

THE POLITICAL ECONOMY OF HEROIN DISTRIBUTION IN THE UNITED STATES

OUTLINE

Chapters

- I. Introduction and overview
- II. The demand for heroin
 - A. Introduction
 1. Addiction
 2. Users, experimenters and abstainers
 3. The elasticity of demand
 - B. Current theories
 1. The pharmacological theory
 2. The personality defect theory
 3. Career theory
 - C. A class based theory
 1. The attractions of heroin use
 2. Opportunity costs
 3. The role of supply
 - D. Evidence
 1. Characteristics of users (and problems of data)
 2. Ethnographic studies
 3. The historical pattern of use
 - E. Summary.
- III. The heroin distribution industry: development and structure
 - Part One: The historical development of the industry
 - A. The beginnings of the modern illegal industry: 1920-1940
 - B. World War II: an interlude?

III. (continued)

Part Two: The structure of the industry today

- A. Overview
 - B. Capital and labor
 - C. The lower levels: user dealers
 - D. The upper levels: non-user dealers
 - E. Variations in the classic chain
 - 1. The growth in number of levels
 - 2. Geographic variations
 - F. The distribution chain for Mexican heroin
 - G. The impact of recent changes in international supply
- Summary

IV. Organized crime and heroin

- A. The advantages of syndication: theoretical considerations
 - 1. Monopoly profits
 - 2. Market stability (price and supply)
 - 3. Protection against robbery
 - 4. Protection against arrest: corruption
 - 5. Access to the illegal capital market
 - 6. Syndicates and market structure: monopolies, cartels and competition
- B. Syndicates in the heroin industry: empirical evidence
 - 1. World War II to the 1960s: dominance of the old line syndicates
 - 2. The 1960s and 1970s: retrenchment and competition
 - 3. The "Mafia"
 - 4. Syndicates in the Mexican trade

V. Investment and growth in the heroin industry

A. Pressures to expand

1. Competition
2. Problems of holding cash
3. Methods of expansion

B. Pressures to diversify

1. Monopoly and inelastic demand
2. Protection and respectability
3. Routes of diversification

C. Sources of capital

1. Historic sources
2. The illegal money market today

VI. Corruption

A. Types and magnitude

B. Scandalous corruption: police and the market price of bribes

1. The duopoly model
2. Police as potential entrants
3. The police task: containment, control and cynicism

C. Respectable corruption: organized crime and the economics of elections

D. Noble corruption: heroin and anti-communism

1. The OSS and organized crime in post-war Europe
2. The CIA and its allies in Southeast Asia
3. The anti-Castro connection

VII. The U. S. in the world market for opiates

- A. The economics of illegal opium production
- B. The economics of heroin manufacture
- C. The economics of smuggling: syndicates around the world
- D. The long run growth of production
- E. Heroin diplomacy and the acceleration of growth

VIII. Conclusion

- A. Summary: demand
- B. Summary: supply
- C. The interaction of supply and demand: a growing industry
- D. Problems of a law enforcement strategy
- E. Limits of economic analysis

THE POLITICAL ECONOMY OF HEROIN DISTRIBUTION IN THE UNITED STATES

CHAPTER ONE: INTRODUCTION AND OVERVIEW

Heroin use has been a serious social problem in the United States since the 1910s, when it began to replace morphine as the drug of choice in the street market. For as long as it has been recognized as a social problem, it has been viewed as an aberration in U. S. society, stimulated by elements outside our own political and economic system. But heroin use has persisted for six decades, and has grown even in the face of increasingly drastic efforts to curtail its use. By the early 1970s, somewhere between 500,000 and a million people were habitual, daily users, up from well under 100,000 in the 1940s¹. At the base of the distribution system are some 25,000 to 75,000 small dealers, themselves habitual users. This may be compared with 51,500 drugstores operating in 1972, or 176,000 liquor stores. Annual retail sales of heroin are close to a billion dollars, while liquor stores had sales of ten billion dollars in 1972. At the top of the distribution system stand perhaps less than a hundred major importers, with sales less than five percent of the retail figure².

It is the argument of this dissertation that analysis of heroin use as a social aberration is fundamentally wrong. Rather, it is argued that heroin use is the end result of certain characteristics of the structure and functioning of U. S. capitalism that generate both the demand for the drug and the system which supplies it. The demand for heroin, it is contended, is rooted in the class and race conflicts of American society. The heroin is marketed by an expanding distribution industry which is shaped by the underlying drive in capitalist economies to seize market opportunities in the quest for profit.

This is a different approach from that taken in previous economic studies of the heroin trade. Overwhelmingly, economists have ignored the industry, apparently assuming that its clandestine nature put it beyond analytical reach, but this silence has been broken by a handful of studies in recent years. The first major article was published by Simon Rottenberg in 1968³; in it he takes the description of the industry presented by the Federal Bureau of Narcotics and Dangerous Drugs (BNDD) and recasts it in economic terms. This allows him to state policy options considered by enforcement agencies in terms of the costs imposed on heroin dealers. Effective policy is assumed to be action which increases dealers' costs and thus reduces the size of the trade.

Mark Moore has provided more substantial studies on the economics of heroin⁴: His analysis, like that of Rottenberg, is based on a static description of the internal organization of the industry. However, he broadens the sources of his empirical evidence by drawing on sociological field work and one ex-addict informant as well as BNDD statements. His description is more detailed and more convincing than Rottenberg's. Moore uses this description as the base for an examination of the microeconomic choices and characteristics of dealers at various levels of the distribution chain. This analysis is a marked advance towards understanding the economics of heroin, but it remains severely limited. Its limitations stem from ignoring 1) the basis of the demand for heroin and 2) the dynamics of growth of the industry and from partial treatments of 3) the relation of government to the industry, 4) criminal syndicates and 5) the opportunity costs of dealers at different levels. The same limitations are shared, in greater degree, by Rottenberg and others⁵. The only aspect of demand which Moore looks at is price elasticity; he does not examine the long-run development of demand or its relation to the supply system. Moore considers

bribery of individual enforcement officers as part of doing business in heroin, but he assumes an official goal of eliminating the industry. Such an assumption simplifies analysis, but it serves to avoid critical analysis of the modus vivendi established between law enforcement bodies and organized crime, as well as the pressures on officials merely to limit the trade rather than to eliminate it. These weaknesses, deriving from a static and narrow focus on the internal structure of the industry, limit the applicability of Moore's analysis. However, even the analysis of the industry structure is incomplete. Pressures toward growth in the industry are powerful; its development is incomprehensible if growth is assumed to be the passive result of consumer demand or of changes in enforcement pressure. Although Moore discusses both the market stabilizing effects and the monopoly profits of syndicates at the top levels of the traffic, further examination of their role is necessary to understand their importance in shaping the industry. In particular, their political connections, their ties to other industries and to foreign sources of supply must be considered. Finally, Moore observes that the opportunity costs of dealers are low at the retail end and increase up the chain, but he misses important implications of these costs for the long run growth of the industry as a whole.

These limitations are inherent in a static micro-economic approach. Studies of the industry made within this framework do not raise, and cannot answer, certain basic questions about the economics of heroin. This kind of analysis does not explain the growth of heroin consumption over time--it ignores both the interactions of demand with the supply system and the dynamic of growth within the industry. This approach

also fails to explain why the many variations of narcotics prohibition policy have persistently failed to check the growth of the heroin industry. To examine these larger and fundamental questions requires a broader analytical approach and a different point of departure. The analysis in this dissertation is premised on the view that the evolution of heroin use in the United States is the result of the interaction between conditions fostering demand and the process of capital accumulation in the industry. The following sections of the introduction sketch an overview of the analysis. The remaining chapters develop the analysis further and examine the empirical evidence bearing on it.

The Demand for Heroin: The Nature of the Market.

The market for heroin is composed overwhelmingly of habitual, daily users, most of whom are metabolically dependent on the drug. This is the pattern of use commonly called addiction, but this term has acquired too many misleading connotations to be useful for analytical purposes. While some heroin is consumed by occasional users, such consumption accounts for only a small fraction of the total demand and does not significantly affect the dynamics of the market. The analysis of the demand for heroin must therefore center on its consumption by habitual users.

This core of demand cannot be understood in the same framework as the demand for normal consumer goods. Taking heroin regularly has a profound impact on the user's whole life--it is not comparable to indulging a passion for pizza or even to habitual use of legally obtained amphetamines. Because the drug is highly illegal, with its mere possession a serious felony, an habitual user has little opportunity to do anything outside a

2

narrowly bounded heroin-using community. He or she must usually devote considerable time to looking for a dealer. Taking the heroin requires a safe location and the use of incriminating paraphernalia, which are often shared. It is easier to spend time while on the drug in the company of other users, who are sympathetic. Keeping track of the price, quality and availability of heroin from various dealers requires hours daily with other users, entering into an informal communications system. The economic crimes by which most users obtain their money reinforce their ties to the heroin world, for success in these endeavors requires continuously comparing techniques, recruiting partners and staying abreast of police practices. The effect of all this is to make heroin use a full time career engaging all one's concentration. It allows little room for other, non-heroin-related activities and contacts. This is the "addict" subculture⁶.

limits appeal

This subculture tends to sustain demand, once generated, because it is difficult for a user to get out of the heroin world at points when he or she may want to. Once a person is suspected by police or other agencies of heroin use, the stigmatizing label of "addict" pushes him or her further into the subculture. Most often, such labelling leads to jail and/or a narcotics treatment program composed almost entirely of habitual users, strengthening contacts within the heroin community and cutting off others. Even outside such "addict" institutions, the label blocks alternatives, as employers and government authorities expect the "addict" to fail at everything except heroin use.

The main point to note for economic analysis is that this subculture defines the bounds of the heroin market. The market is thus not deter-

mined simply by consumer tastes for the properties of the drug itself. Rather, the boundaries of the market result from the law enforcement approach to heroin use which treats users as dangerous criminals. Without the full time career of "ripping and running" which this approach creates, the choice to consume heroin would be quite different. The key question in analyzing the demand for heroin thus becomes the number of people who become habitual users. The number of habitual users is also the important question for most of the social problems tied to heroin use.

Even users with well-developed habits vary the amount of the drug they consume per day on the basis of availability, price and fluctuations in their income. Heroin does not provide a textbook illustration of perfectly inelastic demand. Nevertheless, both metabolic and psychic dependence do make demand by habitual users notably inelastic, and thus less significant to the development of the industry than the number of users. Price elasticity of demand has been examined by economists⁷; income elasticity has been discussed indirectly and impressionistically in sociological field studies and autobiographical accounts⁸.

The Demand for Heroin: Current Theories.

The theory of demand for heroin advanced in this dissertation is one rooted in the class structure of U. S. society. Specifically, the functioning of the labor market generates a pool of young workers who are marginal to the legal economy. Entering the world of habitual heroin use is a response to lack of legitimate career opportunities. The key features of this analysis may best be drawn in contrast to current theories⁹. The theory of demand for heroin which is the implicit basis of official anti-narcotics programs is that the properties of the drug itself make it

virtually irresistible. This may be called the pharmacological theory of heroin use. In explaining Federal narcotics policy, the new head of the Drug Enforcement Administration stated his adherence to the theory concisely: "The addict population generally would rise and fall with the availability of heroin . . . and relative to purity."¹⁰ While most authorities are reluctant to state such an explicit theoretical position, the pharmacological theory is the only one consistent with the strategy shared by all levels of government narcotics policy, which is to forcibly separate the user from the drug. Programs to eliminate production and smuggling of the drug, punishing users for being users and providing methadone as a substitute are components of this overall strategy.

The pharmacological theory is also the predominant academic theory. Nils Bejerot¹¹ is its most articulate exponent and it is a key implicit assumption of the increasingly popular school of epidemiology in narcotics studies¹². However, this theory is inconsistent with a number of aspects of heroin use. In particular, it is not consistent with the fact that numbers of people become metabolically dependent on morphine and heroin as medical patients, yet do not become habitual or even occasional users once they have withdrawn from their medical usage. The pharmacological theory is also inconsistent with a number of features of non-medical heroin use, especially the fact that many people use heroin occasionally and never develop habits and the fact that most habitual users "mature out" (or "burn out") of their habits after some years, if they survive. The pharmacological theory also provides no explanation for the historical pattern of the development of heroin use, as noted below.

This is not to say that the pharmacology of the drug is irrelevant. Heroin is by all accounts an extremely powerful euphoriant, deserving its

reputation as "king of drugs" in sensuality. And the metabolic dependence it produces is strong, even if less than that of alcohol or barbituates. The key point is that these properties of the drug do not in themselves explain patterns of its use. The pharmacology of heroin is significant in that it provides a material basis for the social and economic relations which define heroin use in the U. S. today. However, since these same properties provide a basis for other historical patterns of use and non-use, an explanation of the heroin problem must be social, not chemical.

A second popular theory is the personality defect theory. The crux of this theory is that some individuals have particular psychologic propensities leading them to heroin use as a "crutch", or as a retreat from reality. A review of the heroin-prone personality profiles put forth by various advocates of this theory shows that they are either underspecific or at substantial variance with each other, permitting little confidence in this approach. An even more serious problem is that studies of users and non-users of similar socioeconomic position show no discernible differences before regular drug use¹³.

Both the pharmacological and the personality defect theories are focussed on the individual user of heroin. However, heroin use is a group process; non-users are introduced to heroin by friends in familiar social settings. Use spreads along friendship and neighborhood networks. Becoming an habitual user is a gradual process which hinges on developing the social relationships necessary for finding places to take the drug, for connecting with a supplier on a daily basis, for avoiding arrest and for obtaining the money required. Some advance toward building a theory of demand which recognizes the social character of heroin use has recently been made by applying the sociological theory of careers: becoming an habitual

user is a choice of an identity with a definite pattern of interaction with other users and with the rest of society¹⁴. This theoretical approach has proven to be a valuable step forward in understanding heroin use. As it stands, however, it is inadequate; it stops short of the question of what are the conditions which foster this particular choice of career. This question requires an analysis of the opportunity costs faced by the prospective drug user. The choice of heroin use is in part an economic decision.

The Demand for Heroin: Heroin Use in the Class Structure.

The argument advanced in this dissertation is that heroin use is primarily related to class and race. An "addict" career is attractive almost only to youth who have extremely limited opportunities. The daily users who constitute the core of the market come predominantly from the lowest stratum of the urban working class. Since World War II, users have also been disproportionately black and Puerto Rican.

The pattern of heroin use is determined most importantly by the long run functioning of the labor market, with the supply of the drug as a constraint on the extent of the market. The labor market in the U. S. creates a pool of marginal workers facing bleak prospects for legitimate careers. Their legal employment opportunities consist of sporadic, short, dead-end jobs at unskilled, unpleasant labor for poverty wages. This is the bottom of the secondary labor market described by labor market analysts in the last few years¹⁵. Racism reinforces the barriers faced by marginal workers in ghettos and barrios. Youth in this economic position must generally look to activities outside the legal economy for money, excitement, prestige and identity. The "addict" subculture makes heroin use one rela-

tively attractive option. The world of heroin use offers a career which demands full time concentration, the excitement of literally death-defying acts and a social role defiant of established authority. It also offers, in indirect fashion, economic opportunity through the possibility of selling the drug and through acquaintance with other users who can teach the various skills required for theft, confidence games, prostitution and other illegal trades. In this way the analysis of heroin use advanced here is related to the general economic theory of delinquency¹⁶.

The importance of these labor market considerations stems from the fact that heroin use is not a first choice of career. If there were other choices effectively open which offered greater financial reward and prestige, heroin use would not have developed to the proportions it has. As it is, the opportunity costs of full time heroin use are quite low. While only a fraction of youth at the bottom of the social structure become heroin users, most habitual users do come from this group and the core of the market for heroin is generated in this way.

A pure labor market theory is far from sufficient, however¹⁷. Variations in the number of new heroin users are not a simple function of unemployment or labor force participation, even after taking account of the supply constraint. Many youths in this situation choose options other than heroin. Alcohol, other drugs, suicide, a variety of criminal careers and political activism are all alternatives, as is simply accepting the legal jobs available. The number of youths choosing heroin will depend in part on their ranking of the relative attractiveness of these alternatives over time. It is thus far easier to find a correlation between indexes of economic condition and a broad grouping of these choices, such as "delinquency", than to find correlations with a single choice such as

heroin use. However, the problem is deeper. Youths making these choices are not passively responding to external forces. The broad choices among acquiescence, self-destructive paths, political rebellion or individual criminal careers are mediated by social consciousness. In a time of shared political and social optimism, there is enthusiasm for various non-drug alternatives and the use of heroin is stigmatized among the youth of a community. At other times, there is much less opposition to heroin and it enjoys a reputation as "king of drugs."¹⁸ Oppressive social and economic conditions are major influences on the pattern of heroin use, but so also are the collective responses generated by the community to those conditions.

This is the demand and supply side of the market

The extent of heroin use is also determined by the supply of the commodity. It is mistaken to see supply as producing its own demand--a version of the pharmacological theory. However, the availability of the drug is an important permissive factor, for potential demand does not automatically produce its own supply. Some link to an international manufacturing and smuggling system is necessary. The principal effect of supply as a limiting factor is to restrict the market geographically. In small towns and rural areas especially, there may be some potential market for heroin which is not realized because possible users have no access to dealers. The penetration of some small towns and rural areas in recent years demonstrates the importance of growth in the distribution industry¹⁹. Reports from both users and law enforcement officials make clear that there is some variation in supply over time within old markets as well as into new areas, but there are no hard data allowing the changes to be reliably measured. It is thus not possible to determine whether changes in supply within established markets lead to changes in the number of users or merely to changes in the average dose taken.

A counter example may illustrate the role of supply as a factor shaping demand. Marijuana is an illegal drug more popular than heroin. While not treated as such a dangerous drug, in most localities possession is still a serious crime. In contrast to heroin, marijuana can be readily purchased anywhere in the country. The supply system in this case does not limit the market because there are few barriers to entry into the business of selling it. It can be grown in most parts of the United States and much of the rest of the world and the ease of preparing it allows almost anyone to enter the industry.

The theory of demand advanced here can be summarized as follows:

- 1) The market for heroin is composed overwhelmingly of habitual users. Their demand is highly inelastic. The key question in analyzing demand is thus the determination of the number and characteristics of habitual users.
- 2) The decision to consume heroin is not a simple consumption decision; it is to choose a whole social and economic career. The process of choice is strongly affected by peer influence; it is not a strictly individual choice.
- 3) An "addict" career is not highly attractive to anyone. Those youth who slide into it have extremely limited options and low opportunity costs. In this sense, heroin use may be seen as rational while still being self-destructive.
- 4) Heroin use is overwhelmingly concentrated among youth at the bottom of the class structure and especially among racially oppressed groups.
- 5) The growth of heroin use is determined in large part by the number of youth in this social and economic position, although this relationship is mediated by the relative prestige attached to alternative choices.
- 6) Within this potential market, heroin use is limited by access to supply. The growth of the distribution industry in the past three decades has contributed to the growth in heroin use.

There are several types of empirical evidence against which this theory can be tested.²⁰ Statistical data on users can verify correlation between class and race and heroin use. Ethnographic studies of how youths become "addicts" show the factors bearing on that choice and describe the career of habitual use. The historical pattern of the growth of heroin use offers supplementary verification of the connections between class position and drug use. Perhaps the most important test for a social theory is whether policy premised on it succeeds or fails. For the theory advanced here, the Chinese campaign against narcotics is especially relevant. It will be examined after both the demand and the supply sides of the industry are considered.

The best statistical evidence on the relation between class position and heroin use is cross section data within major metropolitan areas. Such data abstract from the supply constraint and from the effects of the changing prestige of heroin vis-à-vis other drugs. Deficiencies in both class indicators and heroin use data limit the reliability of statistical tests, but a number of studies have been carried out which bear on the question, notably those by Chien et al, Chambers, and Redlinger and Michel.²¹ All provide strong support for a significant relationship between class position and heroin use. Data on heroin use by race from the New York State Narcotics Addiction Control Commission and by the U.S. hospital at Lexington provide additional limited support.

The data needed for statistical tests for a relation between the growth of heroin use over time and deteriorating labor market conditions for working class youth are not available. There are no reliable estimates of heroin use over long enough periods of time and indexes of changing class circumstances are very crude.²² The data available will be

reviewed and the types of improvement needed to make them usable will be discussed.

Three major ethnographic studies of heroin use have been made since World War II.²³ All lend strong support to the theory of demand advanced here, while they are not consistent with other theories. The evidence provided in these studies is superior to statistical data because it bears directly on causality.

A class-based theory also provides a plausible explanation for the pattern through which the market has developed in the U.S., which alternative theories do not. Numerous estimates of the number and composition of heroin users have been made. A systematic review and critique of the data available are provided in Chapter Two; no available estimates of the total number of users can be used with any confidence, especially over time. However, it is possible to analyze the growth of the heroin market by taking an historical approach. A number of valuable observations have been made about the initial spread and subsequent development of heroin use in different communities. These can be linked to the incomplete statistical data available to provide a sketchy but useful picture of changes in the heroin market over time.

The pattern which emerges from such an historical analysis is one of uneven expansion, both in terms of overall use and in terms of the social boundaries of the market. Use has grown in spurts or waves both nationally and within particular communities rather than in a steady pattern. These are the waves described as "epidemics" by many writers. The core of the market has continued from the beginning to be the poor neighborhoods of the big metropolitan cities-- the

white immigrant slums and the black and Puerto Rican ghettos. Within the ghettos, heroin use expanded rapidly in the period beginning with the recession just after the Second World War. By the late 1950s, the market widened to include some white blue-collar neighborhoods previously unaffected. The late 1960s brought a new expansion of ghetto use. Youth unemployment and labor force non-participation have increased at the same time as heroin use.²⁴

The spread of heroin use to white working class youth in the late 1950s corresponds to the secular rise of unemployment, which hit poorly educated blue collar youth hardest among white workers. Supply was not a serious limitation in these areas, for they were close to long-established distribution centers. Heroin use seems to have gradually expanded in white ethnic blue-collar neighborhoods in the Northeast following this. There was a burst in use by white youth in the late 1960s. This appears to have been related to the worsening labor market at the time, but it also seems connected to widespread use of many different drugs as part of the new "youth culture" aggressively opposed to official taboos. While this experimentation brought heroin to middle-class youth briefly, its use never developed firmly in this stratum.²⁵

The use of heroin by GIs in Vietnam cannot be explained on the basis of labor market developments. The conjuncture of an unpopular, losing war with an exceptionally inexpensive, abundant supply created a special situation encouraging drug use. Despite the differences between the military and the domestic situations, there are some notable parallels. The GIs who used heroin were largely working class, and in the war they felt their future prospects were bleak.²⁶ The fact

that a relatively high proportion of returning GIs quit their heroin habit reinforces the analysis that the situation in Indochina was unusual and that labor market considerations are the most important determining factor in U.S. heroin consumption.

The pattern of market development since World War II described above is consistent with the theory proposed. Heroin use has expanded along with the long-term worsening of labor market conditions for workers at the bottom of the market. Further, there has been no group of youth which has been in a marginal labor market situation and close to the supply system centered in the big cities which has not had significant numbers of heroin users.

The pharmacological theory is not consistent with the observed historical development of demand. Such a theory would predict a continuous expansion of use in those cities where it is available, rather than expansion bounded by class. The "middle-class" usage which has been reported shows that access to the drug is not limited by class position: factors beyond availability are necessary to explain differential use by class and race.

The personality defect theory holds up no better in the light of this history. The profiles of heroin-prone personalities described by various theorists apply to a great many people, users and non-users. Its most fundamental problem is that it is underspecific. The theory does not lend itself to historical application: no one has presumed to trace the spread of various personality types among the population. To be consistent with the historical pattern of demand, this theory would require that a heroin-prone personality spread along the same lines as

heroin consumption. For this theory to have explanatory power, it would be further necessary to show that this personality profile is independent of social conditions, or that personality causes class position.

The Supply System: Heroin Distribution as an Industry.²⁷

The distribution system which supplies heroin to the market in this country springs from the normal functioning of U. S. capitalism. The motivation for dealing in heroin is the profit to be made from it. While the profits may not be as sensational as suggested in front page news stories of drug seizures, they are certainly high relative to the alternatives facing most dealers. Those who do enter the business take considerable care to protect themselves from arrest, from extortion and from robbery, which are three continuous threats. Their adaptations to doing business under conditions of thorough illegality give rise to peculiar features of this distribution industry not shared by others. This view conflicts with the popular theory which centers on the twin images of "pushers" in the street and one vast conspiracy behind them, exercising tight control over all heroin brought into the country.

Three key structural features have developed in the industry out of dealers' desire to reduce risk. One is the division of the chain of distribution into numerous levels, several more than in any comparable legal distribution industry. A second key feature is the domination of the top levels by criminal syndicates, representing considerable concentration of economic power. A final, pervasive aspect of heroin dealing which is related to the industry structure is corruption

of law enforcement. There are various kinds of corruption and most are not strictly internal to the industry, so discussion of this question will be deferred to the next section.

The most general structural feature by which dealers protect themselves is the organization of the industry into several district levels. While it is standard in most distribution industries to have wholesale and retail levels, there are several more levels in heroin distribution than could be expected on the basis of technical considerations of storage and handling or of purely financial considerations. In fact, the opposite process of eliminating intermediate levels of wholesalers and jobbers has proven to be profitable in distribution of most consumer goods--this is one of the economic strengths of chain stores.

*Small business -
distribution -
highly organized -
chain stores*

A multi-level structure serves to protect dealers by limiting the number of people who have information about their operations, information which could be traded to police or used for robberies. For all but the smallest dealers, the layered structure also serves to put some insulation between them and the street. The principal method of narcotics enforcement is the use of informants. The number of people with enough information to be useful to the police is thus a crucial factor determining the chances of a dealer's continuing in business. As the number of people who know about a dealer's operations declines, so does his risk.

Habitual users are the group most likely to become informants, since they are the most visible to the police, have no resources for legal defense and face abrupt withdrawal under the most unpleasant conditions

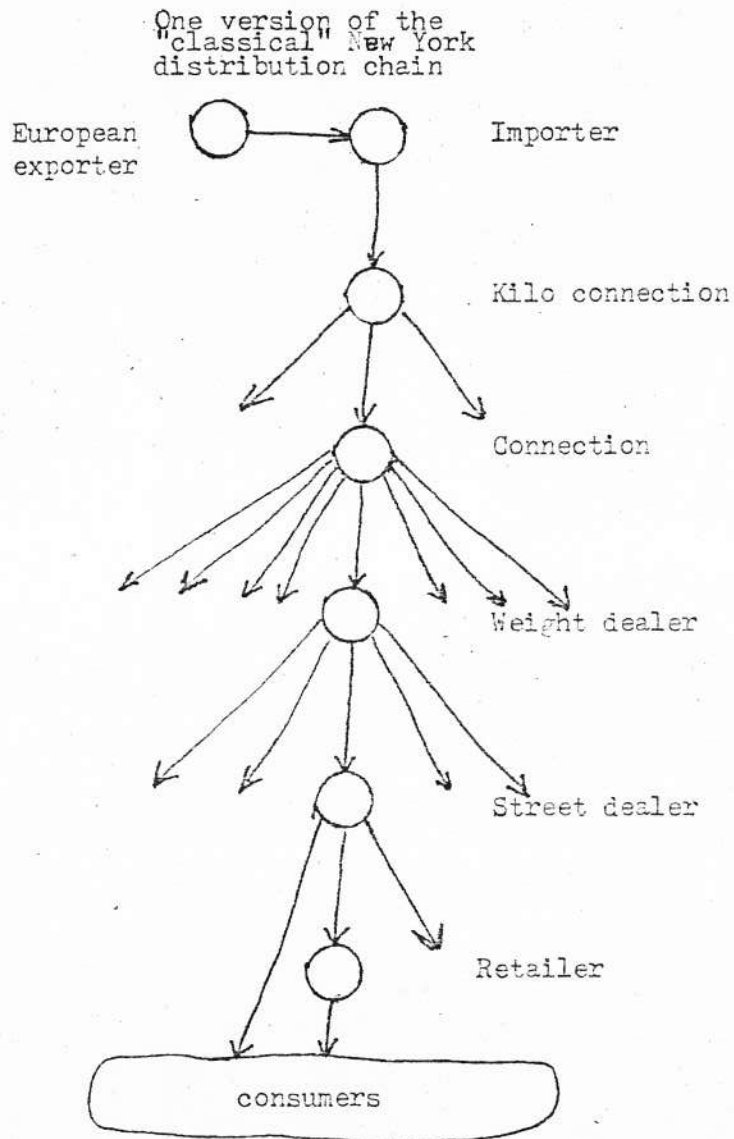
of city jails. Consequently, retailers are the dealers most vulnerable to arrest, since they are most widely known by habitual users. The further up the chain of distribution a dealer is located, the better is his protection from the industry's most vulnerable point, the street.

While the multi-level structure of the industry is a major first defense for individual dealers, it is even more effective at protecting the industry as a whole. This is so for two reasons; no individual dealer is central to distribution, and others are always ready to take the place of those who are removed from the trade. Compartmentalization of activity and information is a cardinal principle of any organized clandestine undertaking. The incarceration or death of some dealers leaves others free to continue operations. The gaps created will be quickly filled, for many users see dealing as a desirable way to support their own habits and are ready to enter the bottom level. At the same time, current dealers are generally looking for a way to move up the chain, so gaps in the middle and upper levels will be quickly filled from below.

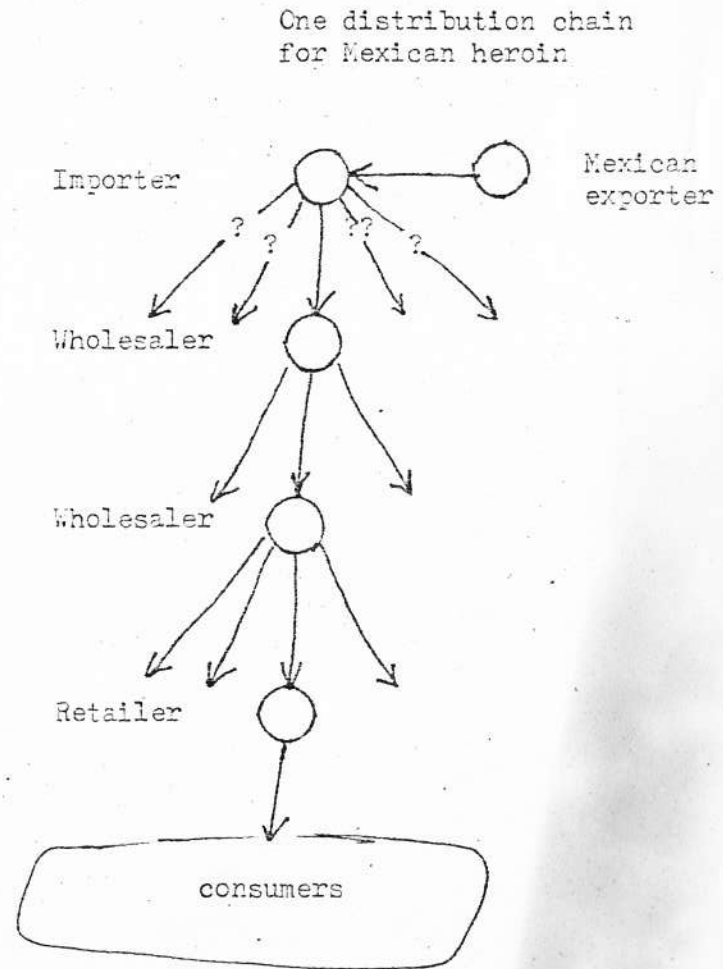
This multi-level structure is sometimes described as if it were a rigid hierarchy, but in fact there is variation geographically and over time in the number of levels and their particular characteristics, as well as variation within a single market. Two representative distribution chains are shown in the stylized diagrams on the following page. While some chains have different numbers of levels and sometimes one dealer combines characteristics of two levels, the point is that the multi-level structure is basic to the industry and is generated

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TWO REPRESENTATIVE CHAINS OF HEROIN DISTRIBUTION



From Mark Moore, Economics of Heroin Distribution (Kennedy School of Government, Harvard University) 1971, pp. 37-39.



Adapted from Jack Shepherd, "Smack City," Harper's, March 1974.

by dealers' need to reduce risk.

While the number of levels is not fixed, one feature which is stable is the division of distribution chains into upper and lower levels. The principal dividing line is the presence of habitual users at different levels. In the "classic" chain distributing heroin from Europe in the New York region, the level of weight dealer (the third level from the street) was the highest which users could penetrate.²⁸ The unreliability of heroin users makes large dealers unwilling to sell to them, thus putting a ceiling on their participation. Almost all retailers and street dealers (the next higher level) are habitual users, weight dealers constitute the transitional level. In a four-level distribution chain from Mexico, it appears that users are commonly limited to the bottom two levels.²⁹

Because of their exposure as dealers on the street to numbers of users and because of their own visibility as habitual users, there is a rapid turnover among retail dealers and almost as rapid a turnover among street dealers. It is unusual for a retailer to be able to stay in business continuously for as long as a year. The usual financial problems of very small businesses are overshadowed by the risk of arrest and robbery. Also, many small dealers end up consuming their own inventory. As they leave the trade they are quickly replaced by other users for whom dealing, despite its problems, is persistently an attractive option. It should be noted that this view of lower level dealers is inconsistent with their stereotype as "pushers," coldly preying upon others' misfortune to take in high profits. Instead, users become retailers to survive. For users with heavy daily habits,

assuring themselves of a steady supply of heroin is their overwhelming preoccupation, making dealing an ideal occupation. Users go into the business not because the money income is high by national norms, but because they have few alternatives and those are generally inferior.

Estimates of the number and characteristics of dealers are much less reliable even than estimates of users. It is reasonable to think that there are some 25,000 to 75,000 small dealers, including those who sell only at retail and those who sell both to consumers and to other retail dealers³⁰. Typical transactions for retailers might be purchasing a lot of 10 to 50 bags of heroin (diluted to 3-5% purity) and selling 1 to 5 bags at a time to consumers. The total capital tied up would be less than \$300 and could be as little as \$50. The weight dealers at the third level up from the street typically buy an ounce at a time, dilute it from roughly 20% to roughly 10% purity and sell it in quantities of an ounce or less. Their capital invested may be \$1000. This transitional level, including a significant proportion of non-users as well as users, may number a few thousand.

For people who are not users, however, money is the main motivation for selling heroin; access to the drug constitutes only a danger. In such a high risk industry as heroin distributing, there is an extremely wide variation in the financial success of individual dealers, even those operating at a single level of the system. More important, however, are differences among levels. Entry is increasingly difficult at higher levels, which leads to correspondingly higher profits. Information is increasingly difficult to obtain on higher levels, so generalizations about profits cannot be well supported. The recent case of one top level dealer in New York City may, however, be instructive. When Lous Cirillo was

Should not just be also aware of how to work for the system - find for small scale suppliers

23

arrested in 1971, he not only had a large ongoing business in importing heroin, but he also had over a million dollars in cash buried in his yard.³¹ On the level below him, one of his customers was estimated by the Internal Revenue Service to have spent over \$60,000 a year on personal consumption. These men were apparently highly successful and cannot necessarily be taken as typical cases. There are probably well under one hundred major importers operating on the scale that Cirillo did, although there are more importers active on a lesser scale. Cirillo bought kilos of 80% heroin at \$10,000 in lots of up to 100 kilos. He sold these in smaller multi-kilo lots undiluted, at a markup of 50 to 100%. His capital invested must have been a few hundred thousand dollars. Other importers in the "classic" chain operate in like fashion, although many buy and sell in smaller multi-kilo quantities.

The key to understanding profits in the heroin industry is opportunity cost. Profits are not often fabulous at the middle levels, just above those occupied by users, but they are high compared to available alternatives for many people. This is most obvious for blacks and Puerto Ricans facing ghetto barriers, but it is also true for whites in poorer working class neighborhoods.

The Supply System: Syndicates and the Investment Process,³²

The top levels are less risky than the lower levels of the trade partly because of insulation from the street, as discussed above. At the top levels, however, there is an additional structural feature which greatly increases the safety of individual dealers and the stability of the industry as a whole--these levels are dominated by criminal

24

syndicates. These syndicates (the "Mafia" families of popular imagery) are stable organizations of numbers of people (from a dozen to perhaps a few hundred) engaged in a variety of enterprises, both legal and illegal. An even larger number of associates work more or less closely with them. Internally, syndicates display strict discipline. They have worked out some arrangements with law enforcement officials to greatly reduce the risk of members' arrest and conviction.

The syndicates are not exotic gangs outside the normal functioning of the U.S. economy. Rather, their participation in heroin distribution stems from economic characteristics of the industry itself. Monopolistic profits are one important incentive to syndicate formation. Syndicates are able to limit entry into the top levels of the heroin industry by using their information networks to detect competitors early and act against them directly or by informing the police of their operations.

Syndicates reduce risk in several ways; their ability to do this may be as important an incentive to their formation as their ability to limit the entry of competitors. Their size gives them a marked advantage in identifying and retaliating against informants, a feature which has proved highly effective at discouraging defections. They are also able to discipline members and associates who are dealers, and possibly even other dealers, when their individual actions provoke police attention or display too much ambition in competition with other syndicate members. The stability thus fostered keeps public pressure for enforcement campaigns minimal and it keeps information on dealers from leaking to the press or to honest law officers. Further, by centralizing corruption, syndicates achieve economies of scale and are able to reach

higher into the police force, prosecutors' offices and the courts. Finally, by facilitating the diversified investment of heroin profits by top dealers they help to camouflage and protect them.

Syndicates are thus more than market monopolies. While they do gain important monopoly power in the heroin markets, they also help to channel investment and act to discipline the industry internally. They are neither monolithic nor permanent. Syndicates compete with each other in many ways; occasionally that competition takes a violent, para-military form. While particular syndicates will gain or lose power over time, with some disappearing and new ones formed, their presence in the heroin industry is basic. The dynamics of the industry will regenerate new syndicates, even if all the current ones were miraculously eliminated.

An analysis of the process of investment in the heroin industry shows that it is subject to the same internal pressures to expand as are legal industries. Most fundamentally, expansion is necessary for competitive survival, and while syndicates may control price cutting, they can hardly eliminate all competition. Heroin dealers have even a further incentive to reinvest profits: the high risk of their keeping large amounts of cash and the difficulty of converting cash to paper assets. Either cash or paper assets are likely to be incriminating in the absence of an elaborate laundering process, which requires investments in other businesses. Large amounts of cash also invite robbery, especially when the dealer has no resort to police protection or insurance. The pressures to reinvest profits are thus accompanied in the heroin industry by special pressure to diversify those investments. The need to "clean" money and generally to assure a legitimate cover

provide a special incentive for top level heroin dealers to diversify their investments. Even investments in other illegal industries, such as gambling, are more acceptable than heroin trafficking and make political and police corruption easier to arrange. By facilitating the flow of capital both into and out of heroin distribution, depending on profit and risk, syndicates are an important vehicle in integrating the industry into the structure of the economy as a whole.

This view of the relation of the syndicates to the heroin industry differs from the conspiratorial theories advanced by many sources in the Federal government and repeated widely. For the thirty years he was head of the Federal Bureau of Narcotics, Harry Anslinger painted a picture of them as bands of depraved men unified across the nation into a single blood brotherhood. This view was shared by the Kefauver and McClellan Committees investigating organized crime and it underlies the repeated statements by the Bureau of Narcotics and Dangerous Drugs and the Drug Enforcement Administration (successors to the FBN) that the trade could be ended if only the big rings at the top could be broken. Although statements in recent years give greater emphasis to profit as a motive, the official belief that the syndicates can be eliminated by a law enforcement approach shows a serious misunderstanding of the functions they perform. The syndicates are not a cabal, but organizations of businessmen acting rationally in a special legal situation.

To say that criminal syndicates are not a cabal, however, does not imply that they all act independently. There is extensive communication and cooperation among various syndicates across the country. The "Mafia mystique" stems in part from the reality that the major syndicates which were consolidated in the 1920s and 1930s have been led by

men with many interlocking business and family ties. In their business undertakings, including heroin, their organization is close to that of a trade association in an oligopolistic industry characterized by extensive joint ventures and interlocking control. This structure is not permanently fixed. New entrants, such as the Cuban expatriate syndicates, may disrupt its stability and gain some markets and power. They cooperate with each other in a similar way, and once established as serious competitors, are able to cooperate with the old oligopolists.

Syndicates do not function on an exclusively business basis, however. Political influence is important to most businesses, but especially in illegal ones which require the tolerance of political authorities. This symbiosis, or "corruption," requires even more conscious planning than do joint business ventures. Conspiring is indeed necessary, but not just in the way alleged by drug enforcement officials.

Corruption³³

Corruption of law enforcement agencies is a key feature of the heroin supply system. Corruption has always been a part of vice law enforcement and it is extensive; it is a truism that the heroin industry could not exist without it. What is lacking is an analysis of its sources. At a first level of explanation, corruption is a straightforward economic exchange; police officers, prosecutors and other officials respond rationally to financial incentives and do what they are paid most to do. The bribes offered by heroin dealers are high--a single payment from even a low level dealer can reach half a policeman's annual takehome pay.³⁴ Middle-level dealers have offered bribes of over \$20,000 and single

bribes of up to \$20,000 have been reported from higher levels. These are single payments--a narcotics officer will face many such situations in a year's work.

The financial incentives to corruption are even more persuasive when the penalties are considered. The chances of arrest and conviction of an officer suspected of corruption are slight, since police departments prefer to keep discipline internal and discreet. If a policeman is found guilty, the sentence tends to be light. Thus if dealers can afford the going rate for bribes, they have little reason to fear that police will be strict in enforcement. It is true that policemen need to show arrests, but this is no bar to corruption. Officers can meet a quota by arresting small retailers who cannot afford adequate bribes, or they can make arrests in such a way that the charges can be later thrown out of court.

How the market rate for bribery is set is an interesting question. The first model which comes to mind is duopoly, with indeterminate bargaining between a single seller and a single buyer for the service of "non-enforcement". In some places, this model may be appropriate, but in the long-established major markets for heroin another approach seems more useful. In these markets, the rate for bribery must be high enough to keep the police from entering the industry themselves. They are the most likely competitors to syndicate and associated dealers, since they know the industry well and are in an excellent position to avoid the legal hazards. Police entry into heroin distribution is hardly hypothetical: the theft from police storage of over 100 kilos of "French Connection" heroin is a dramatic demonstration of high-level

police sales.

Corruption is not simply a matter of dollars and cents motivation, however. It is reinforced by broader political and economic factors. Narcotics corruption takes place in a larger context of police corruption, which in turn takes place in a wider environment of political corruption. Both these wider levels of corruption have been reported and analyzed elsewhere and are beyond the scope of this study.³⁵ Here it will suffice to note that in many areas of law enforcement, especially including vice, the police are under conflicting pressure to enforce and to not enforce the laws. This conflict is typically resolved by limiting the places and forms of the illegal activity and by conducting occasional well-publicized "crack-downs." This strategy invites corruption.

A further contributing factor is that the police are given an impossible task in narcotics enforcement. A purely criminal approach to the problem of heroin use has little chance of success. The police know this and the honest officers in practice aim only to contain the trade, not to eliminate it. In the words of one West Coast police chief: "It's like a no-win ball game. It's just like saying that you're going to stop prostitution. The thing is to control it."³⁶ This situation breeds a cynicism which makes corruption easier. Police tolerance of the heroin traffic is further reinforced by their relation to the communities at the core of the market, the ghettos and barrios. The police feel that they are there more to control these communities than to protect them. In such a situation, the police are likely to concentrate on other problems and ignore illegal entrepreneurs whose principal victims are ghetto residents.

The International Connection: Production and Smuggling.³⁷

It is a truism that without a supply of the base product, opium, there would be no heroin problem in the United States. But the particular relation of foreign production of opium and heroin to the distribution industry in this country is a serious question. The most popular view is that since certain foreign countries are the source of illegal opium, they are thus the source of the heroin problem here. The emphasis placed by the Drug Enforcement Administration on preventing poppy growing in Turkey reflects this view. Criticisms of this policy have been made in Congress and elsewhere, but the criticism has generally been limited to the Administration's narrow focus on Turkey. The critics tend to share the view that the main problem is the foreign source of the drug and want only to include Southeast Asia and Latin America as additional target areas.

Any view which stresses foreign production and smuggling as the key to stopping heroin use in the U. S. is based on a mistaken analysis of the political economy of the international traffic. A few voices have been raised to point out that the U. S. cannot police the world to the point of eliminating all poppy fields and clandestine laboratories. It takes only a few hundred acres of poppies to supply the U. S. market for a year and papaver somniferum grows in many parts of the world. The facilities used to convert the opium to heroin are similarly difficult to suppress, since they are inexpensive, technically simple and easily mobile.

It is no doubt correct that the U. S. is not capable of organizing an international police campaign of the necessary massive proportions, but such a criticism misses the mark. The fundamental point to emerge from an analysis of the international trade is that the opium/heroin

traffic is generated and reproduced by the political and economic relations of inequality between the major Western countries and the underdeveloped countries. Raising poppies for opium is highly labor intensive, and the price for raw opium does not allow the farmers to rise above poverty. Consequently, opium poppies are grown only in areas in which subsistence farming has been disrupted by the intrusion of market relations and where there are few alternative ways to enter the money economy. In the major opium-producing regions it is virtually the only cash crop.

This has come about in different ways in different regions. In the Golden Triangle of Indochina the shift to poppy raising was the result of colonial policy. Certain hill tribes in the region have traditionally cultivated the poppy as a secondary part of a subsistence agriculture centered on grains. The French decided to raise revenue for their colonial governments by sponsoring a quasi-official chain of opium shops in the cities. To obtain the expanded supply of opium required, they instituted taxes on the peasants. Since the only cash crop they could raise was opium, they were soon forced to concentrate their agricultural efforts on it. The U. S. followed a similar policy indirectly in Laos, where the commander of CIA mercenary troops, Van Pao, used his military power to force the Meos to shift from food to opium production in order to support his warlord rule. In the mountains of northern Burma, the CIA-supported "remnants" of Chiang Kai-Shek's KMT army have followed the same practice.

In Turkey, the shift from subsistence to opium farming has been more gradual. The poppy has long been an important part of the crops grown for subsistence there, providing seeds, oil and fodder. As local handicrafts were gradually destroyed by competition with encroaching mass-produced imports, the peasants found they needed more and more cash to

acquire necessary goods. While other crops could be marketed, none have ever provided as high a return as opium, and even a small margin of difference is vital to a poor peasantry.

A close examination of U. S. foreign policy shows that overall it has favored the heroin trade more than it has hindered it. It has favored the trade primarily by protecting, and in some cases creating, the corrupt regimes most involved in the industry. This has been most notorious in the instances of the late "Republic of Vietnam" under Ky and Thieu and of the former Vientiane government in Laos. It is also true, however, of the Thai government, the Taiwanese KMT army, the Shah of Iran and the smuggling entrepot of Paraguay under Stroessner. Fighting the heroin traffic is consistently a lower priority than maintaining the loyalty of friendly regimes.

The international narcotics industry is not structured into the world market system in any static way. As market relations extend further and deeper into the periphery, more and more peasant areas are turning to opium as a cash crop. Opium and heroin production boomed in Southeast Asia under the intensified U. S. presence there in the last decade. Iran and Afghanistan have seen marked expansion of poppy acreage in recent years. In the last ten years, Mexico has become a major producer for the U. S. market.

So long as opium is produced abroad, the heroin industry here will not run short of supplies. The production of heroin from opium is a simple manufacturing process, requiring little more than a kitchen and a recipe. Its high profitability assures that someone will undertake it. Smuggling is technically simple; Customs searches can never be expected to find more than a small fraction of the contraband. The key question concerning smuggling is the working relationship between U. S. importers and foreign exporters, for trust is necessary to assure smooth provision of the quanti-

ties needed.

This is not a problem, however, as U. S. syndicates have long had ties to organized crime groups abroad, including syndicates manufacturing and smuggling heroin. Contact with the Sicilian Mafia and Italian Camorra has been maintained since the main Italian immigration at the end of the nineteenth century. Contact has similarly been maintained with the Corsican/French syndicates of Marseilles at least since the illegal heroin market developed. This connection has provided contacts in many parts of the world, since French syndicates have operated in the colonies and ex-colonies of France except where forced out by revolutions. The close relations between U. S. syndicates and the organized crime of pre-revolutionary Cuba continue, with the Cuban syndicates now distributed from Miami to New York, Spain, Paraguay, Argentina, Puerto Rico and elsewhere, providing a strengthened international network. While the world market for heroin is likely to be turbulent, this is no more likely to disrupt syndicate operation than similar turbulence in other commodity markets is likely to stop the flow of coffee or tobacco.

The Supply of Heroin: Summary.

The key points of the analysis of heroin distribution can be briefly summarized as follows:

- 1) Dealing in heroin is done for profit at all levels. (At the lowest levels some of the profit is taken in the form of heroin).
- 2) Minimizing risk in this clandestine industry has led to a hierarchical structure with several levels.
- 3) Profitability increases and risk decreases at higher levels of the distribution chain. Heroin users predominate at the lower levels and are not found at the upper levels.

- 4) The profits at the bottom are low, barely permitting subsistence, but they are attractive to many users because they are often superior to the extremely limited alternatives. Thus despite a high turnover at the bottom, there are always new or returning entrants.
- 5) The upper levels of dealing are dominated by syndicates which allow monopolistic profits, stabilization of the market and improved protection from robbery and arrest.
- 6) The heroin industry is highly expansionist. Heroin dealers are subject to all the usual competitive pressures to expand and feel further pressure to reinvest incriminating money profits.
- 7) Syndicates are a vehicle for the integration of the heroin industry into the overall economic structure, serving as a bridge for new capital coming into the industry and for diversification of capital out of the industry, depending on profitability and risk.
- 8) Systematic corruption of law enforcement is an integral part of the heroin industry. In the major, long established markets, the rate of bribery must be high enough to keep the police from entering the trade.
- 9) The world production of opium and heroin is expanding as market relations penetrate more deeply into subsistence farming. U. S. foreign policy has contributed more to expanding the international traffic than to reducing it.
- 10) International contacts among syndicates are well developed and assure the continued ability of U. S. syndicates to import heroin.

This analysis implies that a criminal law approach to the heroin traffic will not reduce it substantially. It is almost impossible to raise the costs to dealers high enough to force them out of the trade. This is not likely to be attempted in a sustained, forceful way in any case, since corruption is systematic. The trade is especially well protected by the integration of upper level dealers into many other legal and illegal enterprises. Eliminating the heroin industry would require great changes in the economic structure, reducing the profits by reducing demand, offering alternative occupations to dealers and eliminating the social bases of law enforcement corruption.

Ending Narcotics Abuse: The Chinese Experience.

A theory which claims to explain what factors sustain heroin use as a social problem should also be helpful in explaining the elimination of heroin use. Only one country has succeeded in ending widespread illegal narcotics use. The experience of China in eliminating such use of heroin, morphine and opium does indeed show a great deal about the factors which had shaped the problem. A brief examination of that history may illuminate some of the analytical questions under discussion.

The new government of the People's Republic of China took on the task of ending narcotics dependence in the early 1950s, the first widespread attack on the problem in China's history.³⁸ At that point, the problem had been growing for over a century. Although opium had been used as a medicine in China for centuries, its non-medical use as a drug for pleasure was introduced by the British as part of their colonial trade policy in the late eighteenth century. Successive Chinese emperors banned its importation and use, but the British went to war rather than give up the lucrative trade, and China's defeat in the Opium Wars of the 1840s opened the way to a flood of the drug. Opium was nominally outlawed under most of the period of Kuo Min Tang rule, but the Opium Suppression Bureau under Chiang Kai-Shek was notorious as the center of the trafficking. Outlawing opium did have the effect of encouraging the use of morphine and heroin as substitutes, so at the time of Liberation in 1949, narcotics use encompassed all three opiates. Use was massive, reaching across the country. Estimates of the number of habitual users range up to seventy million.³⁹ This problem was one of the first concerns of the new government. Opiate use was seen as a problem in itself, beyond the special problems caused by treating users as criminals. The narcotics habit was regarded as destructive

of the user first and foremost, but also as disruptive of the social structure at the family and community levels, setting one person against another and generally creating a dependence antithetical to the values of the new society being built.

The Chinese set out to eliminate the problem, not merely to contain it. To do this they developed a multi-pronged strategy. The most basic aspect of the anti-drug campaign was ideological: agitation and education were carried out based on the view that users were not criminal and not the cause of the problem, but the primary victims. Drug use was identified as one particular form of oppression out of many suffered by the majority of the Chinese people under imperialism and warlord rule. This educational work provided a foundation for the tasks of allaying users' fears that they would be punished as before and of enlisting the aid of affected families and communities in the campaign. The second stage was to reach users, bring them to clinics if necessary, and help them withdraw from their physical dependence. Associated health problems were treated at the same time. To reach all users, government and Party organizations were engaged in a block-by-block mobilization.

The next stage was to involve the withdrawn users in changing their whole lives. Physical withdrawal was barely a beginning. Providing ex-users with productive work at decent wages, making available peer counseling and generally re-integrating users into society were far more important than the medical aid. These programs were not offered as welfare for the ex-users; rather these people were seen as having a necessary contribution to make in transforming the society along with everyone else. Ex-users were neither returned to nor isolated from their former environment,

but actively involved in transforming it. Ending drug use was undertaken as a step in remaking the entire society.

The Chinese anti-drug campaign centered on helping users, but it did not focus on demand alone. The Chinese recognized that there were sellers profiting from drug use and contributing to the problem. Accordingly, the supply was cut off: imports, production and sales were banned. The Chinese saw the problem of supply as located not in the motives of individuals, but in the need for economic survival under harsh conditions. When the government outlawed sales, the law did not punish dealers who came forward, pledged to quit and accepted a period of community supervision to guarantee their pledge. Further, recognizing drug sales as having been the only means of economic survival for many dealers, the government compensated them for their supplies and helped them find new occupations. However, recalcitrant dealers who remained in business after the deadline were arrested and punished.

As the anti-drug campaign progressed, public ceremonies were held to give recognition to the rehabilitated users and to condemn the dealers who had been arrested for persisting in the trade. By the late 1950s, the traffic had been entirely eliminated and opium and heroin dependence was a problem of the past. This great accomplishment was hardly a controlled experiment in social theory, but the experience does have implications for our understanding of narcotic drug use. The success of the campaign hinged upon identifying opiate use as a social problem (with secondary medical and legal aspects) rather than a criminal or medical problem. The Chinese found it necessary to eliminate both the supply and the demand for narcotics. In eliminating the supply, the basic strategy was to attack the

distribution system as an industry by removing the financial pressures to deal: penal sanctions were used only as a supplementary tactic. In ending demand, it was essential to involve the users. This required seeing narcotics use as a response to oppression. The approach was not to "treat" or "correct" the users, but to offer them help and engage them in transforming the oppressive social structure. This meant that narcotics use could not be addressed separately from other social problems, but only as part of a massive mobilization to change the whole society.

These features distinguish the Chinese experience of the 1950s from other efforts. The campaign was also uniquely successful, in contrast to anti-drug efforts of Imperial and Republican China and of other countries, including the United States. The success of this campaign supports the analysis presented above, while it is inconsistent with analyses which identify the supply of the drug or weaknesses of individual users as the source of the heroin problem, or which picture the distribution system as an "underworld" separate from the rest of the society and economy.

The Method of this Study.

The problems of studying clandestine enterprise are formidable. The data are scattered and incomplete, becoming available as certain operation of the industry are exposed sporadically at one or another location. Nevertheless, it is a pernicious myth that heroin dealing is so secret that it is beyond analysis. It is a large industry which has involved many thousands of people in most of the nation's big cities over several decades--it has hardly been possible for dealers to maintain

perfect secrecy. While the data are not as good as one would like, they are adequate to support substantial analysis. Continuing to avoid such analysis serves to perpetuate the notion of the heroin industry as an "underworld" separate from the basic structure of the economy. The popular belief that it is shrouded in mystery limits rational discussion of how to deal with the heroin problem and furthers the mystique of organized crime.

Empirical evidence is generated through several routes: journalistic investigations and exposes, heroin user informants, organized crime informants, compilations of law enforcement data and sociological field studies. Each has some value. One of the problems with the literature in this field is that various researchers have tended to take a single one of these sources as the only source, ignoring the rest. Reports from these different perspectives often differ; it is essential to use them all and to compare them carefully. Many of these sources are highly specialized. They are not usually all accessible to a single person and no description or analysis has tried to tie them all together. Such professional specialization is characteristic of much social science, but it is especially obvious in the literature on heroin. The effect of this fragmentation is a valuable protection to those involved in the traffic. It also serves to enhance the power of law enforcement agencies, for they can claim confidential, inside knowledge not available to others.

Many of the data on the heroin industry come from police agencies, directly or indirectly. This presents several problems. As one of the leading students in the field has noted:

The secrecy of the participants, the confidentiality of the materials collected by law-enforcement and investigative agen-

cies, and the various filters or screens on the perceptive apparatus of both informants and investigators pose serious methodological problems for the social scientist who would change the state of knowledge about organized crime. Perhaps it is for this reason that social scientists have tended to write about organized crime only in descriptive terms, taking their clues from the reports of Congressional hearings, rather than in analytical terms.⁴⁰

The secrecy of the illegal activity itself is only one problem among many, not necessarily the most serious. Police agencies keep the information which they do collect to themselves. This is sometimes necessary to protect informants or ongoing investigations, but it also shields them from criticism and strengthens their own institutional power. Their interest is to keep more information confidential than is necessary for strict law enforcement purposes. What information does become available from the police is filtered in two further ways. The structure of the law itself provides an important distortion in the way data on heroin dealing are collected and reported. Law enforcement against illegal industries, including heroin, is based on detecting individual acts of specific persons, not on organizational structures or business practices. A further bias common to many law-enforcement sources and investigative committees is the "Mafia mystique"--the notion of a single vast conspiracy with its own exotic language and customs. Such an image is attractive because it provides a more personalized enemy than does an industry integrated into the normal functioning of the economy.⁴¹ A final quantitative problem is that even the data which are generated are not published in any form or place usable by the social science researcher.⁴²

These problems preclude conventional quantitative analysis of the industry. The necessary methodology is similar to military intelligence work. Each bit of evidence must be scrutinized as to the reliability of

its source. It must be compared for consistency with other information and as many inferences drawn from it as possible. An analogy within the social sciences is archaeology, where a single new bit of information may require reconsideration of earlier interpretations. The procedure followed in this dissertation will be first to pose the analytical questions, then to assess the likelihood of different explanations in the light of economic theory, and finally the analysis advanced will be verified against relevant empirical data culled from any of the relevant sources described above, with allowances made for likely biases.

FOOTNOTES

1. Estimates of the numbers of heroin users are made in Chapter Two.
2. Estimates of the numbers of dealers and their sales are made in Chapter Three.
3. Rottenberg, Simon, "The Clandestine Distribution of Heroin: Its Discovery and Suppression," Journal of Political Economy, vol. 76: 78-90, 1968.
4. Moore, Mark, Economics of Heroin Distribution (Cambridge: John F. Kennedy School of Government, Harvard University) 1971.
5. Including John Holahan, "The Economics of Heroin" in Drug Abuse Survey Project, Report to the Ford Foundation, Patricia Wald and Peter Hutt, eds., Dealing with Drug Abuse (New York: Praeger) 1972; James Koch and Stanley Grupp, "Police and Illicit Drug Markets: Some Economic Considerations," British Journal of the Addictions, vol. 68: 351-362, 1973; and Billy Eatherly, "Drug-Law Enforcement: Should We Arrest Pushers or Users?", Journal of Political Economy, vol. 82: 210-214, 1974.
6. This description of the nature of the market is developed further in Chapter Two. Two major ethnographic studies of heroin use are Edward Preble and John Casey, Jr., "Taking Care of Business: The Heroin User's Life on the Street," International Journal of the Addictions, vol. 4 no. 1, March 1969 and Michael Agar, Ripping and Running: A Formal Ethnography of Heroin Addiction (New York) 1974. The classic autobiographical account is William Burroughs, Junkie (New York: Ace) 1953; a more recent black autobiography is George Gain, Blueschild Baby (New York: McGraw-Hill) 1970.
7. In Moore, op. cit.; Mark Moore, "Policies to Achieve Discrimination in the Effective Price of Heroin," and Christopher Clague, "Legal Strategies for Dealing with Heroin Addiction," both in American Economic Association, Papers and Proceedings, May 1973.
8. Cf. references in fn. 6 above.
9. The critique of these theories is developed further in Chapter Two.
10. Peter Bensinger, Administrator of the Drug Enforcement Administration, in an interview with the National Observer, May 1, 1976, p. 1.
11. Bejerot, Nils, Addiction and Society (Thomas) 1970.
12. See especially Leon Hunt, Heroin Epidemics: A Quantitative Study of Current Empirical Data (Washington: Drug Abuse Council) 1973.

13. A review of this literature is provided in John Ball and Carl Chambers, "Overview of the Problem," in their Epidemiology of Opiate Addiction in the United States (Thomas) 1970. The major comparative study is Gerard and Kornetsky, "Adolescent Opiate Addiction: A Study of Control and Addict Subjects," Psychiatric Quarterly, vol. 29, 1955.
14. The application of the formal theory of careers to heroin users is discussed in detail in Harvey Feldman, The Origins and Spread of Working-Class Use of Illicit Drugs: A Neighborhood Field Study (Ph.D. dissertation, Florence Heller Graduate School for Advanced Studies in Social Welfare, Brandeis University) 1970, ch. 1.
15. See, among others, David M. Gordon, Theories of Poverty and Under-employment (Lexington: Heath) 1972 and Harold Baron and Bennett Hymer, "The Negro in the Chicago Labor Market" in The Negro and the American Labor Movement (Garden City: Doubleday Anchor) 1968.
16. As advanced in H. L. Wilensky and C. N. Lebeaux, Industrial Society and Social Welfare (New York: Free Press) 1965; Belton Fleisher, The Economics of Delinquency (Chicago: Quadrangle) 1966; and Ivar Berg, "Economic Factors in Delinquency," U. S. President's Commission on Law Enforcement and the Administration of Justice, Task Force Report: Juvenile Delinquency (Washington: USGPO) 1967.
17. A crude model is attempted in John Helmer, Drugs and Minority Oppression (New York: Seabury) 1975.
18. Variations in the street reputation of heroin are reported in Feldman, op. cit.; Alan Sutter, "The World of the Righteous Dope Fiend," Issues in Criminology, vol. 2: 177-222; and Anne Gay and George Gay, "The Evolution of a Drug Culture in a Decade of Mendacity" in David Smith and George Gay, eds., "It's So Good Don't Even Try it Once": Heroin in Perspective (Englewood Cliffs: Prentice Hall) 1972.
19. Hunt, Leon, Recent Spread of Heroin Use in the United States: Unanswered Questions (Washington: Drug Abuse Council) 1974.
20. This evidence is reviewed in more detail in Chapter Two.
21. Chein, Isidor, Donald Gerard, Robert Lee and Eva Rosenfeld, The Road to H (New York: Basic) 1964; Chambers, Carl, An Assessment of Drug Use in the General Population (New York: New York State Narcotics Addiction Control Commission) 1971; and Redlinger, Lawrence and Jerry Michel, "Ecological Variations in Heroin Abuse," Sociological Quarterly, vol. 11: 219-228
22. A simple regression of youth unemployment (based on national BLS data) against estimated new heroin users in San Francisco for 1962-1973 shows no significance.
23. Preble and Casey, op. cit.; Feldman, op. cit.; Leroy Gould et al, Connections: Notes on the Heroin World (New Haven: Yale) 1974.

24. Kalachek, Edward, The Youth Labor Market (Ann Arbor and Detroit: Institute of Labor and Industrial Relations) 1969 and Sar Levitan and Robert Taggart III, The Job Crisis for Black Youth, Report of the Twentieth Century Fund Task Force on Employment Problems of Black Youth (New York: Praeger) 1971.
25. Helmer, op. cit., pp. 122-124.
26. ibid, pp. 117-145.
27. The argument sketched here is developed and supported in Chapter Three.
28. This classic chain is best described in Preble and Casey, op. cit.
29. Redlinger, Lawrence, Dealing in Dope: Market Mechanisms and Distribution Patterns of Illicit Narcotics, (Ph. D. dissertation, Sociology Department, Northwestern University) 1969.
30. These estimates are detailed in Chapter Three.
31. Staff and Editors of Newsday, The Heroin Trail (New York: New American Library) 1974, p. 208. The case below is reported on pp. 261-265.
32. The argument sketched in this section is developed and supported in Chapters Four and Five.
33. The argument sketched in this section is developed and supported in Chapter Six.
34. "Police Corruption and Narcotics" in The Knapp Commission Report (New York: Braziller) 1971.
35. See William Chambliss, "Vice, Corruption, Bureaucracy and Power," Wisconsin Law Review, vol. 1971: 1150-1173, 1971; Knapp Commission, op. cit.; John Gardiner, "Wincanton: The Politics of Corruption," Appendix B of Task Force Report: Organized Crime, U. S. President's Commission on Law Enforcement and the Administration of Justice, (Washington: USGPO) 1967; Robert Winter-Berger, The Washington Payoff (New York: Dell) 1972; and Ovid Demaris, Dirty Business (New York: Avon) 1975.
36. Pomeroy, Wesley, Police Chiefs Discuss Drug Abuse (Washington: Drug Abuse Council) 1974, p. 15.
37. The argument sketched in this section is developed and supported in Chapter Seven. This chapter is intended primarily as background; it draws heavily on Alfred McCoy, The Politics of Heroin in Southeast Asia (New York: Harper and Row) 1972 and Catherine Lamour and Michele Lamberti, International Connection: Opium from Growers to Pushers (New York: Pantheon) 1974.

38. This account is based on Leonard Adams, "The Historical Background: China and Opium" in McCoy, op. cit.; Nancy Southwell, "Kicking the Habit: How China Cured Its Drug Addicts," New China, Fall 1975; U. S.-China Peoples Friendship Association, Opium and China (pamphlet) 1975 and Martin Margulies, "China has no Drug Problem--Why?" Parade October 15, 1972.
39. U. S.-China Peoples Friendship Association, op. cit., p. 2.
40. Cressey, Donald, "Methodological Problems in the Study of Organized Crime as a Social Problem," Annals of the American Academy of Political and Social Science, vol. 374, 1967, p. 102.
41. See Dwight Smith, The Mafia Mystique (New York: Basic) 1974.
42. These problems are more fully discussed in Annelise Anderson, "Organized Crime: The Need for Research," University of Florida Law Review, vol. 24: 42-57.