

111511

111511

U.S. Department of Justice  
National Institute of Justice

This document has been reproduced exactly as received from the person or organization originating it. Points of view or opinions stated in this document are those of the authors and do not necessarily represent the official position or policies of the National Institute of Justice.

Permission to reproduce this copyrighted material has been granted by

Public Domain

U.S. Department of Justice

to the National Criminal Justice Reference Service (NCJRS).

Further reproduction outside of the NCJRS system requires permission of the copyright owner.

## THE ORGANIZATION OF HIGH LEVEL DRUG MARKETS:

### AN EXPLORATORY STUDY

The RAND Corporation  
2100 M Street, N.W.  
Washington D.C.

Peter Reuter  
John Haaga

August 1988

111511

## SUMMARY

### BACKGROUND

Cocaine and marijuana have become mass markets, involving many thousands of participants. The success of efforts to suppress these markets will be affected by how they 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.

Over the last decade, the federal government has convicted ever rising numbers of persons for participation in the wholesaling of these drugs. As a result, the federal prison system has literally thousands of former high level cocaine and marijuana dealers. We set out 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.

This study was motivated by an interest in the effectiveness of the enforcement strategy pursued by the federal government. There has been frequent reference to the value of incapacitating organizations, rather than pursuing individuals, particularly at the higher levels of the market (those at which kilogram bundles of cocaine or hundred kilogram bundles of marijuana are sold). Organizations, i.e. enduring hierarchical arrangements of specialists, are seen as being the low cost distributors, the removal of which has particular value.

Earlier research (Reuter and Kleiman, 1986) questioned whether organizations in these markets were in fact durable. The little available evidence suggested that instead of durable and hierarchical enterprises, the markets consisted of temporary and shifting coalitions of dealers. Moreover, entry to these markets might be sufficiently easy that new organizations could spring up to replace those disabled by effective enforcement.

## METHODOLOGY

To test these hypotheses about market organization and careers it is necessary to obtain new data. One possibility is that such data are contained in the files of investigative agencies, most notably the Drug Enforcement Administration. Whether that is the case, and a few interviews raise some doubt about that, the logistical and legal problems of obtaining those data appear to be very substantial. The other alternative is to obtain information directly from participants.

It seemed unlikely that we could obtain access to a sufficient number, or appropriately representative sample, of currently active dealers. Though a number of researchers (e.g. Johnson et al., 1984) have interviewed large numbers of low-level drug market participants, higher level participants are likely to be much more difficult to reach.

Instead we chose to approach high level dealers who were currently resident in federal prisons, drawing on a research tradition of using inmates to collect data about their past criminal activities. We approached the U.S. Bureau of Prisons and sought permission to interview inmates; we were granted permission to conduct pilot interviews in a small number of facilities.

An interview protocol was prepared, covering the individual'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 just a pseudonym that would permit tracking of participants in a complex story. 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 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

The Bureau of Prisons was concerned about the risks posed to inmates who consented to the interview. Despite the disclaimer that we were not seeking, and would not record, any real names of associates provided by the respondent, there was a 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; very few have any record of criminal violence and there are almost no incidents of inmate violence.

In only one facility did respondents appear to feel any anxiety about the reactions of other inmates and in that facility our participation rate was very low; only 6 out of 21. In the others, though a number of other factors (discussed below) led to only modest participation rates, there seemed negligible concern about the possible reactions of other inmates.

The majority of those approached were willing to discuss the interview, though 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. Not all staff were equally enthusiastic about the project; yet most seem to have provided active encouragement to those inmates who enquired about the legitimacy and utility of the project.

## Participation Rates

If access proved less of a problem, participation proved quite the opposite. In five facilities we approached 94 eligible inmates. Of those only 40 consented to provide the interview. The participation rate varied greatly by facility, from 76 percent in Fort Worth to 8 percent in Danbury Prison.

Three reasons for refusal were most commonly given by those who did provide their reasons; mistrust of the government, advice of their lawyers and a wish to put the past behind them.

1. 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. Though 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 which they saw as being primarily of use to the federal government.

There was also a major problem in persuading inmates that our notes were legally protected against government review. Though we made 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 their mistrust of the government.

2. Advice of lawyers. In our initial letter to inmates, at four of the five facilities, the inmate was told that he could consult his lawyer if he had a question about the wisdom of participation. 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*.

3. 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 refusing to participate. Some provided no reason at all. At least two had limited command of English and may not have wished to enter a lengthy conversation which would prove exceedingly difficult for that reason.

### Reasons for Participation

Given the lack of any reward for participation, one must ask why anyone did participate. We suggest that there were two major reasons for participating; proselytizing by the converted former addict and relieving the boredom of confinement by talking about the interesting past.

Particularly in the Fort Worth Federal Correctional Institution, many of those interviewed were dealers who had been heavy drug users and now were convinced of the danger of the drugs they had previously sold. Indeed, some 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 posing little threat to themselves. For example, 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 to explore these matters with someone who was interested but unthreatening.

Again, this does not cover the full range of motivations for participation. A few were relatively passive personalities, who seemed to believe, despite our clear and repeated statements about the voluntariness of participation, that we were authority figures and had the right to ask these questions. Still others sought the opportunity to boast.

But one barrier to participation, for better or for worse, was the relatively unstressful environment of the minimum security prisons. These were not inmates for whom the interviews were a chance to escape, at least briefly, from a very difficult life. The settings of these prisons ranged from quite attractive to merely dull. Their companions were not in general dangerous and often probably quite acceptable. Their terms of imprisonment were likely to be two or three years and many of them appeared to have some money put aside for their use after release. As researchers we faced a population which was insufficiently bored.

## The Quality of the Interviews

Most of those that did agree to participate provided highly detailed information about careers, transactions and organizations. We were able, for many of them, to provide relatively complete descriptions of all their transactions, the moneys they made from each transaction and their relationships with others.

The completeness of the descriptions were of course highly dependent on the length and complexity of their 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 consummated without much experience in the lower levels of the business) was the riskiest. For novice dealers we got full descriptions.

Others had long and complex dealing careers, sometimes involving more than one drug and often with more than one spell. For these subjects the interview provided much less complete information. Periods of their career were summarized (e.g. during this period I was dealing with four buyers, each taking about 4 ounces of cocaine a week), though generally more information was provided about the last stage of their career, particularly the events surrounding their capture.

## Validity Checks

Two types of validity checks were used. The first was a complex internal validity check; the second involved comparing the interview against information contained in the subject's Pre-Sentence Report. Neither is as powerful as one would like but both provided considerable reassurance, in addition to the interviewer's own perception, from behavior during the interview, that respondents were attempting to provide accurate responses.

For most subjects we obtained access to the Pre Sentence Report kept in the inmate's file at the prison. Sometimes that contained a lengthy account of the "prosecutor's view" of the offense and the subject's role in it. Where the inmate had plead guilty, this account would often be heavily dependent on the inmate's own statement; in those situations the check was merely a consistency check. But in many

instances, even including those where a guilty plea had been entered, other sources had provided information to the prosecutor. The information would sometimes concern the career of the subject in other drug deals. Only in two or three cases where the PSR was available were there disagreements in the accounts, and these were on fairly minor issues. In almost all cases, except the novices whose first big deal led to their arrest, the respondents told us in the interview about more crimes than were mentioned in the PSRs.

The other consistency check involved the answers of the subject to questions about the frequency and size of transactions. For example the subject might be asked about how many buyers he transacted 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 the same time. Consistency of totals here was considered a good test of internal validity. Since some subjects had very simple (perhaps only 3 deals) careers, the test was of varying power. Only two failed this test.

## SELECTIVITY

A participation rate of 42 percent would be only moderately disturbing, if there were not reason to believe that participation was correlated with some of the major characteristics of interest. While only limited information was available for non-respondents, it did suggest that response was highly selective. Here we summarize what we think are the most significant elements of the non-response bias.

1. Participation rate was higher for novices. We interviewed a number of subjects who had legitimate careers of at least modest professional success but then succumbed to the opportunity of making a very large sum of money through a large scale drug deal. While some novices may have refused the interview, it seems unlikely that novices constitute as large a proportion of the total inmate population as they did of the participants.

2. Participation rate was higher for those in treatment programs. The central theme of drug and alcohol 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 is potentially highly significant.

3. Participation rate was lower for Spanish-speaking dealers. We did not offer to carry out pilot interviews in Spanish. Though none of those approached were unable to converse in English, clearly some found it difficult. In addition, they appeared, understandably, less accepting of our assurances concerning the confidentiality of the interview.

## THE ORGANIZATION OF DRUG MARKETS AND ENFORCEMENT STRATEGIES

Having disclaimed any pretense to a representative set of subjects in the high level cocaine and marijuana markets, the data do give some interesting insights about these markets. These observations fall somewhere between informed speculations and empirical findings; the reader will bring his own judgement to bear. With those caveats, let us suggest four interesting observations:

1. Barriers to entry into the higher levels of these 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 were 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 this one. 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 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 any of the encumbrances of organization. Outside of the smuggling/importing sector, high level dealing is simply brokerage. Some supplier/customer relations may

endure but they are rarely exclusive and, if so, they are voluntarily so.

3. Some segments of these markets are characterized by low levels of violence. Here we must be particularly careful to note that our observations are quite selective. 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 Level 1 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 location. They were willing to make deals with anyone who offered a credible source or customer, even if the deal occurred in a very 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 data (backed by his PSR) that he was earning perhaps \$300,000 per annum as a cautious cocaine dealer immediately raises the question of why that opportunity is available to someone with so few skills as he 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 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 1980's) and that they were earning the returns of being there relatively early. But we make no claim to have a good account of 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 seems to have no particular value in reducing the ability of high level markets to function. Some large organizations may arise because certain individuals have more of the leadership qualities and ambitions than our subjects exhibited. But individual dealers are able to operate in these same markets effectively.

Ease of entry also lessens any hope one might retain that the removal of the more experienced individuals could make a difference. Lower level dealers are higher level dealers in training. There is simply too little differentiation in the population to suggest that raising the rate at which experienced higher level dealers are incarcerated or otherwise incapacitated could cause a rupture in the functioning of the markets.

## CONTENTS

SUMMARY .....	iii
Background .....	iii
Methodology .....	iv
Selectivity .....	ix
The Organization of Drug Markets and Enforcement Strategies .....	x
TABLES .....	xv
Section	
I. STUDYING ILLEGAL DRUG MARKETS .....	1
Introduction .....	1
The Significance of High Level Markets .....	2
Prior Research on Markets and Dealers' Careers .....	4
Research Approach .....	6
II. METHODS .....	9
Refusals and Sample Selectivity .....	13
Reasons for Refusals .....	14
Selectivity of the Sample of Completed Interviews .....	20
Validity of the Interview Data .....	24
III. CAREERS, ORGANIZATIONS AND MARKETS .....	29
Income, Entry and Career Progressions .....	30
Organizations .....	36
Importing .....	38
Wholesale Distribution .....	40
The Scope of the Market .....	45
IV. CONCLUSIONS .....	47
Methodological Conclusions .....	47
The Organization of Drug Markets and Enforcement Strategies .....	48
APPENDIX I INTRODUCTORY LETTERS TO INMATES AND STAFF .....	51

APPENDIX 2 CONSENT FORM .....	54
APPENDIX 3 INTERVIEW INSTRUMENT .....	56
REFERENCES .....	63

## TABLES

1.	Participation Rates by Institution and Race/Ethnicity of Inmates .....	13
2.	Characteristics of RAND Sample and of Population of Drug Offenders in Federal Prisons, April 1987 .....	21
3.	Violence in Criminal Histories of Drug Offenders in Federal Prisons, by Security Level .....	22

## I. STUDYING ILLEGAL DRUG MARKETS

### INTRODUCTION

Despite the enormous concern in recent years with use of illicit drugs, particularly cocaine, there is a dearth of data on the operation and structure of the markets for these drugs. The older view that these markets are dominated by a few operators, generally associated with the Mafia, has died away. But there has been little effort to provide an alternative account of these markets.

This project 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. In this project we explored the feasibility of using interviews with persons in federal prison, on charges of participating in high level cocaine and marijuana transactions, to provide a description of these activities. It was a pilot project which, if successful, was intended to lead to a larger project to produce a large scale data base 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 motivates 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 dealers' careers. In the final section we draw 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, up to \$1.7 billion in FY 1987, compared to \$707 million in FY 1981, has been accompanied by a similar, if not larger, growth in the outputs of the enforcement system. The numbers of convictions and prison sentences have increased substantially. Even average sentence length has gone up, from 51 months in 1979 to 70 months in 1986. 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 3,900 were committed for violating the same act.

Despite this massive increase in the visible products of federal enforcement, there is little evidence that it has 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 111-153 tons, compared to 40 tons in 1981. Marijuana consumption has apparently declined somewhat (from 12,000 tonnes to approximately 10,000 tonnes); however given the increased potency of the drug (THC content),<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 to \$200 for the same gram in 1981. Marijuana prices appear to have risen but not necessarily when adjusted for increased potency. The best measure of availability, the proportion of high school seniors reporting the drug readily available, has not declined much (Johnston, et al., 1986).

The increase in volume and decline in retail price is not of itself 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)

---

<sup>1</sup>A University of Mississippi project's marijuana testing laboratory has reported the potency of exhibits since 1972; the THC content has risen steadily from .5 percent in that year to 4 percent in 1985. [cite] However it is impossible to determine whether this sample is representative of all marijuana consumed in the nation.



scoring system (GDEP), in recent years an increasing percentage of all DEA arrestees are in Class 1, the highest category of drug dealer. A large share of the federal resources goes to interdiction, the effort to seize the drugs on their way between the source countries and the U.S.

The effects of all of these 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 cocaine wholesale and import prices suggest that these prices, like retail prices, have fallen quite precipitously since 1981. And the fragmentary evidence concerning the pressure against marijuana and cocaine retail markets (in the form of arrest and incarceration figures) suggests that, if anything, the pressure against users and retailers has increased. 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 1984 cocaine retailer had an expectation of spending no more than 9 percent of his time incarcerated; yet expected earnings might have been approximately \$75,000 per year. This is a much higher risk return than is available in other criminal occupations, though drug dealing does not seem to involve any great skill. While it is possible that this high return might represent 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

---

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

market; where previously a small number of dealers controlled the market and were able to set prices (by restricting output), the last 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/organizations in possession of market power.

Alternatively, a new and more efficient dealer organization may have emerged with the expansion of the market. What we are observing, in this view, 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 (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 all of them share the feature that they 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 reactions to law enforcement strategies.

#### 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 for Australian marijuana dealers. For heroin dealers, there is the work of Redlinger (1975) based on interviews in a Texan border city. All of them found evidence of fragmentation of organizations; given their opportunistic samples, it was not surprising that they found little evidence of upward mobility. Of more interest is that they all reported considerable turnover in the dealer populations.

All these studies concern themselves with retailers of drugs. Our interest is in the higher levels of the markets. The literature there

---

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

is even thinner, as might be expected; there are many more low level dealers and academics 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 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, of which the best is Sabbag (1976). The only systematic study of higher level dealers is that of Adler (1985). She reports observations on 65 high level dealers and smugglers in Southern California. The sample, recruited using snowball techniques, 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 and provides a rich history of the trades over the last two decades. It also has the important advantage of studying the operations of dealers *in vivo*, unhindered by the dealers' possible tendency to recast events in a later re-telling or by the bias that might result from talking only to those dealers unlucky enough to land in prison. (This possible selectivity is discussed further below in Section II.) In light of the unique depth of this study, we summarize its findings here and compare our own results to them at several points in Section III.

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 others, 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 were very small. Typically dealers had organizations consisting of only two or three people. For marijuana smugglers, confronted with the problems of rapid loading and unloading of large quantities of drugs, the organizations were slightly larger, with three to eight persons. Adler also reports substantial barriers to exit from the occupation, some arising from the very attractive lifestyle associated with the business, others from the fears that exit raised amongst collaborators. She concludes that "[t]his 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 her concentration on one geographic area.

For the higher levels of the marijuana trade, we also have the very sensible journalistic account (of two large scale operations) provided by Warner (1986) One (The Company) imported marijuana from Colombia into Florida in the late 1970's. 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-1980's. The other operation, of more recent vintage, distributed domestically produced marijuana and was much more circumspect, a product again 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. The 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 these 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 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. 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 these reasons interviews with participants seems the most plausible mode for collecting the relevant 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 field work occupied some six years; ethnographic field work is very time-intensive. Adler's method depended on personal acceptance by her subjects. Generalizability is always an issue. Recruiting participants through advertisements seems implausible, given the high stakes for these dealers and the modest size of the rewards that can be offered for participation.

Instead, 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 population of high level drug dealers in federal prisons. Most of them have been incarcerated relatively recently and thus, if they are willing, 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 in such a large collection of participants so conveniently.

Prior research based on prison interviews has included a number of successful studies. The first of the RAND prison inmate studies (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 other participants) associated with that drug. Heroin enters the U.S. in relatively small bundles, more clandestinely and involves narrower span organization. There is likely to be much higher level of suspicion surrounding the business, and a longer tradition of violence for discipline. We 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 this group.

The federal Bureau of Prisons agreed to permit the study, but restricted the initial interviews to Level 1 facilities, 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 hence lead to violent retaliation. It was thought that this risk would be minimized by confining the study to institutions populated with 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 project was designed to assess the feasibility of the research approach and to investigate issues of sample selectivity and data validity. In this chapter we first describe the methods of selecting a sample and conducting the interviews, and assess 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 sample of participants. To the limited extent that we were able to assess it, the data actually obtained appeared valid.

The interviews dealt with five aspects of the subjects' dealing experiences: (1) the dealers' 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. Our interest was 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 and Danbury satellite camp, Lompoc (California) satellite camp, and Boron (California) FCI. Federal prisons are classified in six security levels, one being the lowest; all the facilities in our project are security level 1, except Danbury FCI, which is a level 2 institution. These institutions were selected purposively for this pilot study, to cover a range of institutions with different types of programs and inmate populations from different parts of the country.

Initially we were concerned that these low security prisons would have few eligible dealers in them, but they turned out to be extremely rich in drug offenders. As Table 2 shows, in April 1987 there were a total of 7109 drug offenders in level 1 and 2 prisons, compared to 3683

in levels 3 through 6. (A further 1845 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, since it has a high concentration of drug offenders from many parts of the country. They are housed in this facility because of its substance abuse treatment programs. Fort Worth also has a research unit, which serves the regional office of the Bureau of Prisons.

For each institution, a sample of inmates was selected at random from a listing of all those in the institution whose current offense was a federal drug violation.<sup>1</sup> These inmates then received through the regular institutional mail distribution a short unsigned letter (Appendix 1) announcing the interview. At Danbury and Boron, we also distributed to the prison staff a memo describing the project and answering some of the most common questions about the project that inmates had put to their own case managers and work supervisors. The BoP staff member handling logistics for us would then set up an interview schedule and arrange for the selected inmates to be "on callout" at the right times.

At most of the institutions, the 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, 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 2), the interview began immediately. Inmates were also asked to provide the interviewer with access to his PreSentence Investigation Report (PSR).

---

<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 other than cocaine or marijuana. In April 1987, 650 inmates of federal prisons were DC drug violators, and 12,637 were federal drug law violators.



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 inmate's responses. The instrument (Appendix 3) served mainly to jog the memory of the interviewer about topics that needed to be covered and as a place to record details of transactions.

We modified the instrument several times during the course of the project. Though we considered the possibility of a closed-form, possibly self-administered questionnaire, we found that there was no simple or uniform sequence of questions that would have generated the information we wanted. Careers and roles proved too diverse, terminology was not standard, and often the interviewee himself was not the entrepreneur, but another participant in the organization (which required a change of wording for most subsequent questions.) For these reasons, we kept the instrument flexible.

When the inmates gave us their signed consent for access to their BoP files, we read and took notes on the Pre-sentence Report (PSR), a document written usually by a probation officer for the judge's consideration at sentencing. The PSR contains both background information on the inmate, including prior arrests and sentences, and the prosecution version of the offense leading to the current sentence. This information was used to confirm items from the interview data where there was overlap 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 handled in the same way as the interview notes.

### **Logistical Problems**

The routines of prison life make it difficult to pull individuals away unobtrusively 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. Worksites could be some distance from the prison offices, as

in the case of a ranch connected to the Lompoc camp, which made it necessary for selected inmates to miss half a day or a full day of work. 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; in this facility there are enough different programs taking place 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 yet familiarity. In one of the satellite camps, by contrast, 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 which 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 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 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 research 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, then it would be possible to make up for refusals just by adding more inmates to the initial sample. Even if the respondents

Table 1

### PARTICIPATION RATES BY INSTITUTION AND RACE/ETHNICITY OF INMATES

	Agreed to Interview	Refused
By Institution		
Fort Worth FCI	22	7
Danbury Prison Camp	6	15
Danbury FCI (Level 2)*	1	11
Lompoc Prison Camp	5	12
Boron FCI	6	9
Total	40 (42%)	54
By Race/Ethnicity**		
White, Non-Hispanic	30 (62%)	18
Black	3 (50%)	3
Hispanic	3 (21%)	11
Asian	1 (50%)	1
Not Recorded	3	21

\*Danbury FCI refusals were made in small group meetings; in all other institutions inmates were contacted individually.

\*\*Interviewer's subjective assessment.

were a selective group, the design might still achieve its purpose, if they provided information about their transactions with, and the careers and dealing arrangements of, a full range of other market participants.

In other words, it is a representative sample of markets, transactions, organizations, and careers that are needed for the economic analysis. We do not necessarily require a representative sample of people to transmit the information to us. As it turned out, we were able to learn from our interviewees about the structure and operations of some of their suppliers and customers. But they were often 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. This is partly to minimize the danger of being named by informants, and partly because wholesalers' ability to profit on transaction 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 our sample of completed interviews makes it impossible for us to claim that the information presented below is a complete and representative picture of the cocaine and marijuana markets.

## REASONS FOR REFUSALS

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 thus 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 were less bored but no more co-operative.<sup>2</sup>

---

<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

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, refused to participate out of a general reluctance 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. They 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 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 always 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 they do better not to give it away. As one inmate put it in refusing to participate: "I've given out information before, but never for free."

---

inspection of the PSR simultaneously, we asked for the latter permission only at the end of the interview. This did not enhance participation rates.

All these are rational justifications for turning the project down. But most of the refusals seemed to be out of simple anger at the government. We identified ourselves as researchers for a private institution, but with funding from the National Institute of Justice; none had heard of 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. The Human Subject Protection rules prevented us from taking down notes from these interviews.

Because drug dealing above the retail level involves private transactions between secretive, willing participants, high-level dealers are usually caught by the use of an informant or by undercover agents in a set-up deal. In their version 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 unravelling 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," manifested by inmates who strung 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, obviously planned from the very beginning. Their obvious glee in annoying persons in authority may explain in part their unfortunate past career choices.

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; given the wealth of many of these dealers, 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, 1975) may have succeeded in part because inmates are 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 to the fact that we were dealing with subjects who were simply 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, so far as we know, checked the relevant section of the US Code. The only inmates who commented on our assurances of immunity of the notes 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 both by inmates and by prison staff that we did not look like law enforcement or corrections

---

<sup>3</sup>Though Berry and Kanouse (1987) report surprising success, in terms of heightened participation rates, from \$20 payments to doctors for filling out an interview schedule which took about thirty minutes.



officers " -- and partly to the inmates' confidence in their own ability to detect cons.

In planning the project, we devoted considerable attention to ways 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 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, due to an unavoidable lack of good sites for interviews. But in all other institutions, even those 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 potentially damaging both to themselves and other people. Indeed; we had on occasion to remind subjects that we did not want to have actual identifications of other participants about whom they were providing information.

---

"Researchers interested in the subtlety of demeanor and satorial choice likely to distinguish one from a law enforcement officer are invited to write to the authors directly.

## Reasons to Participate

Given the wide variety of reasons not to participate, 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 in 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, practically on a daily basis, to talking about their experiences 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 which 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>5</sup> and the lengthy pre-sentence reports agreed closely with the stories they told us in the interviews.

As noted above, the feelings of many inmates that they were arrested as a result of bad luck or a dirty trick was probably the most

---

<sup>5</sup>Another subject proudly told the interviewer that his operation had been the focus of a *Sixty Minutes* segment.

important reason for refusals. But for some inmates the 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 trades. 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 did contain 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 to the structure of the drug trades, even when the respondent was convinced of (and convincing about) his own minor involvement in the trades.

### SELECTIVITY OF THE SAMPLE OF COMPLETED INTERVIEWS

The racial and ethnic composition of our sample of completed interviews was unbalanced. Eight percent of our respondents were black and 8 percent Hispanic, compared to 16 and 26 percent in the total population of drug offenders in levels one and two security federal prisons at that time (Table 2). This is the most exact 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 the higher refusal rate among blacks (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. It may be that blacks are genuinely under-represented 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>6</sup>

---

<sup>6</sup>"Hispanic" identification of refusals is based solely on our subjective assessment, and may well be an undercount. For those who agreed to be interviewed, the assignment is based on place of birth, if outside the U.S., or our assessment, for inmates born in the U.S. We also assigned race for both participants and refusals based on our own assessment.

Table 2

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

	N	Percent White	Percent Black	Percent Hispanic	Average Age
RAND Sample					
A. Agreed to Participate	40	81	8	8	39.0
B. Refused to Participate	54	54	9	33	N/A
Federal Drug Offenders in Federal Prisons					
C. Security Levels 1-2	7109	82	16	26	37.6
D. Security Levels 3-6	3683	75	23	40	38.9
Total*	12637	79	20	32	37.8

SOURCE: Interview data, Federal Bureau of Prisons.

\*Includes 1845 drug offenders in "Administrative" category.

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 select women for the sample. Women make up only 7 percent of drug offenders in federal prisons.

Perhaps the most important potential bias is caused by our limitation to low-security institutions. As Table 3 shows, 29 percent of federal drug offenders are in security levels 3, 4, 5, and 6. (If we ignore those in administrative status and count only inmates currently in institutions, 34 percent are in the higher security institutions.) Inmates are assigned at the beginning of their terms to a security level based on 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 to only 2 percent of the drug offenders in low-security institutions (Table 3).

Inmates completing a long term mostly 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 more or our respondents had themselves moved down through the levels this way. This means that even when researchers are restricted to the lower-security institutions they could have access to some individuals who had compiled the sorts of records that earn initial assignment to the worse prisons.

Table 3  
VIOLENCE IN CRIMINAL HISTORIES OF DRUG OFFENDERS  
IN FEDERAL PRISONS, BY SECURITY LEVEL

Prison Security Level	None	Minor	Serious	Unknown	Total
1-2	4610 (65%)	368 (5%)	166 (2%)	1965 (28%)	7109 (100%)
3-6	1850 (50%)	332 (9%)	888 (24%)	613 (17%)	3683 (100%)
Total**	7585	812	1174	3066	12637

SOURCE: Bureau of Prisons.

\*Includes instant offense, rated by Bureau of Prisons.

\*\*Includes 1845 inmates on administrative status.

## 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 since they did willingly describe many non-violent crimes not mentioned in their PSRs, often crimes that would have put them in higher categories in sentencing guidelines than those for which they were convicted.

What was surprising was how rarely they mentioned any violence directed against them, or even receiving threats. There was one reference 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 Columbians only at one remove, due to their reputation for violence. Three dealers described threats of violence and the display of guns; all involved Hispanic dealers in Florida. Another 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 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), that South Americans are the most violent participants in the drug trades, then our inability to conduct interviews in Spanish may have worsened the bias towards non-violence 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 with 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 in the good old days of the 1970s. But even allowing for the possible selection bias and for 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 co-operation only from those who were unimportant and/or relatively unsuccessful? We can say little about this, since we had no information about the levels at which non-respondents operated. We were unable to review their PSR and the data system used to identify potential respondents contained no information on the matter.

What we do know is that we were able to obtain participation from some persons 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; others had imported multi-ton shipments of marijuana. Some had lasted in the higher levels of the business for years. Many, as described in Chapter III, made large incomes from their dealing. We were not, then, restricted to subjects at the low end of the wholesaling business or to persons who had been caught relatively early in the career.

### VALIDITY OF THE INTERVIEW DATA

For many reasons, self-report data from convicted drug dealers are suspect. Dealers might be inclined to downplay their own role in deals they acknowledge, and omit to mention many deals, from a desire to present themselves as socially respectable or from a (mistaken) belief that through us they could influence parole boards. By contrast, some respondents might be inclined to exaggerate their role, from a desire to present themselves as important or from a (mistaken) belief that they could protect former associates by assuming to themselves all guilt. Also, the same orneriness that led some inmates to waste our time before refusing 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: checking answers to related questions for internal consistency and comparing interview answers with the biographical information and descriptions of the current offense recorded in the PSRs. Almost without exception, the stories from the interviews were 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, and separately about his sales during the same period. In all but two cases, the information tallied, that is, the small amounts sold times the frequency of sales was 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 his 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, though the "accountant" for the operation he was essentially innumerate. 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.)

---

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



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 a sentence summary sheet listing the 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 gave 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 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 for several years, the narrative account of the current offense ran for several pages.

As noted above, six inmates did not give us permission to review their PSRs, often complaining 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 what they told us. The only discrepancy on the basic background questions was for 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 biographical data in the PSR.

(Though even this may not involve a clear contradiction, if he attended more than one school.) Another man, a rather unsuccessful Midwestern cocaine and marijuana wholesaler, did not mention in the interview two non-drug 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 boasting, 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, who was taking the initiative in arranging new deals, than is found in the barebones accounts in the PSRs. 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 sizeable investment in their own 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 account described these men as mere underlings, the brothers taking the initiative. By contrast, three inmates who had been the targets of setup deals (one a large-scale marijuana dealer, one who had previously been only a cocaine consumer, and one a businessman 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 the case of 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, 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 that the couple had at the time of his arrest and sentencing to "poor-mouth."

Although the PSRs often contained such information as 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 the lists seemed in general 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 just 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 these 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 very large-scale importers as well as smaller-scale wholesale distributors. Though accurate as a picture of what was possible in different parts of the country in recent years, this information is not likely to provide a complete picture of these markets nor a basis for generalizations about the whole population of dealers, mainly because we were unable to get a high enough proportion of our random sample of inmates to participate.

### III. CAREERS, ORGANIZATIONS AND MARKETS

This chapter summarizes what we learned from the interviews, organizing the material around a set of enforcement-relevant hypotheses concerning the functioning of high level drug markets. In this introductory section we spell out the hypotheses; the following sections then present our findings concerning careers, income and organizations.

Legal markets are characterized by a great variety in the types of organization that survive as suppliers. At one extreme lie 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 very disbursed among many small firms. The field of economics known as industrial organization is concerned, *inter alia* with explaining why such variation occurs.

Consider the enforcement implications of different kinds of structure in an illegal drug market. If it were organized like the automotive market, then the removal of a few large organizations would have significant impact; though production might continue, it would provide lower quality product at higher price. If it is like the shoe repair market then the removal of individual organizations, even of many, will have an effect only in that it raises perceptions of risk among those interested in staying in or entering the industry.

Though we have stated the alternatives in relatively extreme form, this does 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 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/importation enterprises are able to survive profitably within the same markets. But that the presents us with a major puzzle, for the incomes earned by the participants in these markets are far higher than we would judge compatible with competition, admittedly a somewhat subjective judgement. We examine then whether there are barriers to entry that might serve to explain these "excess profits."

## INCOME, ENTRY AND CAREER PROGRESSIONS

### Incomes

Our sample was not large enough, and covered such a heterogeneous set of participants, that it would be inappropriate to present any statistical measures claiming to describe the distribution of incomes generated by dealing in cocaine. Some dealers 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 were reporting careers that peaked in 1977, others careers that peaked in 1984.

However there was a 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 3 one kilo lots per month, at \$1500 per ounce (around 1980) and selling the cocaine in 4 to 8 ounce batches for between \$2200 and \$2400 per ounce. This yields 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 one, from the Seattle area, operating around 1983, bought on a monthly basis about eight 4 ounce lots, for about \$1800 per ounce and sold it (in one ounce units) for \$2800 per ounce; this yields \$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) from Bolivia to the U.S. 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 that 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 "goodwill" built up by knowing good suppliers and customers. If cocaine and marijuana trades were functioning as ordinary markets, then the competitive pressure from eager new entrants should have driven down these extraordinary returns eventually, unless significant barriers to entry exist.

### Entry

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 their 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.

Their ability to get on in the drug trades seems to depend on personality and luck as much as anything. Someone who is affable and inspires trust, moderately intelligent and well organized, ambitious and willing to take risks, can prosper. 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 stable, well organized and remunerative schemes tended not to have extensive prior criminal records; they had done well (often continuing to work while dealing drugs) in some legitimate sales-type profession (real estate in at least two cases, also import/export, which provides good training as well as good cover.)

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 and 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 are today 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, observe them as they evaluate and approach potential customers, and through them can meet large dealers. As was true for many of our other 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.

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 how their first involvement consisted of little more than introducing one acquaintance to another, receiving some cocaine or an offer of a partnership in

---

<sup>1</sup>Again, though, we must note that we were interviewing a select group. Long histories of involvement in other crimes would be 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.

return. An immigrant from the Middle East, working 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 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 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 women who had been friends in high school, now divorced mothers in the suburbs, as his retailers.

One large marijuana importer from Texas now in his forties also grew up in the business, in his case 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, originally importing fighting cocks and later adding marijuana to his loads. This man had grown up with Mexicans, 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" 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." Yet 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 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 a personality 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, a large cocaine distributor in another state, etc. 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 awhile. For example, 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 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 making it possible.

Family connections became 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 of our 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 was after being approached by a casual acquaintance who had already begun arrangements to import large amounts of marijuana or pills and needed a pilot. The Alabama man claims (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 it was the pilots among our respondents who 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 for long enough; those whom you are currently partying with may well make 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 was getting more dangerous and violent, so that a tolerance for incurring and an ability in 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 sometimes as much as five years. Their perceptions about change may be inaccurate and tinted also with the veterans' views, in so many 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, say, in the Valachi papers (Maas, 1967). Most of the arrangements could better be 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. It appears that in the cocaine and marijuana trades, there is little economic advantage to be gained from formal organization, and there are both economic and security reasons to keep the sharing of information to a minimum.

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 which are easiest to coordinate and contract at arm's length for those services that would be costly and complicated to perform internally (Stigler, 1962). 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 instance in which it would be good to have a large number of employees all serving the same purpose is for 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 (as in the case described to us of a motorcycle gang in the Northwest 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 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, there are problems with incentives and monitoring of subordinates' efforts. In the wholesale drug trades, illegality and geographic dispersion put a premium on secrecy, making it very difficult to monitor subordinates (see Reuter, 1983; Chap. 6). The wholesaler can only check on the retailer 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 due to 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

Only at 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. For cocaine, even for the importation of quite large amounts, the arrangements sounded 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 the product off for disposal as he wished once it was safely into the country.

For example, one couple residing in Florida would travel with another couple to South America, posing as tourists, and 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 for a non-drug-related offense in federal prison. 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 to drive their products in ordinary-looking cars around the country.

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 about five years of operations described to us, about a dozen people had taken some part, and 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

---

<sup>2</sup>Their operations unravelled after a bizarre episode involving

of associates had nothing to do with, and did not know, the others. The arrest of the one 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 use of an entire boat or plane (not 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 could be recruited specially on a per-job basis in Mexico for cross-border transit. An importer delivering 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 the darkness at a stash house, then scatter with their own purchases. One group, importing 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-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, re-invested his earnings from two of these annual operations in a sailboat he owned with his brother, and 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>

---

South Americans kidnapping the wife to force the couple to do business with the South Americans, who did not know enough people in this country.

<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.

## 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, even fairly long-term ones, described by our interviewees 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. For dealers occupying the middle stages of the distribution networks, that is, buying from an importer and selling to other wholesalers or retailers, day-to-day business 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 advanced 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.

One reason for this 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 retailers. They would socialize with them in public places, including using drugs together, to see if the prospective associate 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 retailer, the wholesaler could only hope that the retailer would be discreet and watch him for signs of deterioration. Lacking the ability to supervise a

---

But he gave many incriminating details about some of his fellow principals, including one still a fugitive.

subordinate, a wholesaler's only method of controlling his activities is to keep his customers on short-term credit, advancing each week or month only the quantity of drugs that they can dispose in that period and requiring payment for the last batch before the next is handed over.

The chief danger is that the retailer will become careless due to his own addiction. The warning signs appear when a retailer/consumer starts to miss payments and make excuses, and starts 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 retailer 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 retail outlets: divorced suburban mothers, women he had known in high school, who had children to raise, rent to pay, and reputations to protect, 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 is to choose subordinates who need no supervision. This same dealer with the single-parent retailers 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 jeopardise 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 built 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 only wants to meet C 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. We heard from one astute "A" doing business in Texas 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 where small quantities were traded 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 large importing organizations, 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 Columbian gangsters at one end and the college students 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 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 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 were rarely exclusive. Though suppliers and customers clearly place a high value on stability, and prefer to keep dealing 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 hard 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 small number of occasions that 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 returned 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 illustrates the lack of exclusivity. Two men were clearly in charge, in the sense that they knew when a shipment was coming in and used our interviewee as a go-between, giving him money and instructions where to deliver it and where to pick up the cocaine. The interviewee 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 interviewee 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. Our interviewee 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, whereby the interviewee had agreed to take delivery ("as a favor") 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 hippy (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 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, dealing with at least one supplier outside the structure of the organization. And everyone else involved, whatever job title he gave them, sounds like an independent salesman as well.

### Supplier-Customer Relationships

The successful arrangements described by several of our respondents can best be considered 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, 1963). 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 larger 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> They neither "cut" nor over-priced its 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 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 had been 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 et. al., 1987; Appendix 2)

---

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

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 that were able and willing to sell elsewhere if the opportunity arose, and others reported dealing with suppliers who were multi-city. One Southwestern marijuana dealer, in a chance encounter, learned that marijuana sold for much higher price 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, kilo 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, so that 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 much lower price heroin to white and hispanic users. It may well be that cities like Kansas City and Minneapolis, 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

This study had both methodological and substantive goals; it was only partly successful in attaining either of them. In this final section we draw together what we believe 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 of course not new. For example such interviews have 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 we used 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, about the characteristics of these markets, the role of violence and the incomes generated by their activities.

The low overall participation rate, our lack of information about non-participants and the apparent selectivity of participants all suggest the need for further methodological experimentation. We suggest that there are at least two possible innovations that merit attention.

1. Use of a written instrument. We were impressed by the variety of careers and the possibility of obtaining rich contextual information through personal interviews conducted by the researchers themselves, rather than by professional interviewers. We chose not to use professionals since we felt that it was important to have a highly developed understanding of the goals of the project as a whole and of the analytic framework that was being used.

In retrospect, we are no longer convinced that we made the right decision. Participation rates may be enhanced by group administered written questionnaires. Certainly the RAND Inmate Survey obtained a higher, and less selective, response rate by that technique, though admittedly with a different population. The data obtained in this way is less rich but, for the purpose of generalization, that may be the appropriate trade-off.

2. Payment of money 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 now admitting rapidly increasing numbers of drug dealers.

Though 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 again the evidence of Berry and Kanouse (1986) that even well paid professionals, namely doctors, are more likely to participate in a survey when offered \$20 immediately rather than offered the same amount at a later time.

More generally, 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 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.

## THE ORGANIZATION OF DRUG MARKETS AND ENFORCEMENT STRATEGIES

Having disclaimed any pretense to a representative set of subjects in the high level cocaine and marijuana markets, we nonetheless believe that we have learned something important about these markets. These observations fall somewhere between informed speculations and empirical findings; the reader will bring his own judgement to bear. With those caveats, let us suggest four interesting observations:

1. Barriers to entry into the higher levels of these 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 were all that was required and sometimes not even all of these.

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 any of the encumbrances of organization. Outside of the smuggling/importing sector, high level dealing is simply brokerage. Some supplier/customer relations may endure but they are rarely exclusive, if exclusive they are voluntarily so.

3. Some segments of these markets are characterized by low levels of violence. Here we must be particularly careful to note that our observations are quite selective. 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 level 1 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 were willing to make deals with anyone who offered a credible source or customer, even if the deal occurred in a very 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 data (backed by his PSR) that he was earning perhaps \$300,000 per annum as a cautious cocaine retailer immediately



raises the question of why that opportunity is available to someone with so 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 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 1980's) and that they were earning the returns of being there relatively early. But we make no claim to have a good account of 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 seems to have no particular value in reducing the ability of high level markets to function. Some large organizations may arise because certain individuals have more of the leadership qualities and ambitions than our subjects exhibited. But individual dealers are able to operate in these same markets effectively.

Ease of entry also lessens any hope one might retain that the removal of the more experienced individuals could make a difference. Lower level dealers are higher level dealers in training. There is simply too little differentiation in the population to suggest that raising the rate at which experienced higher level dealers are incarcerated or otherwise incapacitated could cause a rupture in the functioning of the markets.

APPENDIX I:  
INTRODUCTORY LETTERS TO INMATES AND STAFF

The Rand Corporation, a non-profit research organization, is carrying out a study of the business of drug trading. Your name has been selected as one of a sample of inmates in federal prisons around the country who might participate in this study. A number of others in your facility have also been selected. You will be scheduled for a meeting where the researchers will explain the study to you. You may then decide whether to participate in it. If you choose to participate, a time for your interview will be scheduled at that meeting. The interview will take about two hours. Researchers will ask you for information about what the drug trades are like. They will not ask you for anyone else's name or any other information that could incriminate them. The information will be kept confidential and it can only be used for research purposes. If you are currently earning credits for a prison program, you will 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) *John Haaga*

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 mean time, 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.

**Rand**  
WASHINGTON OFFICE

2100 N STREET NW WASHINGTON D.C. 20037-1270 PHONE (202) 296-5000

APPENDIX II: CONSENT FORM

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:

---

INITIALS

APPENDIX III:  
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 (3 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 BUYER

<u>DRUG</u>	<u>PRICE</u>	<u>AMOUNT</u>	<u>PURITY</u>	<u>PLACE</u>	<u>YEAR</u>	<u>FREQUENCY</u>	<u>CREDIT TERMS</u>
-------------	--------------	---------------	---------------	--------------	-------------	------------------	---------------------

---

**TRANSACTIONS**

**PARTICIPANT AS SELLER**

<u>DRUG</u>	<u>PRICE</u>	<u>AMOUNT</u>	<u>PURITY</u>	<u>PLACE</u>	<u>YEAR</u>	<u>FREQUENCY</u>	<u>CREDIT TERMS</u>
-------------	--------------	---------------	---------------	--------------	-------------	------------------	---------------------

CAREER CHRONOLOGY

BEGINNING OF INVOLVEMENT IN DRUG TRADES: -----

Retailing:

Higher-levels: A -----

B -----

C -----

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

-----  
-----  
-----  
-----

DATES

PLACE

Previous convictions:

Previous sentences:

END OF INVOLVEMENT IN DRUG TRADE: -----

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

## REFERENCES

- Adler, Patricia *Wheeling and Dealing: An Ethnography of an Upper-Level Drug Dealing and Smuggling Community* New York, Columbia University Press 1985.
- Cave, Jonathan and Peter Reuter, *Policing and Learning: A Dynamic Model of the Market for Drug Smuggling Services*, The RAND Corporation (WD-3342-USDP), Santa Monica, CA, 1987.
- Johnston, Lloyd D., et al, *Drug Use Among High School Students, College Students, and Other Young Adults: National Trends Through 1985*, U.S. Department of Health and Human Services, National Institute on Drug Abuse, Rockville, MD, 1986.
- Klockars, Carl, *The Professional Fence*, Free Press, New York, 1974.
- Leib, John and Sheldon Olson, "Prestige, Paranoia and Profit; On Becoming a Dealer of Illicit Drugs in a University Community," *Journal of Drug Issues* 6, 1976.
- Liebow, Eliot *Talley's Corner*, Little, Brown and Company, Boston, 1967.
- Petersilia, Joan, Peter Greenwood, and Marvin Lavin, *Criminal Careers of Habitual Felons*, The RAND Corporation (R-2144-DOJ), Santa Monica, CA, 1977.
- Redlinger, Lawrence "Marketing and Distributing Heroin" *Journal of Psychedelic Drugs* 7: 331-53 (1975).
- Research Institute of Pharmaceutical Sciences, University of Mississippi, *Potency Monitoring Project, Quarterly Report* 7 and 17, University of Mississippi, 1983 and 1986.
- Reuter, Peter, *Disorganized Crime: The Economics of the Visible Hand*, MIT Press, Cambridge, 1983.
- Reuter, Peter, et al, *Drug Interdiction and the Potential Military Role*, The RAND Corporation (WD-3366-USDP), Santa Monica, CA, 1987.
- Reuter, Peter and Mark A.R. Kleiman, "Risks and Prices: An Economic Analysis of Drug Enforcement," from *Crime and Justice: An Annual Review of Research* 7, edited by Michael Tonry and Borval Morris, 1986.
- Sabbag, Robert, *Snowblind*,
- Scherer, Frederick M., *Industrial Market Structure and Economic Performance*, Rand McNally and Company, Chicago, 1980.

Stigler, George J., "A Theory of Oligopoly," *Journal of Political Economy* 72, number 1, February 1964.

Warner, Roger *Invisible Hand: The Marijuana Business*, Beech Tree Books, New York, 1986.

Whyte, William F. *Street Corner Society*, University of Chicago Press, Chicago, 1943.