with the flashiness, unreliability, and hardheartedness of a larger local network, with which they occasionally did business and occasionally competed in the early years. But when asked why they did not charge more for their product, or why they had to scramble on several occasions to find supplies to meet the demands of their regular customers, our respondent answered, "Because we would have lost them to someone else." He added that there were always plenty of alternative suppliers, even of large quantities of cocaine, by the early 1980s. "We weren't selling something unique." Cocaine was so freely available that they imported less and less through their own scheme and became merely distributors for the larger importing operation. Their exceptionally clever scheme for importing cocaine no longer had a unique

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<sup>4</sup> This was in fact a fairly routine claim by interviewees. They all claimed to have offered quality product; none boasted about cheating customers.

value in a world awash in cocaine. They earned good, but not unlimited, profits by being careful and dependable. (This operation was closed down when the flamboyant leader of the larger scheme, caught with large quantities of cocaine in his possession, became an informant.) A large-scale, apparently stable operation, dating from the mid 1970s, the early days of the cocaine epidemic, never set prices, but "took" them from the market.

### THE SCOPE OF THE MARKET

In framing this research we were interested in whether there was a national market for cocaine and marijuana, or whether post-import markets were regional. There is some evidence of price differences among regions at the wholesale level (Reuter, Crawford, and Cave, 1988, App. B) which would suggest that markets might be regional, but these differences could be accounted for by variation in the risks faced by dealers in those regions rather than by separation of markets.

For a national market to exist, there must be dealers who are mobile among the regions, so that price differences that are not risk-determined can be eliminated through arbitrage. It is not necessary that all high-level dealers be able to operate in many regions. It is only necessary that some dealers in any one market can also operate in some other as well.

Most of our dealers operated exclusively in one metropolitan area, but we did find a significant minority who were able and willing to sell elsewhere if the opportunity arose, and others reported dealing with multicity suppliers. One Southwestern marijuana dealer, in a chance encounter, learned that marijuana sold for much higher prices in Calgary. An energetic and ambitious young man, he seized this attractive opportunity and made a series of trips (with many hitches along the way) to fortune, if not fame, in the Calgary market.

More frequently, established dealers would find themselves a contact in South Florida, so that they could buy, at no more than one remove, kilogram quantities of cocaine at the much lower price that prevails in that area. California was also an area to which dealers were attracted because of lower wholesale prices; the San Francisco



respondent described in the previous subsection sold to dealers in other Western states.

There are undoubtedly market rigidities that prevent rapid or complete equilibration among different regions. Indeed, we were told by a heroin-using cocaine dealer from Seattle of very distinct heroin markets in that city; blacks were cut out of the Mexican market, which provided heroin to white and Hispanic users at a much lower price. It may well be that Midwestern cities, geographically isolated from the major supply routes, operate as somewhat distinct markets, but there is enough mobility among high-level dealers that much of the nation may operate as a single market at that level.

#### IV. CONCLUSIONS

In this final section we draw together what we learned both about the feasibility of studying high-level drug markets through prisoner interviews and about the characteristics of these markets.

##### METHODOLOGICAL CONCLUSIONS

The use of prison inmates as a source of data on criminal behavior is not new. Such interviews have, for example, provided important data on the distribution of crime rates among career criminals (Chaiken and Chaiken, 1982). What was perhaps novel here was the effort to use such interviews to study not just individual careers but also criminal organizations and markets.

We believe that the approach does offer some promise for researchers. A significant fraction of the inmates were willing to provide highly detailed information on their careers and associations. They were able to give information about market conditions, the characteristics of these markets, the role of violence, and the incomes generated by their activities.

Only 42 percent of the inmates selected at random agreed to participate in the study. Refusal rates were especially high among black and Hispanic inmates. Moreover, our sample was drawn only from low-security federal prisons, where very few violent offenders are incarcerated, and this forced us to rely on our subjects' indirect reports for any information about violence in the drug trades. The low overall participation rate, our lack of information about nonparticipants, and the apparent selectivity of participants all suggest the need for further experimentation. There are at least three possible innovations that merit attention: use of a written instrument, payment for participation, and access to higher-security prisons.

**Use of a written instrument.** We used a written question list, revised several times as we came to understand more about the respondents' careers, to guide oral interviews. We chose not to hire

professional interviewers, because we wanted to be closely involved in the early open-ended process of defining topics and honing questions. But the high refusal rate may have been caused in part by the inmates' lack of familiarity with researchers and mistrust of the interview process. Inmates may have felt more comfortable with a written questionnaire, administered by professional interviewers of the same race and ethnic background.

Certainly the RAND Inmate Survey (Chaiken and Chaiken, 1982) obtained a higher, and less selective, response rate with that technique, though admittedly with a different, probably less sophisticated, population. The data obtained through a standardized written questionnaire may be less rich than data from an open-ended oral interview, but for the purpose of generalization, that may be the appropriate tradeoff.

**Payment for participation.** The Bureau of Prisons has a regulation against payment to inmates for participation in a study. That is not a universal rule for state prison systems, which are admitting rapidly increasing numbers of drug dealers.

Although drug dealers have earned large incomes in their trade, they may still be influenced by the offer of modest sums at a time of their life when they have limited access to their capital. We note the evidence of Berry and Kanouse (1987) that even well-paid professionals, namely doctors, are more likely to participate in a survey when they are offered \$20 immediately rather than the same amount at a later time.

**Access to higher-security prisons.** We believe, as suggested in Section III, that the researcher seeking participants in a minimum-security federal prison is at a disadvantage. Life may not be unpleasant enough in such institutions to make participation in an interview concerning past criminal activities an attractive diversion. If it can be determined that risks to subjects are not significant, then it may be worth testing the possibility of studying dealers imprisoned in higher-level federal prisons or in state systems.

Based on our experience, structured interviews with incarcerated drug dealers could be used regularly to monitor prices for different drugs at different levels of the trades in different parts of the

country. Trends in profits and economic organization of the markets could also be monitored in this way, though research on these topics is likely to be more affected by the types of sample selectivity discussed above. Given the difficulty of obtaining economic data about illegal drug markets in other ways, continued efforts to reduce, or at least estimate, the magnitude of the bias we have noted would be worthwhile.

### THE ORGANIZATION OF DRUG MARKETS

Although we are unable to claim that our sample was representative of participants in the high-level cocaine and marijuana markets, we nonetheless believe that we have learned something about these markets. These observations fall somewhere between informed speculation and empirical findings. With those caveats, let us suggest four observations:

1. Barriers to entry into the higher levels of the cocaine and marijuana markets are minimal. Most of our subjects, including those who were making many hundreds of thousands of dollars per year from high-volume deals, attained their positions without having to undergo long apprenticeship or accumulate large quantities of capital. A certain amount of energy, discretion, and luck were all that was required.
2. Successful operation does not require creation of a large or enduring organization. Such organizations do exist, but it is certainly possible to operate successfully (i.e., make large incomes for a period of some years) without acquiring the encumbrances of organization. Outside of the smuggling/importing sector, high-level dealing can simply be brokerage. Some supplier-customer relations last a long time, but they are rarely exclusive; if exclusive, they are voluntarily so. The trading relationships described by our informants were more like networks than like hierarchical organizations.

3. It is possible to function as a high-level dealer without recourse to violence. Here we must be particularly careful to note that our information is second-hand and from a select sample of offenders. The violence of street-level cocaine markets in recent years and the wars that have occasionally broken out in the Miami cocaine market cannot be denied. But not only did our subjects report little use of violence themselves (almost a prerequisite for being housed in a low-security prison), they also had little experience of explicit threats or even of a sense of danger in the trade.
4. The wholesale market is national rather than regional. Experienced and opportunistic dealers are not bound by their particular location. They are willing to make deals with anyone who offers a credible source or customer, even if the deal occurs in a distant part of the nation.

Before turning to the policy implications of these findings, we should note again that this research has left us with a decided analytic puzzle. We simply cannot explain the very high incomes earned by many of the subjects we interviewed. Talking to a heroin addict who was able to provide credible data (backed by his PSR) that he was earning perhaps \$300,000 per year as a cautious cocaine retailer immediately raised the question of why that opportunity is available to someone with as few visible skills as he had. If the risks from police and other participants are truly as modest as they seem, such incomes should be diminished over time through competition.

We can adduce *ad hoc* explanations, related to the dynamics of growing markets, but they are extremely speculative. Clearly, the cocaine market, at least, is not in equilibrium; the continuing decline in the price of the drug, despite sharply increased pressure from law enforcement, points to that. It may be that we were interviewing dealers from an earlier era (most were reporting careers that peaked in the very early 1980s) and that they were earning the returns of being there relatively early. But we cannot claim to have a good account of why incomes were so high.

## IMPLICATIONS FOR ENFORCEMENT

None of our findings about careers and organizations are encouraging for enforcement against high-level markets. The "immobilization of organizations" strategy which has been part of the federal program in recent years has not succeeded in disrupting high-level markets. Some large organizations may arise because certain individuals have more of the leadership qualities and ambitions than our subjects exhibited, or because risks are minimized thereby, or certain tasks are performed more efficiently. But according to the evidence presented here, it is at least possible for individual dealers to operate effectively in these same markets.

Ease of entry also lessens any hope one might have that the removal of the more experienced individuals could make a significant difference. Lower-level dealers are higher-level dealers in training. This lack of differentiation in the population suggests that incarcerating or otherwise incapacitating even a large number of experienced higher-level dealers would not seriously disrupt the markets.

This does not mean that high-level enforcement is not worthwhile. Presumably (we can make no stronger statement), the price of the drugs would be lower, and greater quantities would be consumed, if the risks faced by high-level dealers were lower than they are now. The few hundred million dollars (certainly less than \$500 million) going to high-level enforcement in 1987 (the year of our research) may be well spent. There simply is no basis for comparison among different kinds of enforcement programs in terms of the reduction they engender in drug consumption.

But more and better high-level enforcement, on this evidence, is unlikely by itself to prevent the continued smooth functioning of these markets. The very large numbers of imprisoned high-level dealers in a period in which the price of cocaine has continued to collapse shows that the population of persons competent and willing to fill that role is extremely large, perhaps in the many tens of thousands. Enforcement that makes their lives riskier and their prospects of incarceration greater accomplishes a worthwhile goal. But one should not confuse that goal with significant impact on the consumption of cocaine and marijuana.

**Appendix A**  
**INTRODUCTORY LETTERS TO INMATES AND STAFF**

**Rand**  
WASHINGTON OFFICE

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2100 M STREET, N.W., WASHINGTON, D.C. 20037-1270. PHONE: (202) 296-5000

The Rand Corporation, a non-profit research organization, is carrying out a study of the economics of the drug trades. Your name has been selected as one of a sample of inmates in federal prisons who might participate in this study; a number of others in your facility have also been selected. You will be scheduled for a private meeting where the researchers will explain the study to you alone. You may then decide whether to participate in it. You have the right to consult your attorney. If you choose to participate, the interview will be conducted at that meeting. The interview will take about two hours. If you are currently earning credits for a prison program, you may receive an additional hour of program credit for each hour you are interviewed.



MEMORANDUM

TO: Bureau of Prisons staff members

FROM: Peter Reuter and John Haaga (RAND Corporation, Washington, DC)

SUBJECT: Research project on "The Business of Drug Trading"

The RAND Corporation, with the agreement and assistance of the Bureau of Prisons, is conducting a study of the business of drug trading. The study is based on confidential interviews with inmates of federal correctional institutions around the country. Inmates selected for the study have been notified by letter. (A copy of the letter to the inmates is attached to this memo.) They will be called out for meetings of small groups where the researchers will explain the project. Those who agree to the interview will be scheduled for a private session with the researchers the next day.

We realize that word will get around about the study and that inmates might ask you questions about it. We will try to explain the project and answer specific questions at the meetings with the inmates. In the meantime, you can give this information about the project to any inmates who ask for it directly; otherwise, you can tell them to wait until the meeting. Some of the questions that have come up regularly are listed below:

What's this for?

We are trying to get an accurate picture of what the drug trades look like, from people who know. We hope to write a report that will improve drug policy, including educational programs for the schools.

Who's paying for it?

The National Institute of Justice, a federal agency that pays for research performed by universities or private institutions (like RAND), gave us a grant to do this work. We have the permission of the Bureau of Prisons, but we are not working for the Bureau.

What kind of questions are they going to ask?

We ask questions about people's careers in the drug trades and about prices and how deals are arranged. We do not ask for any names or any information that would identify anyone else.

How was I selected?

Names were selected at random from a computer listing of all men in this institution sentenced for a drug violation.

What happens with the information?

It is kept confidential and used only for purposes of this research. No names or personal information will be used in the report. Federal law prohibits us from disclosing personal information from the interview to anyone else, including courts and police.

We appreciate the help of Bureau of Prisons staff in making this research possible.

**Appendix B**  
**CONSENT FORM**



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2100 M STREET, N.W., WASHINGTON, D.C. 20037-1270. PHONE: (202) 296-5000

INTERVIEW NUMBER: \_\_\_\_\_

This form describes the Rand Economics of Illicit Drugs Study. It is also the form which you use to indicate that you agree to participate in the study. If you agree to participate in the study, print your name on the lines at the bottom of this form.

I agree to participate in a study being conducted by The Rand Corporation. I understand that The Rand Corporation is a private non-profit corporation that does research on public policy issues. I understand further that the purpose of the survey is to collect information from men serving time in federal prisons to find out about our experiences in the drug trades and our knowledge of the law enforcement system. I will not be asked to identify other persons and Rand will not record information about the identities of any others I might mention.

I understand that I will be asked a series of questions by researchers from Rand and that my answers will be noted down by those researchers. The pages on which my answers will be recorded will not include my name, but only the number which appears on this form. I understand that this form will be kept separately from the pages which record the answers to the questions, and that this form and my answers will be brought back to The Rand Corporation. My name will be retained at Rand for follow-up research but will be kept in a separate place from my answers.

If I agree, the Rand researchers will also read and make notes on information contained in the files on me kept by the Bureau of Prisons. This information would include details of the prosecutor's account of my current offense, my current sentence, and my prior record.

I understand that Rand will use my answers to questions in this study and the information from Bureau of Prisons files only for the purposes of research. Federal law requires that my answers and all of the other information collected by the researchers be kept strictly confidential. The law provides that copies of my answers are immune from legal process and cannot be admitted as evidence in any judicial, administrative, or legislative proceeding without my written consent. This means that unless I agree, no court, police department, jail, prison, or legislative body can get copies of my answers from the researchers.

I understand that my participation is completely voluntary. I do not have to participate in the survey and I do not have to give permission to The Rand Corporation to obtain information from my Bureau of Prisons files. I can refuse to answer questions either now or after the interview has begun. The only benefits to me are that I may receive an additional hour of prison program credit for each hour I am interviewed.

---

NAME

SIGNATURE

DATE

I further agree that the Rand researchers may examine my file kept by the Bureau of Prisons:

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INITIALS



**Appendix C**  
**INTERVIEW INSTRUMENT**

Interview No. \_\_\_\_\_

Location \_\_\_\_\_

Date \_\_\_\_\_

Length of interview \_\_\_\_\_

## RAND STUDY: ECONOMICS OF ILLICIT DRUG TRADES

I. PRELIMINARY. (Interviewer explains purpose of study, confidentiality and data safeguarding provisions, no coercion or reward other than program credit. Remind that no names are required; other people can be identified with nicknames. Participant then reads Rand and BOP Consent Forms.)

Consent to interview \_\_\_\_\_

Consent to check file \_\_\_\_\_

## II. BACKGROUND

Year of birth \_\_\_\_\_ Place of birth \_\_\_\_\_

Where grew up \_\_\_\_\_ Lived with both parents? \_\_\_\_\_

Education \_\_\_\_\_ (Highest level -- when and where)

Current sentence: When began \_\_\_\_\_ Length \_\_\_\_\_

Remember, I don't want to know anyone's real name, or any information that would identify him personally. This is a study of how the drug trades work in general, so to keep people straight, we can just refer to them by nicknames or first names.

## III. SMALL DEALS AND OWN USE

Later, I'd like to ask you about larger deals that you know about or might have participated in. But first, I'd like to ask a few questions about smaller drug deals -- say, less than \$100 worth of marijuana or cocaine. Have you ever been involved in deals like that, either buying or selling?



(IF YES) When was that?

Did you buy for your own use, or only to resell?  
(Return to own use later if necessary.)

What was the largest amount of (DRUG) you ever bought? What was the largest amount you ever sold?

#### IV. TRANSITIONS

(NOTE -- Begin filling in "Career Chronology." Define periods by different levels in market, e.g., retailer, small wholesaler, importer, and by geographic relocations, interruptions, e.g., prison terms, significant changes in source, customers, or type of drug, etc.

If long career, or later stages are clearly more useful, move ahead quickly, spending time only on transitions.

For all transactions described, fill in appropriate information on Transactions Sheet.

(If participant began as retailer or user/seller:)  
When did you first sell larger quantities?

(ASK FOR EACH RELOCATION OR TRANSITION TO DIFFERENT LEVEL OF MARKET OR ORGANIZATION:)

How did you get (DRUG)? Did you always get (DRUG) from the same source? How many sources did you have at that time? Were there any dry periods? What would you do during a dry period?  
PROMPTS: What did you do to find a connection? How did you move up to higher levels of trading?

To whom did you sell (DRUG)? How did you find (CUSTOMERS)? Did they find you? How would you check them out? Were they selling or just using? How much would they sell?

Did you ever sell any other drugs?

Did you ever get out of the trade for a long period? Why?

## V. TRANSACTIONS

(NOTE: Fill in TRANSACTIONS worksheet with information on prices, quantities, purity, place, year, credit terms. Cover transactions in which participant is buyer and those in which participant is seller. If five or fewer transactions, ask about each. If more than five, ask about first, largest, and typical transactions in each phase of career. For typical transactions of a period, note frequency and changes in frequency of transactions, asking "How often would you make a trip or a deal like that?"

Besides worksheet information, ask following about typical transactions during important career phases:)

Tell me how a deal would be organized. How did you contact the source? (... your customer?) Where was the (DRUG) kept? Who delivered it? Who actually handed over the money? When would you be paid?

## VI. ORGANIZATIONS

Did you ever consider yourself part of an organization?

(IF YES) What was your job? What did other people do? How did you get involved?

How many people from the organization did you ever work with?

How did the organization get started? How long did it last? (IF NOT STILL ACTIVE) What happened to the organization?

Who were the leaders? (PSEUDONYMS ONLY, NO ACTUAL NAMES OR IDENTIFYING CHARACTERISTICS)

Did the leaders ever change?

## VII. VIOLENCE

Did anyone ever use violence, or threaten you? What happened?

How about other people you knew about?

### VIII. KNOWLEDGE OF LAW ENFORCEMENT, EVASION

Did you ever hear about the law enforcement agencies changing their tactics? Did you change what you were doing as a result?

What else would you do to avoid being caught?

### IX. OTHER PEOPLE

(NOTE -- ask following about each person, source or customer, whose activities are described in transactions, transitions, or organizations. Remind participant that pseudonyms only are to be used.)

How long did (PSEUDONYM) do that? What happened to him?

(If participant knows about entry/exit or transitions for other people, ask him questions from Section IV about them.)

\_\_\_\_\_

TRANSACTIONS

PARTICIPANT AS SELLER

DRUG      PRICE      AMOUNT      PURITY      PLACE      YEAR      FREQUENCY      CREDIT TERMS

\_\_\_\_\_

TRANSACTIONS

PARTICIPANT AS BUYER

DRUG      PRICE      AMOUNT      PURITY      PLACE      YEAR      FREQUENCY      CREDIT TERMS

### CAREER CHRONOLOGY

BEGINNING OF INVOLVEMENT IN DRUG TRADES \_\_\_\_\_

Retailing:

Higher Levels: A \_\_\_\_\_

B \_\_\_\_\_

C \_\_\_\_\_

OTHER CAREER MILESTONES: (include relocations, major new sources, organization, extended layoffs from drug trades)

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Dates                      Place

Previous convictions:

Previous sentences:

END OF INVOLVEMENT IN DRUG TRADE: \_\_\_\_\_

(if other than current conviction, ask when, where and why)



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