

Wisconsin

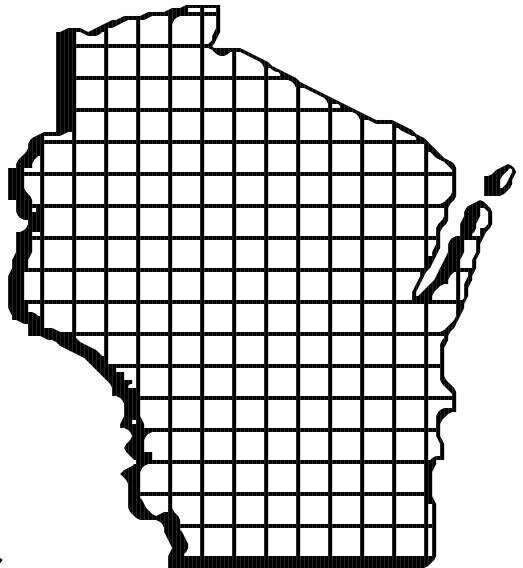
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THE

BUSINESS OF

DRUG DEALING

IN MILWAUKEE

## **REPORT FROM THE PRESIDENT:**

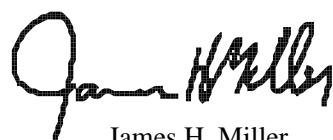
There are few issues with less information and research than the drug economy. We contracted with Dr. John Hagedorn to do a project on the business of drug dealing in Milwaukee.

Dr. Hagedorn is an Assistant Professor at the University of Illinois-Chicago. Previously he directed a National Institute on Drug Abuse funded five year study to identify and describe the patterns of drug use and the structure of drug dealing in Milwaukee. There is no one in Milwaukee, and perhaps the country, more familiar with this issue than John Hagedorn.

The findings in this study will be controversial and raise public policy questions that have not been previously discussed. The nature of this project was qualitative research based on a confidential interview structure that allowed the author to probe deeply into the Milwaukee drug trade.

At least two major findings frame important issues for debate in Wisconsin. The first is the actual current structure of the drug business in Milwaukee. Hagedorn recommends that we examine the roles of low level drug runners, and whether or not we want to continue to incarcerate them. The second is the size of the underground economy operating in the central city. Hagedorn estimates that in these neighborhoods at least ten percent of males between ages 18 and 29 are engaged in the underground drug economy. If he is right, it means that there is probably a much larger total underground economy operating in Milwaukee than has been previously identified. More to the point, it demonstrates that many people who do not have high employment income may have more revenue coming to them than is reported to government agencies. This issue has far reaching implications. For example, there may be single women who are able to cope without AFDC payments because they have access to unreported earnings.

Our Institute stands behind the qualitative research presented in this study. We may differ with some of the author's recommendations, but there is little question that this study should stir the public policy debate. We are not likely to find solutions to difficult issues until we fully understand the dimensions of the problem.



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# **THE BUSINESS OF DRUG DEALING IN MILWAUKEE**

**DR. JOHN M. HAGEDORN**

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## **BOARD OF DIRECTORS**

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## EXECUTIVE SUMMARY

Poor people in Milwaukee have responded to the loss of “good jobs” by starting thousands of new, mainly off-the-books businesses. The most profitable business in this informal sector of our economy, unfortunately, is the business of drug selling.

This report describes the entrepreneurial method of distribution of drugs in two central city communities, called “Horatiotown” and “Algerville.” It contrasts those inner city methods with how drugs are sold to white youths and in suburbia. Comparatively, drug sales to white youth and in the suburbs are less open, not neighborhood-based, employ fewer people, and receive less attention from law enforcement. Other informal businesses in the inner city are described, including off-the-books car repair and house-painting, child care and hair-cutting, street vending, and sales of questionable goods. Specifically, the study finds:

1. **Much of what we call “crime” is actually work.** Both Horatiotown and Algerville are literally alive with informal economic activity. The 28 drug businesses surveyed employed a total of 191 people. At least 10% of all male Latinos and African Americans aged 18-29 living in these two neighborhoods are supported to some extent by the drug economy.
2. **The work of drug dealing in the central city is in many ways an innovative, entrepreneurial, small business venture.** The business of drug dealing in these two neighborhoods has changed over the past five years. For sixteen of the twenty-eight drug businessmen, drug sales is no longer based on corner and drug house-based sales, but has transformed into a more mobile, less risky, innovative, entrepreneurial venture.
3. **Most drug entrepreneurs are hard working, but not super-rich.** The majority of entrepreneurs in Horatiotown and Algerville grossed between \$1000 and \$5000 per month, hardly the media stereotype of Mercedes Benz-driving drug dealers. Drug businessmen work long hours, usually from mid afternoon until early morning. More than a quarter also work a legitimate job to make ends meet. The majority of their employees are daily drug users, are not paid in money, and have difficult working and living conditions.
4. **Most drug entrepreneurs aren’t particularly violent.** While drug dealing may attract violent criminals to its ranks, it also appears that successful drug businesses are those which avoid violence. More than a quarter of all drug businesses surveyed reported no violence at all in their business, and nearly two thirds reported violence occurred less than once a month. This is a major change from the early 1990’s when drug gangs violently competed for markets.
5. **Drug entrepreneurs have reduced their risk of arrest.** Innovative sales techniques have minimized the risk of arrest for most drug sellers. A quarter of all drug entrepreneurs reported no problems with police at all, and a majority reported problems with law enforcement no more than once a month. The modal method of drug sales — utilizing drug addict “runners” — has allowed drug entrepreneurs to displace most risk onto their employees and avoid arrest themselves.
6. **Women do not seem to be entering the ranks of drug sellers in large numbers.** Women still appear to be playing a secondary role in the drug business. Only five of twenty-two drug entrepreneurs were women, and only three of seventeen wives/spouses were involved in their husband’s drug business. Our data do not indicate increases in prostitution are occurring, except for anecdotal information on increases in teenage girls exchanging sex for drugs. Whether welfare reform will influence the patterns of female involvement in prostitution or drugs sales is unknown.
7. **Drug dealing by whites in the suburbs and youth culture is more about partying than economics.** Drugs are sold mainly by “word-of-mouth” means in the suburbs and to white youth. There are no stable, neighborhood, drug-selling locales like Horatiotown and Algerville in the suburbs. White youth and suburban drug dealers hire very few employees, and drug dealing is more part of a “partying” lifestyle than a job. Drugs are sold to whites through contacts at work, at taverns and athletic leagues, and at alternative

cultural events, like “raves.” These methods are more hidden from law enforcement than neighborhood-based sales. Police have chosen to focus on neighborhood-based drug sales, rather than workplace or night-club-based drug sales. This is a major reason for the racial disparity in arrests for drug offenses.

In the conclusion of the report, advantages and disadvantages of four policy options are discussed: 1) Continue present policies; 2) legalize drugs; 3) institute a liberal jobs program; and 4) create a daring, conservative, approach. The report ends with a call for a dialogue between left and right on drug policy and expanding business opportunities in poor communities.

## INTRODUCTION

How have poor people responded to changes in the economy and in social welfare programs? It should surprise no one that there has been no one kind of response: some have gone back to school or enrolled in various training programs; others have found good jobs and struggle to keep them; many others settle for temporary service jobs, hoping to land a permanent job by working hard; an undetermined number have moved, looking for work or an easier life elsewhere; still others have stayed, but have given in to despair and find solace in alcohol or drugs. One lesson of economic restructuring is that without better education and training, workers in poor communities will not be directly helped by the “good jobs” being created by today’s information-driven economy.

There is, however, another, less talked about response, that has far-reaching implications for our society. It is fundamentally a lower-class response by men and women with little formal education and few formal skills. Thousands of poor people across Milwaukee are forming their own businesses and through diligence and hard work have been creatively struggling to “make it.” A few of these businesses are legal ventures, like small stores or other tax-paying companies. But those few minorities who form legal businesses are typically better educated and have at least limited access to capital.

By contrast, most businesses being started today in poor neighborhoods are off-the-books. These small businesses include streetside car-repair operations, hair-cutting and unreported child care in private homes, street vending, sales of questionable goods, ad hoc house painting companies, and dozens of other types of businesses entered into by enterprising young men and women. Being poor and not finishing high school does not mean a person is lazy or dumb and doomed to go nowhere. If the jobs won’t be created by either the public or the private sector, then poor people will have to create the jobs themselves. And they are doing just that.

These new enterprises, this report argues, include the business of drug selling. This report asks the reader to take a deep breath, and, for the short time it takes to read this study, open your mind to the possibility that some drug dealing may be “innovative” or even “entrepreneurial.” Could we analyze and describe the characteristics of a drug operation as if it were any regular small business? Could we describe the methods used to sell drugs in the same way as we might describe sales of other legal drugs, like, for example, alcohol or tobacco? Some particularly inquisitive readers might wonder if the methods used to sell drugs are the same all over — in the suburbs and in the central city? Sales methods in poor, minority neighborhoods may differ from the way drugs are sold by and to whites in suburbia, but how?

By this time, most readers must surely object, and point out that selling drugs is against the law. Regardless of how enterprising people are, the law is color-blind and classless, and police must arrest all lawbreakers. But consider: if 80% of the cocaine in this country is consumed by whites, as the National Institute on Drug Abuse household surveys report, why are 80% of those who go to prison for cocaine offenses minorities? Some see this uncomfortable fact as simply proof of racism in the criminal justice system. But a focus on the actual workings of the business of drug dealing in suburbia and the central city explains much of this racial disparity as the result of complex processes at work in post-industrial urban America. In other words, those being arrested for drug offenses are mainly minority males who are being supported by the drug business. Whites, who use most of the cocaine, but are not as involved with drugs as a business, are simply not arrested nor prosecuted to nearly the same extent.

This report seeks to analyze the entrepreneurial method of distribution of drugs in two, central-city communities and contrasts those methods with how drugs are sold to white youths and in suburbia. It finds that drug sales in poor neighborhoods are part of a growing informal economy which has expanded and innovatively organized in response to the loss of good jobs. Comparatively, drug sales to white youth and in the suburbs are less open, not neighborhood based, and employ fewer persons. The report ends with a plea to find common ground between those who labor in the formal and informal sectors of our economy. It asks us to reconsider certain aspects of our current drug policy.

## THE CONTEXT: RECONCEPTUALIZING DRUG OFFENSES

There have been two ways commonly used to understand the use and trafficking in drugs: the criminal model and the stress-reduction model. The criminal model is the easiest to understand: some drugs are illegal, and anyone who uses or sells them is breaking the law and should be punished. The war on drugs is predicated on this model. Conservatives like James Q. Wilson (e.g. 1975; 1990; Wilson and Herrnstein 1985) stress that a firm criminal justice response to drug use is necessary to stem the tide and keep drug use from expanding. The Clinton administration follows this tack.

On the other hand, the stress-reduction model looks at the function of both licit and illicit drugs in a high stress society like the United States. Libertarians like Milton Friedman (e.g. New York Times 1/11/98) have long advocated the legalization of drugs as a matter of personal choice, seeing their use as helping people cope with the demands of success or the consequences of failure. For some, including libertarians, the costs of the drug war far outweigh its benefits. For example, scholars at Rand's Drug Policy Institute argue that long "maximum minimum"

drug sentences are much more costly than treatment (Caulkins et al. 1997). Others point out that drug use is fashionable, and decisions about which drugs are legal and which illegal are not always made rationally (Reinarman and Levine 1990). Many (e.g. Jonas 1991) have pointed out that alcohol and tobacco are far more physically harmful than illegal drugs. Table A compares mortality from licit and illicit drugs.

**TABLE A**      **Mortality From the Five Major Recreational Drugs**  
*Estimated Annual Mortality, 1988*

Tobacco	Alcohol	Cocaine, Heroin, Marijuana
390,000	100,000 (direct) 200,000 (indirect)	6000

Adapted from Jonas 1991, 163

A third model, the business or entrepreneurial model, is an alternative to these more common approaches to understanding America's drug problem. Daniel Bell (1960), in a well known essay, wrote that crime historically has been best understood as part of the "American way of life," one response of ethnic groups attempting to assimilate into American life. "As a society changes," Bell (1960, 29) argued,

"so does, in lagging manner, its type of crime." Since the turn of the century, the most profitable criminal enterprises have been focused on Americans' desire to have money and to consume more and more, i.e. by controlling illicit gambling, bootlegging, and today, drugs.

At the turn of the century, some groups of Italians and others used the numbers game as a way to surmount problems of discrimination and powerlessness. During prohibition, "organized crime" seized on alcohol as a way to make more money than ever before. Even successful public figures like Irishman Joseph P. Kennedy built up their fortunes by bootlegging (Kessler 1996). Increases in violence were tied to establishing markets for illegal alcohol, and rates of violence fell sharply when prohibition ended. The numbers game subsequently returned to its prominence. Drake and Cayton's (1970) famous study of the African-American community in Chicago found that in the 1940s, the numbers game employed more African-American males than any other industry.

Prior to the 1980s, illegal drugs were not the primary source of illicit revenues in the United States, and were, in fact, shunned by many figures in organized crime (Bell 1960). But four factors interacted to produce our current situation. First, the spread of the legal lotteries as a device for states to increase revenues all but wiped out the numbers game. Those poor people who had come to rely on the numbers game or "La Boleta" for economic support had to look elsewhere. Second, the Reagan administration's decision to wipe out the Mexican marijuana crop and the simultaneous US AID program of building highways in the interior of Colombia and Bolivia (Reinarman and Levine 1990; Hamid 1990; 1992) had the unintended result of raising marijuana prices while drastically lowering the price of cocaine.

Third, and at the same time, a dynamic and victorious capitalist economy spurred growth in Third-World countries, but, like everywhere, that growth was uneven. Vast movements of people to the cities created more workers

than needed for small, licit industries dependent on foreign capital (Moser 1994). In the best case study of this process, Hernando de Soto (1990) describes how uneven growth has resulted in an informal sector of the Peruvian economy that is almost as large as the formal sector, even without considering the drug economy (see also Thoumi 1995 for Colombia and Jimenez 1989 for Bolivia). The relative advantages and disadvantages of the informal sector of the Latin American economy has been fiercely debated (Rakowski 1994; Frank 1994; Castells and Portes 1989). Fourth, in the United States, the destruction of the numbers game and a drop in the price of cocaine occurred at the same time as economic restructuring moved jobs from the cities to the suburbs and reduced central cities to pools of low-wage labor (Kasarda 1985; Hamid 1990). The possibilities of making large amounts of money selling drugs were seen by many young minority males in stark contrast to the indignities of low-wage work available in poor communities (e.g. Bourgois 1995). It was also preferred by some to traveling to work in outlying areas which were populated mainly by what were perceived as unfriendly whites.

Youth gangs began to become transformed into drug selling organizations (Hagedorn in press), although most drug sales were still conducted by non-gang drug dealers (Klein 1995). In cities like Milwaukee, drug sales became the leading employer of young, African-American males, supplanting the manufacturing and service sectors (Hagedorn 1998). The most scientific estimates (e.g. Ostrowski 1990) put US consumers' illicit drug expenditures at approximately \$70 billion per year, though, according to the National Institute of Justice, that figure may have fallen in recent years.

While people of all races and classes use drugs to reduce stresses in their lives or to escape from day to day routines (Kandel 1993), retail drug sales have become a major component of the economy of poor communities. Social scientists have defined the informal economy in the US as including immigrant enclave economies, like in Miami, New York, and the border cities (Stepick 1989), and informal and industrial homework practices in industries like construction, apparel, and electronics (Sassen-Koob 1989). Additionally, as licit jobs decline in availability, many social scientists have found evidence of a growing sub-economy in poor urban neighborhoods. Drug sales, street vending, car repair, carpentry, childcare, hairstyling and other off-the-books ventures have become more prevalent and often more organized to compensate for deficiencies in the formal sector, as well as in response to the virtual elimination of the numbers game. Such businesses require little start-up capital and often need only a skill and hard work. While drug selling differs from hair-cutting in important and obvious respects, both bring in off-the-books income and compensate poor people for inability or unwillingness to access jobs in the formal economy.

The drug economy, while omitted by most scholars by definition as part of the informal economy (see especially Bromley 1994), plays a dominant role in US neighborhood sub-economies (see Bullock 1973; Sassen-Koob 1989; Fagan 1996). The business of drug dealing has specifically expanded as a result of the incongruous economic realities in central cities which arose in this era of economic restructuring. As you will see, many drug businesses in central cities are purposeful innovation, responding to the unexpected and meeting the needs of both urban and suburban markets. Thus, we will brashly describe some drug businesses as "entrepreneurial," in Peter Drucker's (1985, 35) sense. This report will describe the innovative practices of the drug economy and other, informal economic enterprises in two poor communities and contrast them to less entrepreneurial methods of drug distribution to white youth and suburbanites.

### **A Note on Entrepreneurship and Minority Business in Wisconsin**

In order to look at drug selling as an entrepreneurial business, we should first briefly look at the character of legal, minority entrepreneurial firms in Wisconsin. Fortunately, Paul Reynolds and Sammis White (1993) have published a study of Wisconsin's entrepreneurial climate which includes characteristics of African American and Hispanic entrepreneurial firms.

They find that entrepreneurship is a valued occupation among all Wisconsin adults, with about 40% of all adult males experiencing self-employed work at some time in their adult work lives. Five thousand new businesses with employees are started every year in Wisconsin, and 150,000 adults report expending \$100 to \$2000 in sunk costs in entrepreneurship. New firms, at any one point in time, account for 22% of all new jobs and on the average employ 1.82 managers, have 3.77 full time employees, and 2.31 part-time employees. Entrepreneurs are industrious: they report working in their business on the average of 50 hours per week. These new businesses, however, may not be

secure enough to survive without other family income. Sixty percent of male entrepreneurs had a working wife, and 71% of female entrepreneurs had working husbands.

There are very few Hispanic entrepreneurial firms in Wisconsin, but relatively more African-American ones. The study found 2,381 Black-owned firms in Wisconsin. The main obstacles faced by all minority entrepreneurs are low personal income, low educational attainment, inadequate social networks linking them to market opportunities, and problems securing loans.

Black-owned firms are overwhelmingly located in the urban core and are concentrated in retail sales to an African-American market. Black firms reported a mean number of full-time employees as 2, compared to 5 for whites. Gross sales for Black firms had a mean of \$123,000 compared to about three times as much for whites and only \$27,000 for Hispanics, though the number of Hispanic enterprises is quite small. Most Black firms had less than one paid employee and sales of less than \$50,000 per year. In general, Blacks started businesses which required minimal capital outlay and focused on an ethnically homogenous market.

The authors concluded by noting the very small number of Hispanic businesses and describing the state of Black entrepreneurship as “stagnating or declining” and not breaking out of the traditional mold of concentration of efforts in small retail outlets” (vii-20).

### METHODS OF THE STUDY

Data for this study were gathered by the author, an Assistant Professor at the University of Illinois-Chicago. He was assisted by “community researchers,” former gang members who have been participants in drug businesses throughout Milwaukee. While the author has completed a five-year, National Institute on Drug Abuse funded study of drug dealing and gangs, the data for this study are original and were compiled after the conclusion of the NIDA study. Key informants on the sale of drugs to white youth and in suburbia were also confidentially interviewed.

Former gang members who have a long-term affiliation with the author’s studies mapped neighborhoods with which they were familiar that have a concentration of drug-selling businesses. These neighborhoods were chosen 1) because our research team had a capacity to access them and compile valid and reliable data on drug dealing; 2) they were different from the neighborhoods studied by the author in the NIDA study; and 3) they were not the most concentrated neighborhoods of gang-dominated drug dealing we could find. *Thus, the neighborhoods reported on in this study are not areas with the highest concentration of drug dealing, but fell more in the middle to high range. There are dozens of similar neighborhoods across Milwaukee.*

The community researchers contacted various friends and former associates in these neighborhoods, paid them for information — as is the customary practice in gang and drug research — and filled out questionnaires (Appendix 1) which described each drug-selling business they could identify. No tapes of interviews were made, no names were kept, and no identifiers were left on the interview questionnaires, so as to maintain confidentiality. Those interviewed are at high risk for arrest, and everything possible was done to ensure their confidentiality. No names of drug dealers were used even in informal conversation between the research team, nor marked in any way on the questionnaires. The specific neighborhoods studied will not be identified since the drug dealing and illicit operations described in this report are current and on-going.

The author also traveled to these sites, interviewed various participants he knew, and cross checked the data gathered by the community researchers. As it happens, the author has, in the past, lived in both neighborhoods and has access to independent information about drug dealing in those areas. Demographic data from the 1990 census on the study neighborhoods were also compiled.

### The Character of the Drug Business in Horatiotown and Algerville

The two, inner-city neighborhoods we studied were 16 contiguous blocks for the Latino area (we’ll call it “Horatiotown”), and 37 contiguous blocks in the African-American neighborhood (“Algerville”). All but one of the Algerville drug businesses were contained in a smaller area of 27 blocks, with one drug-selling business located on a

corner which was outside that area. The census reports there were 1,611 people living in the Horatiotown neighborhood in 444 households. Of all residents, 764 reported themselves as of Hispanic origin. In the predominately African-American, Algerville neighborhood there were 6,869 persons from 3,112 households in the 37 blocks. There were 1,704 whites and 4,472 blacks residing in Algerville.

Each drug business in these areas, like typical, new, licit, minority businesses, had few employees. None were large enterprises, with only two businesses having as many as 20 employees. Drug businesses, however, did employ, on average, more workers than did new, licit, white or minority entrepreneurial firms. Drug enterprises had a mean number of employees of 6.8 compared to 6.0 for all, new, Wisconsin, licit, entrepreneurial businesses with employees.

In the two neighborhoods we surveyed we compiled detailed descriptions of 28 drug-selling businesses, 14 in each neighborhood. While we believe we identified all retail drug businesses in the area, it is possible that our respondents may not have knowledge of some drug enterprises. Thus, our data may underestimate actual drug business activity in these two neighborhoods.

Our data find that at least ten percent of all young Hispanic men living in Horatiotown were employed in some way selling drugs. Here are our calculations: According to the census, the total number of Hispanic-origin males aged 18-29 in Horatiotown was 258. But simple division of 86 drug workers by 258 would be misleading. Some employees are older than 29 and a few, younger than 18, though our informants insisted that most fit this age group. A few of the drug sellers in Horatiotown are not of Hispanic origin. A handful are female. Some, but not many, do not live in the neighborhood they "serve" (on the streets, someone who sells drug is said to be "serving"). If we add to these qualifiers that there may be a serious undercount of Latino males due to illegal immigration, we might increase the census' number of young males by as much as a third, giving us 344 males aged 18-29. Using these overly conservative assumptions, 344 divided by 43 yields an estimate of twelve percent of all Horatiotown Latino males were employed in the drug game.

In Algerville, our informants reported that all 105 drug employees were African American, nearly all male, and almost all lived in the neighborhood. Some are older than 29, and a few are under 18. Thus, out of a total of 626 African American males aged 18-29 living in Algerville, if only 60, or slightly more than half, were African Americans aged 18-29, then conservatively, ten percent of African American males aged 18-29 living in Algerville were employed in the drug business.

The employees of these drug firms had special characteristics. While each "firm" had at least one owner or partner, the majority of employees were "runners," usually drug addicts or heavy cocaine users (often called "dope fiends"), who make contact with customers and do the riskier job of selling (Table 2). This method of drug sales has become more common in Milwaukee, largely replacing the older method of sales through "drug houses." We will discuss the innovative sales techniques later in this report.

**TABLE 1**  
**Total Employed Selling Drugs in Horatiotown and Algerville**

Number of Employees	Freq.	Valid Percent	Cum Percent
1	3	10.7	10.7
2	4	14.3	25.0
3	2	7.1	32.1
4	3	10.7	42.9
5	1	3.6	46.4
6	4	14.3	60.7
7	3	10.7	71.4
9	1	3.6	75.0
10	2	7.1	82.1
13	2	7.1	89.3
16	1	3.6	92.9
20	1	3.6	96.4
21	1	3.6	100
<b>Total</b>	<b>28</b>	<b>100%</b>	<b>100%</b>
<b>Total Employees</b>	191		
Horatiotown	86		
Algerville	105		
<b>Mean number of Employees</b>	6.82		
<b>Standard Deviation</b>	5.49		
<b>Minimum:</b>	1 employee		

**TABLE 2** Numbers of “Runners” in Horatiotown and Algerville

Value	Frequency	Valid Percent	Cum Percent
0	7	25.0	25.9
1	1	3.6	29.6
2	4	14.3	44.4
3	3	10.7	55.6
4	4	14.3	70.4
5	3	10.7	81.5
6	1	3.6	85.2
8	1	3.6	88.9
10	1	3.6	92.6
15	1	3.6	96.3
20	1	3.6	100
Missing	1	3.6	
<b>Total</b>	<b>28</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Runners</b>	<b>108</b>		

In our earlier research (Hagedorn 1994b; 1998), which studied the first years of the cocaine business, we found that most drug sellers were also regular users of cocaine. In other words, in the early 1990s, even those who were wholesalers or dealers who sold to others also typically used cocaine. But times have changed, and there is a stigma on the streets for anyone who uses cocaine. The term “dope fiend” has become a dismissive epithet. The selling of cocaine is now much more of a way to make money than it is part of the user lifestyle, especially in Algerville (Table 3). Latino drug sellers in Horatiotown, however, were more likely to still be drug users, consistent with more regular drug use by Latinos in our earlier studies (Hagedorn 1994; Hagedorn, Torrez, and Giglio 1998).

**TABLE 3** Are Horatiotown and Algerville Entrepreneurs Users of Cocaine?

	Horatiotown	Algerville	Row Totals	
User	8	3	11	(42%)
Nonuser	4	11	15	(58%)
<b>Column Totals</b>	<b>12 (46%)</b>	<b>12 (54%)</b>	<b>26</b>	<b>(100%)</b>

Number of Missing Observations: 2

You will recall that most new African-American and Latino, licit, entrepreneurial firms, according to Reynolds and White’s report, have less than one paid employee and earn less than \$50,000 in sales per year. The drug businesses in these two neighborhoods employ more workers, but three quarters of those employees were paid in drugs, rather than in cash (Table not shown). Most of these drug businesses were rather small, with about a third reporting gross receipts of less than \$500 per month or \$12,000 per year (Table 4). About one-in-six reported receipts from drug sales of more \$5,000 per month, or at least \$60,000 per year. Thus, in purely economic terms, most could be categorized as “small businesses,” comparable to most, new, licit businesses run by Latinos or African Americans.

Three of the four businesses making over \$5000 per month were in the predominately African-American, Algerville neighborhood. Only one Algerville business reported gross receipts of less than \$12,000 per year, while 9 of 14 Horatiotown "stores" fell into the less profitable "under \$12,000 per year" range (Table not shown). In these two neighborhoods, Latinos were more likely to be users and make less money selling drugs than African Americans. The businesses that gross "over \$5000" per month include a few drug sellers who are wholesalers and not retailers. They sell to smaller local drug businessmen as well as to suburban dealers.

While most minority (and majority), licit, entrepreneurial firms report serious start-up problems, and 10% of all new, licit, businesses fail each year, the drug firms we studied were amongst the majority of small companies who had "made it." Those interviewed reported that between a half dozen and a dozen drug businesses in their neighborhood went out of business or moved their operation in the last year, three times higher than the average 10% failure rate of licit businesses. Importantly, almost half (13) of the 28 businesses that were selling drugs at the time of our study had been in operation for more than two years (Table 5).

Is the drug business a full-time job, or something done on the side? For licit entrepreneurs, Reynolds and White report, more than three quarters will continue to hold a regular job as they begin the entrepreneurial process. This pattern does not hold for most of the entrepreneurs who are selling drugs (Table 6). (Note: this discussion is about the entrepreneurs, not the runners). For most, the drug business is a full-time job, though a minority also work a legitimate job either using their licit job to supplement drug sales or use their drug sales to supplement their legitimate job. The majority of African-American, drug entrepreneurs in the Algerville neighborhood did not have a legitimate job,

**TABLE 4 Gross Receipts per Month in Horatiotown and Algerville Drug Businesses**

Value Label	Value	Frequency	Valid Percent	Cum Percent
<b>Less than \$500</b>	1	4	14.3	14.3
<b>\$500-\$1000</b>	2	6	21.4	35.7
<b>\$1000-\$5000</b>	3	14	50.0	85.7
<b>over \$5000</b>	4	4	14.3	100.0
<b>Totals</b>		28	100.0	100.0
Mean	2.643	Median	3.000	Mode
Valid cases	28	Missing cases	0	3.000

**TABLE 5 How Long have Horatiotown and Algerville Entrepreneurs been in Business?**

Value Label	Frequency	Valid Percent	Cum Percent
<b>6 mos.-1 yr.</b>	5	18	18
<b>1 to 2 yrs.</b>	10	36	54
<b>more than 2 yrs.</b>	13	46	100
<b>Totals</b>	28	100	100
Mean	3.286	Median	3.000
Valid cases	28	Missing cases	0
Mode	4.00		

**TABLE 6 Does the Drug Entrepreneur also have a Legitimate Job?**

	Horatiotown	Algerville	Total	Percent
<b>Mostly full time</b>	5	2	7	25
<b>Mostly part time</b>	0	1	1	4
<b>AFDC or welfare</b>	4	2	6	21
<b>No legit job</b>	5	9	14	50
<b>Totals</b>	14	14	28	100

Number of Missing Observations: 0

**TABLE 7****Does the Spouse of the Drug Entrepreneur Also Sell Drugs?**

<b>Spouse Sells Drugs...</b>	<b>Male Drug Seller</b>	<b>Female Drug Seller</b>	<b>Row Total</b>
<b>Full time</b>	1	2	3 (14%)
<b>Part time</b>	2	0	2 ( 9%)
<b>Not at All</b>	14	3	17 (77%)
<b>Totals/Percent</b>	<b>17 (77%)</b>	<b>5 (23%)</b>	<b>22 (100%)</b>

Number of Missing Observations: 6

while as many Latinos in the Horatiotown area were working a legitimate job as were working full-time selling drugs.

Most of those selling drugs were reported to be married or have a spouse. But more than three quarters of the spouses of our almost entirely male sample are not involved in the drug business (Table 7). Many of these women have been either on welfare or working a legitimate job, and over half (63.6%) are not in the labor market but may be raising their family full-time (Table not shown).

Our data do not support the beliefs by some that women are becoming significantly more involved with the drug economy, at least not in these neighborhoods. The impact of welfare reform, however, is too recent to draw any firm conclusions.

### **INNOVATION AND ENTREPRENEURSHIP IN DRUG SELLING**

When the cocaine business began in earnest on Milwaukee's northside in the late 1980s and early 1990s, drug sales largely took place either on corners or at drug houses. "Corner sales" mean just that: drug sellers stand on corners and sell drugs to passersby, either neighborhood residents or to people who drive through the area to buy drugs. Corner sellers may hold the drugs in their pockets, but more commonly keep drugs as a "dead man," or hidden in a crumbled up cigarette or potato chip package on the ground near them. Then, after a sale, the customer can be directed to get the rocks of cocaine from the package. This minimizes risk.

In the first years of the expansion of cocaine sales, corner sales were complemented by sales in drug houses. There were two types of drug houses. One, a retail outlet, sold drugs "over the counter" for consumption of the customer at his or her home or elsewhere. "Smoke houses" were houses where crack parties took place and people gathered to use drugs and party. These drug houses were an innovative practice from earlier, more informal methods of drug dealing and the "shooting galleries" of the past — bleak apartments where addicts gathered to inject heroin.

Before 1991, most cocaine sold in Milwaukee was sold as powder. Customers typically bought powder, and then cooked it themselves into crack, adding adulterants like baking soda to the powder, then heating it on a spoon until it "cracks" and turns into rock. By 1992, almost all northside, streetside, retail cocaine sales were taken over by the direct sales of crack. Crack cocaine is not necessarily more profitable. But crack, rather than powder, came to dominate inner-city markets because it is ready to use, especially by "dope fiends" who may not have the patience to heat it up or the skill to properly prepare it. Thus, one early Milwaukee name for crack was "ready rock." All Algerville retailers sold crack, not powder.

In Horatiotown, retail sales of cocaine were both powder and rock. Powder was sold more to the partying crowd, those who use it fashionably in bathrooms of nightclubs or at after hours parties. Crack was sold mainly to "dope fiends," or regular users. These users would typically buy "tens" or "twenties," a small number of rocks costing \$10 or \$20. In both Algerville and Horatiotown, entrepreneurs most often bought an "eightball" of powder cocaine (3.5 grams of cocaine, or less than the weight of a nickel, costing around \$150 wholesale) or an ounce, which wholesales for anywhere from \$800 to \$1200. Drug entrepreneurs would then turn the powder into crack by adding baking soda and heating it. The crack is then packaged into small quantities for resale. The rule of thumb in cocaine sales is that a good businessman will double his money, or turn an investment of \$1000 for an ounce into \$2000 in sales, for a cool \$1000 in profit. Some businessmen can make as much as \$2500 on an ounce, and others say they try to make "double their money minus a \$100" on the purchase of an ounce.

Crack is favored on the streets since dope fiends will return time and again to buy a “ten” or “twenty” to party on. Some Algerville businessmen sell “fives,” or one or two small rocks for \$5. The high may last a few minutes or longer and within a half hour the user will return to buy more crack until his or her money runs out. Women whose money runs out often exchange sex for the drug. Crack is a quicker, more powerful high than powder cocaine, which is typically ingested intranasally. Smoking crack is believed on the streets to have a more potent, more addictive, effect.

Our data report drug distributors have further innovated since the early 1990s. The modal way to sell drugs has ceased to be on a set corner or at a drug house, though both still occur. Most drug sellers, especially in Algerville, run their retail business “on the fly” (Table 8). They may have a beeper and hang out at a bar or at a friend’s house from the late afternoon hours till early morning. Rather than making transactions themselves, they will deal only with “runners,” or addicts who are employed as a means of obtaining cocaine for themselves. The “runners” will be contacted by customers and take their orders for small amounts of cocaine to the seller. The drug seller can be found by the “runner” by looking around the neighborhood. The runner pays for the drugs, is given the proper amount, and then returns to the buyer, sometimes taking a cut of the drugs for himself. Often a runner will be given an extra “ten” of cocaine for every four or five “tens” he sells.

This method of employing users as “salesmen” cuts overhead while keeping the seller secured from identification by customers and police. Several of the drug sellers we interviewed told us with pride that none of their customers had ever met them. Other drug sellers are known as “Electronic Dealers,” since they make all transactions through a beeper and return calls only by cellular phone.

The seller may have a small amount of cocaine on him or, more likely, have it at a nearby location. Thus the risk of arrest for the seller is quite low. “Buy and bust” tactics by police thus arrest a disproportionate number of “runners” who, if they are arrested, may or may not “flip” and give information to police on the seller. Even if they do give information, arresting the seller with a large amount of cocaine is extremely difficult. Remember, the amount of sales in any given month for most sellers is quite low, and they are unlikely to possess more than an “eightball” (3.5 grams) or at most a few ounces of cocaine at any given time.

**TABLE 8 Primary Location of Drug Selling Sites in Horatiotown and Algerville**

Primary Location	Horatiotown	Algerville	Row Totals
Private Home	5	1	6 (21%)
Bar	4	1	5 (18%)
Other Legit Business	0	1	1 ( 4 %)
Follows Seller	5	11	16 (57 %)
<b>Totals</b>	<b>14</b>	<b>14</b>	<b>28 (100%)</b>

In this way, much modern drug selling fits Peter Drucker’s definition of entrepreneurship as something more than a new venture. Drucker (1985) explains that a new, mom-and-pop store would not be classified as entrepreneurial, since it is just doing something that has already been done. But when a business applies new management techniques or appeals to a new market or new customers, or revises old ways of doing things, “that,” Drucker (22) says, “is entrepreneurship.” By substantially reducing the risks of apprehension and nearly eliminating overhead, modern inner-city, drug dealing is a good example of what Drucker would call entrepreneurship. Sixteen of the twenty-eight drug businesses in Horatiotown and Algerville could easily fit this entrepreneurial description.

### Licit Business, Gangs, and Violence

Licit businesses also participate in the drug trade. Bars not only became spots for contacts for drug sales, but meager profits in the tavern and restaurant business led their owners to underwrite drug buys, and some began to sell cocaine, marijuana, and heroin directly. Many drug sellers had direct contact with area prostitutes who steer “johns” to the drug sellers for drugs to consume as they “party.” Several drug dealers also had informal arrangements with nearby apartments where, for a charge, a drug customer could get drugs, a woman to party with, and a room for privacy and assorted sexual acts.

In Algerville, one busy corner was a high sales area, with many drive-by customers. This corner, which was run by a gang, employed (using the lowest estimates of our informants) 20 individual entrepreneurs who bought drugs on consignment from a member of their gang and sold as part of their gang activities. Concentrated areas of gang drug sales, like this one, are spread throughout Milwaukee, and we deliberately focused on areas where the gangs do not dominate drug trafficking. Still, gangs make their influence felt everywhere there is a drug trade. Ten drug dealers reported that their business was gang-related, while 17 reported they sold "free-lance" (Table not shown). I have argued elsewhere (Hagedorn 1998; in press) that many urban gangs today have transformed their nature and have adopted economic functions. Gangs have become a central part of many poor neighborhoods' informal economy.

How do drug sellers keep their customers? Are markets free and open to competition from others, or are they "closed" to outsiders? Unlike many parts of Chicago and other cities, Milwaukee has maintained a tradition of "open markets," where anyone can sell as long as they don't try to steal customers from others (Table 9). Gang drug dealers have differentiated Milwaukee from Chicago by describing Milwaukee as a city with "too much free enterprise" to become monopolized by a few gangs or other drug organizations (Hagedorn 1998; 104). Thus competition between rival drug sellers is a standard feature of Milwaukee drug markets. This continuing competition may be one reason for only small declines in Milwaukee homicide rates. Today, most gang-dominated corners and neighborhoods are usually closed to any outside sellers, and violence in those neighborhoods may be more related to inter- and intra-gang and personal problems than exclusively drug issues. Horatiotown, though nearby to a gang-dominated area, was a largely non-gang drug site. On the other hand, while Algerville had more gang selling-sites, drug sellers in that neighborhood reported it was not exclusively gang-dominated (table not shown).

**TABLE 9      Open and Closed Drug Markets**

	Horatiotown	Algerville	Row Totals	Percent
<b>Open</b>	10	6	16	59
<b>Closed</b>	4	7	11	41
<b>Totals</b>	14	13	27	100

Number of Missing Observations: 1

One counter-intuitive finding of this study was that the drug sellers reported few problems with violence and few problems with police. At the onset of the establishment of drug markets, Milwaukee's gangs waged a bloody war in neighborhoods across the northside (see Romanesko 1990; Hagedorn 1994a). Gang

members and others with a violent history are likely to be disproportionately involved with drug sales. But while drug markets in many areas are still unstable, in areas like Horatiotown and Algerville, methods of business have been perfected that avoid violence.

It appears that the longer drug businesses persist, the fewer problems with violence occur. None of the drug entrepreneurs we surveyed reported "daily" problems with violence. This lends support to the notion that reductions in drug-related violence are a function of both social learning by drug sellers and skill in running a business. Violence, as Cloward and Ohlin argued long ago (1960), proves to be "bad for business." The more serious gang members are at making profits, the more they need to control violence. Violence may be inversely related to the "maturity" of drug markets (i.e. the developed relationships between retail sellers and their suppliers, between rival retail sellers, and between sellers and customers, in one area, over time).

In Horatiotown, a majority of the Latino drug sellers reported no problems with violence whatsoever, while the Algerville, African-American, drug sellers generally reported violence occurring about once a month (Table 10). Violence is usually related to problems with customers or rivals, but no data were gathered in this report on the nature of violence (see Hagedorn 1998; in press). It is important, when viewing Table 10 to understand that most of the "violence" reported on is not lethal, and many "violent" events are fights or threats with drug addicts or other cus-

tomers. Very few were “drive-by” shootings between drug rivals. What emerges is a very different picture than stereotypes of frequent drug-related violence, at least in established drug selling businesses.

**TABLE 10 Incidence of Violence by Length of Time in Business**

Violence occurs...	<i>Length of Time in Business</i>			Row Totals
	6 mos. to 1 yr.	1 yr. to 2 years	More than 2 years	
Weekly	0	0	3	3 (11%)
Once a month or so	3	7	6	16 (59%)
Not at all	2	3	3	8 (30%)
<b>Totals</b>	<b>5 (18.5%)</b>	<b>10 (37%)</b>	<b>12 (44.4%)</b>	<b>27 (100%)</b>

Number of Missing Observations: 1

Despite the saturation patrols by police in the areas we surveyed, drug sellers experienced few problems with police (Table 11). Even though there is a high volume of daily drug activity, there appear to be few risks of arrest for the drug seller who knows what he is doing. Indeed, almost all of those who were in business for more than 2 years experienced few or no problems with police. The site that reported “daily” problems with police was a high-volume corner where a gang sells openly to passersby and police routinely “harass” gang members who are standing idly on the corner.

**TABLE 11 Problems with Police by Length of Time in Business**

Problems with Police occur...	<i>Length of Time in Business</i>			Row Totals	Percent
	6 mos. to 1 yr.	1 yr. to 2 yrs.	More than 2 yrs.		
Daily	0	0	1	1	4%
Weekly	0	3	1	4	15%
Once a month or so	4	5	6	15	56%
Not at all	1	2	4	7	26%
<b>Totals</b>	<b>5 (18.5%)</b>	<b>10 (37%)</b>	<b>12 (44.4%)</b>	<b>27</b>	<b>100%</b>

Number of Missing Observations: 1

If these “successful” businessmen are avoiding problems with police and with violence, why do we have so many reports of shootings and so many arrests of small time drug dealers? While these data do not speak directly to the issue, it is likely that violence is more likely as a “start-up” problem and contributes to the high failure rate of small drug businesses. It may be that drug sellers who rely on force are more likely to fail, and only the smart, innovative ones persist. There may be some variant of a Darwinian effect at work, “selecting” the street-smart over the practitioners of crude violence. As we have seen in established drug businesses, “runners” assume most of the risk in drug

sales. Our sample is drawn up of those drug businesses in neighborhoods of substantial drug activity which had been able to avoid problems and keep doing business. Those drug businesses which went "bankrupt" were probably less able to negotiate relations with neighbors, customers, rivals, and suppliers, which means they were not as adept at keeping their businesses discreet and hidden from police. This is an area that needs further research.

### The Customers

Finally, who are the customers of drug dealers in these areas? Drug customers constitute what Peter Drucker calls a "specialty market" (1985, 240) with drug sales fitting in an "ecological niche" that can be exploited by relatively uneducated, lower-class businessmen and women. Between a third and two thirds of the customers in both areas were women, consistent with our earlier study (Hagedorn 1999a; 1994b) and other studies of the crack trade. Indeed, the most active time for drug sales was still around the first of the month, when welfare and disability checks were received. Some drug sellers reported that they only sold for the first few days of any month, then returned to a regular job or did not sell for the rest of the month.

In the study neighborhoods, only a minority of all retail customers were from the immediate area, and a large percentage were white, though this varied by dealer. In this regard, drug sellers seemed to have learned from the difficulties of small, licit, minority businesses that are trapped selling only to a local ethnic market. Many drug sellers in these neighborhoods have learned the lesson of rap music that the only way to make money is to "cross-over" and sell to a more prosperous, white, retail market, or become a wholesaler.

Most customers were regulars, meaning either that they were dope fiends or that they had a regular "safe" contact with a seller, or usually his runner, and maintained that contact as long as the seller had dope. Depending on the dealer, their "regulars" might come either from the neighborhood or the suburbs. In both neighborhoods there were specific locales that gave innovative drug sellers access to large, white markets.

In Algerville, there were three areas where the customers were mainly white. First, a group of women worked a prostitute "stroll" on a nearby avenue. We interviewed them, and they reported most of their "johns" were white and they regularly used rooms provided by area drug dealers. Second, the high profile corner had a substantial number of white, drive-by customers, most of them regulars. These young white men and women often quickly stopped and shopped on their way home after work, with the drug corner a kind of drive-through service.

The most profitable area for sales to whites was outside of a local dance hall. Popular performances by national music acts attract large numbers of white youth to this hall, and runners employed by Algerville sellers hung around outside the hall and made contact with musicians and young whites who regularly attended concerts. They also were introduced to new buyers who wanted to "score some coke." Some of these new buyers were ripped off, as runners took the money and went to buy the coke and never returned. Most often, runners bought coke for the youthful white customers and returned to party with them.

In Horatiotown, white customers were mainly "drive through" traffic from the suburbs. Long-time white customers drove down a main street which crossed through Horatiotown and stopped outside of licit businesses where they would meet drug sellers specializing in marijuana, cocaine, or heroin. They would make the buy and then quickly get back in their car and return to work or to the suburbs. This pattern is undoubtedly quite familiar to those who have followed the plight of the former Milwaukee County Clerk of Court.

The largest market for illegal drugs in Milwaukee is the white youth and suburban market, even though streetside minority drug sellers are by far the most common arrestees. But, before I go on to describe the growing importance of informal and illicit activities in the two study neighborhoods, I need to briefly describe the white drug market and offer an explanation why so few whites proportionately are arrested for drug crimes.

### THE WHITE YOUTH AND SUBURBAN DRUG MARKETS

One remarkable aspect of the white youth and suburban drug market is that, unlike the inner city, drug sales are not neighborhood based. Try as we could, we could not locate any suburban or white, alternative-culture neighborhoods that resembled inner-city drug markets like Horatiotown or Algerville. While we didn't conduct a county-wide sur-

vey of suburban drug dealers, it appears that the vast majority of drug dealers in the suburbs and to white youth are themselves white. Suburban drug selling has not changed much over the years: it still is basically a “word of mouth” operation.

While there are many dealers and a variety of methods of distribution of drugs in the suburbs and among white youth, there appear to be very few people employed in the drug game in the same way as in the inner city. Drugs are a recreational past-time for youth and stress relaxer for older, white adults, just as among poor minorities. But while many youthful, white dealers worked full-time selling drugs, other post-teen whites who sold drugs had a job, and drug sales were a sideline. It was a “business” only in a limited sense, as added income. Drug selling by whites most resembled the old method of drug dealing by user/dealers in the past. One way that drug selling to whites most differed from the retail drug sales businesses in Horatiotown and Algerville was the primacy of networks at one’s place of employment as a regular outlet for white and suburban drug sales, rather than neighborhood-based sales.

Our research among white and suburban drug users focused on three aspects of the white market, especially for cocaine: 1) the transformation of the white, youth market from marijuana and hallucinogens to cocaine as white Milwaukee’s primary climax drug; 2) the different ways drugs are sold in the suburbs; and 3) a small case study of one such suburban drug ring.

### **The Transformation Of The White, Alternative, Youth-Culture Drug Market**

In the early 1990s, a number of young, white, marijuana and hallucinogen dealers began to branch out into selling cocaine. In interviews with participants in the white, youth-culture, as part of this study, we profiled a dozen, well-known drug dealers and what happened to them as they began to deal more and more cocaine.

Most of these young men and women were users of the drugs they sold and active participants in the teenage youth-culture, living a life of partying. They had a variety of family backgrounds, from working class to upper middle class. But their use of illicit substances and popularity in the party circuit seemed to describe them all. After the introduction of cocaine into the northside Milwaukee market in the late 1980s, a few of these mid-level dealers utilized nebulous connections to northside drug dealers to “score” cocaine.

The national publicity around the cocaine “epidemic” prompted curiosity among young, white, Milwaukee drug users, and many tried cocaine for the first time in the early 1990s. By 1993, cocaine became the main climax (most serious) drug in the white youth-culture in Milwaukee. The stories of the original dozen or so dealers we profiled followed a path similar to African-American and Latino cocaine users/dealers, as described in our earlier work (Hagedorn 1994b). Some white dealers went from casual to heavy users of cocaine, and the drug led many to their ruin. At least one became a heroin user, and others lapsed into paranoia. The murder of two young people outside an east side church in 1995 sent a message that the violence associated with cocaine use and markets had arrived in the white youth-culture.

The methods of distribution of cocaine in the white youth-culture was no different from how these dealers had sold marijuana and other drugs. Sales primarily depend on the word-of-mouth knowledge of who has what drug for sale. The youth-culture shares music, events, concerts, and certain bars and places to congregate. Knowledge of who are drug dealers is widespread. Most white, youth drug-dealers have a supply at their home or at the home of a friend and sell to friends and acquaintances, often late at night, as people prepare to party. While big dealers and suppliers had smaller dealers working for them, there was no neighborhood, retail-drug business structure like that found in the two, inner-city neighborhoods.

The description, by Algerville drug sellers, of a dance hall as a main source of customers for Algerville drug dealers was confirmed by our white informants. In fact, we were repeatedly told that the dance hall was “the place to go” to score coke and that many “raves” were thinly disguised excuses for cocaine parties among hundreds of white youth. In the last few years, cocaine and other hard drugs have become a regular part of the alternative-culture party scene.

### **Methods of Suburban Drug Distribution**

Recent highly publicized cocaine cases have described drug distribution in the parking lots of stores in West Allis and churches in Wauwatosa. After not finding any neighborhood-based, drug-selling locales, we decided to question suburban drug dealers about some of the different ways drugs were dispensed to white professionals and suburbanites. What stands out in these descriptions is that nearly all drug transactions were at places of employment or at after-work leisure activities, very unlike the model of selling drugs as a business that we described in the section on Horatiotown and Algerville drug markets. The distribution of cocaine in the suburbs appears to have not changed much from the traditional word-of-mouth ways drugs have been sold in the past.

The most common method of distribution we found was at work places. In any large bureaucracy, public or private, there is almost always someone who either deals drugs himself (usually male) or has knowledge of a “safe” drug dealer for different substances. Word of mouth among users spreads, and contacts are discretely made. For example, when the author was working at the Milwaukee County Department of Human Services, he quickly learned — by accident — who had access to what drugs. For workers, illicit drugs are often “medicinal” and used to relieve the stress of work.

The second-most-common method of drug distribution in the suburbs is at bars and taverns, especially among participants in athletic leagues or tavern activities. After-work relaxation at a bar is a long standing Wisconsin tradition, but drugs often supplement the more common staples of beer and brandy. The author has been present at bars on payday when groups of white youth gather to drink and score cocaine, often going to the bathroom to sniff, rather than smoking it. Working-class bars, in this sense, differ little from bars frequented by young people in the alternative youth-culture, where similar patterns of sales occur, or bars in Horatiotown and Algerville.

A third method of distribution is through nightclubs and popular establishments whose employees or owners are regularly involved in the drug trade. Among middle class party goers, it is common knowledge which restaurants and bars sell drugs. At some establishments, certain employees sell while on the job. At other places, the owner is making extra profit on drug sales, or providing drugs for business contacts or friends. Some sales methods can be very creative. For example, at one popular pizza business frequented by many Milwaukee notables, cocaine was distributed in small packets under the crust of the pizza, and the customer paid for both the pizza and cocaine at the same time.

A final spot for drug distribution is suburban high schools and at after-school parties and activities. Every high school we looked at had identifiable drug dealers and people who could score whatever substance was requested. We did no detailed investigation of high school drug dealing and will leave that inquiry to another time.

Unlike Horatiotown and Algerville, there were no known, drug-selling neighborhoods where drug dealing could be observed (and objected to) by neighbors and could become a focus for law enforcement. The use of more hidden, non-neighborhood based, sales techniques explains much of the difference in racial disparity in drug apprehensions.

### **A Suburban Drug Ring: A Brief Case Study**

We compiled detailed information on one suburban drug ring. The main seller was a 30-year-old, white male, who was working full time at a good job. He sold cocaine, marijuana, and other drugs but did not use cocaine, at least not at the time of our study. He had been selling drugs for more than two years. He had one partner in his drug business and two employees, mainly friends who sold to their friends and partied with them. He reported he made more than \$5000 per month selling marijuana, which at the time of our interview, was even more profitable than cocaine. He also was a main area supplier of cocaine. We were able to locate and identify this dealer since he had been in business for quite a while and had a relatively high volume of sales.

All of his customers were white and from the suburbs, and about a third were female. His customers were almost all regulars, members of a weekly athletic league that played sports and then met at a bar for after-sports relaxation. They often went to an abandoned lot and drank beer and got high on drugs. Distribution of the drugs also took place

at the bar. Participants in the athletic league and their friends came to him to buy drugs when they were having parties or just needed to get high.

The seller had a wife who worked full time and had nothing to do with drug dealing. He got his drugs from an out-of-town contact who was not gang related. He reported that he had problems with violence from customers about once a month, similar to inner-city sellers, and about the same frequency of problems with police, who observed the dealer and his friends at times partying in the vacant lot. The seller was convinced the local suburban police knew they were using drugs but did nothing since the seller and his friends never caused trouble. None of the users in his league had been arrested. The only other drug dealer from the same suburb our respondent knew about had moved his operation in the last year but was still dealing at a nearby suburban location.

To summarize, the main difference between white, suburban and inner-city drug use is economics. While drugs are used as a way to relieve stress and get thrills by people of all walks of life, in the inner city drugs are also a major employer of young, minority males. White, suburban drug users are workers or housewives who experience stress on the job or anxiety at home and use drugs to relieve anxiety. The method of distribution of drugs in the suburbs and to the white youth market is at places of work or entertainment and more hidden from law enforcement. But, as we have shown, they are not very difficult to locate. Law enforcement has chosen to focus on neighborhood-based drug sales more than workplace—or entertainment—based drug sales, thus disproportionately arresting poor, minority “runners” who sell in the open.

Suburban and youth-culture drug sales’ methods have not changed over the years. For both suburban and inner-city drug sellers, much research (e.g. Hamid 1990) points out, the only large profits are the ones made by distant, drug capitalists. In Horatiotown and Algerville, drug sales are only one type of informal or illicit employment engaged in by the hard-working residents of those neighborhoods. To conclude the main body of this report, it is important to place inner-city, drug dealing in the broader context of the informal economy.

### **THE INFORMAL ECONOMY IN HORATIOTOWN AND ALGERVILLE**

Milwaukee has long been a city built on the hopes of immigrants or migrants looking for a factory job to pull them up out of poverty. My earlier work (Hagedorn 1988; 1998) described how the families of gang members moved to Milwaukee looking for a rosier economic future than what they had seen in Chicago, Detroit, or New York. But they were disappointed with the collapse of the industrial economy in the 1980s and the replacement of available, high-wage, factory jobs with low-wage, service jobs and part-time work in light industry. Temporary work became more available than regular jobs, and many people became discouraged. The ending of AFDC is seen on the streets as just another sad chapter in the book of declining opportunities of a dying, industrial era.

While poor people in Milwaukee, as elsewhere, have not organized to fight politically for their interests, neither have they just starved. Rioting occurs only when there is a suitable target for frustration, and it is pointless to picket a closed factory. The threat of revoking probation or parole for the large number of minority males also deters any incipient thoughts of rebellion. Rather than political rebellion, what has occurred in poor neighborhoods is a vast expansion in the informal economy, ways of “making it” that some readers may find immoral. But such informal ways of making a living are becoming part of every day life for many poor people. The informal economy reflects a sober, rational calculus of the relative advantages of informal over formal work. Besides, there are some advantages to informal work that would make a licit small businessman envious: informal businessmen pay no taxes and do little paperwork, and generally have more flexible hours.

One fact we discovered in this study was that the informal economy does not develop evenly: there are some areas of Milwaukee in which it is more concentrated than others. Poor people have always survived however they could, with off-the-books child care, hair styling, auto repair, housepainting, carpentry, as well as running the numbers and selling drugs. These activities have always occurred throughout Milwaukee. But in the last decade these informal and illicit activities, starting with the drug economy, have become more widespread and innovatively organized. A few gangs have developed closed markets, and a dozen or so neighborhoods in Milwaukee are tightly controlled, gang-dominated, drug-selling locales, similar to areas in Chicago controlled by gangs.

There are also non-neighborhood based, informal, business practices, like informal construction work. One study in New York found that off-the-books construction work accounted for “a rapidly growing share” of a billion dollar local construction industry (Sassen-Koob 1989). In Milwaukee, while such practices as informal construction work, industrial homework, and informal apparel work exist, the neighborhood sub-economy appears to be the principal form of the informal economy. The two neighborhoods we surveyed are prime examples of this category. There are several dozen neighborhoods like Horatiotown and Algerville in Milwaukee.

The following describes six different kinds of people in Horatiotown and Algerville and the way they make a living and search for dignity and respect.

### **1. The conventional working and middle class.**

In most working-class or poor Milwaukee neighborhoods, the majority of people hold working-class jobs, are small, legal businessmen, or have pensions and are supported only by licit income. Although temporary jobs are quickly replacing the good industrial jobs of the past, in Horatiotown and Algerville about a quarter of the people still owned their own home. Many would move if they could, but wages or pensions are not sufficient to buy that nice home in the suburbs. Some call police on the drug dealers, but others are afraid of retaliation by gangs or drug dealers and keep to themselves unless violence comes too close.

### **2. The unconventional working and middle class.**

Especially in neighborhoods like Horatiotown and Algerville, there are a large number of people who have various kinds of personal or financial interests in informal or illicit economic activities. These people are mainly trying to “make it” in a traditional manner, though that has become increasingly difficult.

There are six overlapping types of people in this category. First, there is an assortment of people with children, relatives, or friends selling drugs or hustling. These people may condemn their friends and kin morally, but understand the difficulties they are in and look the other way from their illicit activities. Some adults profit from their children’s or relatives’ hustles. Many of these people resent what they see as racist police tactics, disapprove of long prison sentences for drug offenses, and will not give information to police.

The second group of people in this category are people who engage in informal economic activities which are not so much illegal as off-the-books. Women do child care and hairstyling or cutting, along with sewing and production of other hand-made goods for unreported income. Men run car repair businesses on the streets, sometimes jacking up cars on the side of the road or occasionally renting a garage. Men also seek off-the-books construction work or painting houses, occasionally forming small businesses. One leader of a 1980s gang recruited some of his homeboys and began housepainting, eventually forming a business which was both licit and off-the-books. Sometimes the skills developed in informal work lead to formal employment. Other times the informal work supplements income from temporary jobs or light factory work.

A third type of unconventional laborer are those men and women who are captive to temporary service agencies. These jobs are now more plentiful than any other legal job, though we do not have the statistical means to prove it in specific neighborhoods like Horatiotown or Algerville. In the United States, temporary service agencies perform many of the low-wage functions of the informal economy in Latin America and other Third World countries (see especially Franks 1994). Some men and women sign up with multiple temporary service agencies and hope that one day they can turn the temporary job into a permanent placement. Typically, a worker will stay employed for 90 days and then be “laid off” rather than be placed in a permanent job. Laid-off, temporary workers do not qualify for unemployment benefits.

A fourth type of hard working men and women are street vendors. These aspiring businesspersons set up on sidewalks near stores or where people gather. While a few street vendors set up shop in Horatiotown and Algerville, the main area for street vendors is a vacant lot off North Avenue, where dozens of street vendors congregate. Street vendors have everything for sale: some licit and some stolen goods. As in Third World countries, the price is expected to be negotiated.

A fifth type of unconventional worker are those people in Horatiotown, Algerville, and elsewhere who supplement licit jobs with illicit employment, typically drug sales. Some of these people are users and sell drugs as a way to get a regular supply for themselves. They most resemble the suburban dealer we profiled above, except that they live in a neighborhood where drug sales are open and everywhere, and most of their customers are neighbors, passersby, or friends, not co-workers.

These worker/dealers keep living in Horatiotown and Algerville because they are close to the action, sources of drugs, or other hustles. The men like the night life and the constant partying. The wide open drug sales in their neighborhood gives them some protection in their dealing, since so much else is going on. Women who work or stay home may also use drugs, but cocaine is a dangerous drug to use if you have kids. A few women may help out in their men's drug deals. A few women have their own drug business, but this is still seen as too risky, especially if they have kids.

Both men and women in this fifth category go in and out of legal work: their licit jobs hardly pay well. If they did, there would be less reason to sell drugs. Some have jobs as a main source of money; some use legal jobs to help them get front money for drugs. Having a job also allows them to stop dealing when the heat is on and concentrate on licit work for a spell. But they are often drawn back into selling drugs since they don't make enough money in their low-wage jobs. Some of these men and women have been gang members: some men may still have allegiance to the old gang.

A sixth and final type of combination worker/dealer are the licit businessmen who operate stores, restaurants, and bars. These men and women, who have emerged out of the working class, have needed illicit income to supplement their struggling businesses. Some used drug money to set up their business in the first place, though this is rare. Like other Americans, a few are overcome with the lure of big money, and get greedy and try to make fabulous profits. But most settle down into selling drugs just to keep their business afloat. A small number sell guns. Some bars allow dealers to set up in them — after all dealers bring in business. The owner or bartenders may deal on the side too.

Often the bar owner gets involved with selling by knowing dealers who frequent the bar and seeing how easy and safe drug dealing is. Outsiders may come in and buy drugs: heroin, coke, or marijuana, especially if the business is located on a main drag. Such businesses are easier to operate in Horatiotown, since in Algerville a white person coming into a black-owned establishment to buy drugs is disruptive and makes African-American drug customers uncomfortable. Store owners may also "launder" small bills for drug dealers. Bars also run after hours joints, where the partying can go on until morning and drugs are routinely sold and consumed.

### **3. Welfare recipients**

Welfare recipients under the old system never made enough money on welfare to survive. Harvard sociologist Kathern Edin's (1991; 1993; Edin and Lein 1997) studies documented that the spending of most AFDC recipients was greater than their AFDC income. Most welfare mothers never made it on public assistance alone, and Edin documents the variety of ways welfare mothers get additional income. With the ending of public assistance, mothers need to rely on those other sources of income while watching a major source of support for their children be swept away by the cold winds of reform.

Disability, or SSI, is also a major source of income in poor communities, though it too is shrinking due to legal changes. One major consequence of the diminishing of the welfare state is a lack of income in poor communities and the need for struggling local stores to find other sources of money to survive. Much of every welfare check was spent at the neighborhood store. Now, welfare dollars are often being replaced by dollars from the drug economy.

Another consequence is bound to be the increasing involvement of mothers in informal economic activities. But, at least in our two study neighborhoods, women don't seem to be playing any more prominent role in drug sales than they have in the past. It could be that even with reduced or eliminated welfare benefits, women will look for less risky ways to support themselves. They may become more likely to live with men who deal drugs or who have excess income, increasing the risks of domestic abuse. Their involvement in drug sales may be more in the back-

ground, rather than putting them at risk of going to prison or losing their children. But, as yet, we have no ethnographic research evidence that economic changes have created a new, more violent or drug-dealing woman.

One major hustle in Horatiotown and Algerville in which women participate, is food stamps. On the first of the month, food stamps are routinely sold for cash: 40¢ on the dollar in Horatiotown and 50¢ on the dollar in Algerville. Turning food stamps into cash of course is a way to buy drugs, but it also frees the income for the purchase of non-food items. The first days of every month will find both licit enterprises and the most liquid business in the neighborhoods, drug dealing, busy exchanging food stamps for cash or drugs.

Drug sales have always been highest around the first of the month. Many of those who have little to hope for use too much of their money to buy some relief from the worries of the month. For those drug dealers who mainly sell to customers in the neighborhood, the vast majority of their sales take place in the days and first week after checks are mailed.

#### **4. Hustlers**

One set of men within Horatiotown and Algerville and neighborhoods like them are the hustlers, men who are selling drugs or who are involved in illicit enterprises “24/7,” or full time. They are generally young, male adults, and they have been in business for several years. Most have a criminal record, but a surprising number have never been convicted of a crime. Drugs are not the only hustle, and even for drug dealers, a back-up “hustle” is needed in case he or she runs out of money to “re-up.” One popular hustle is sales of cell phones, which can be purchased by you or me for as little as \$5 or \$10. Some men do not like drug sales, and specialize in burglary, sometimes called “creepers.” Some sell guns as part of their drug business. Others do purse snatching, breaking into cars, or other such criminal specialties. Some drug dealers are “fake artists” specializing in selling fake cocaine and other drugs to passersby. These drug dealers seldom last long, since they soon wear out their welcome and give drug selling spots a bad reputation. They are frowned on by “respectable” drug dealers

Some hustlers are “new jacks” who develop a “cold” reputation and are feared on the streets as people who are quick to use violence to settle disputes. These “new jacks,” I believe, are responsible for a disproportionate amount of the areas’ violence. Most hustlers today, however, have spent considerable time figuring out how to avoid violence and try to keep their nose to the grindstone making money. Some men who were new jacks as teens have mellowed and “aged out” of violent crime. For most of those full-time drug sellers we interviewed, the business of drug selling was taken very seriously, and violence was minimized. While each neighborhood had several major dealers, the most successful drug dealers in Horatiotown and Algerville, just as everywhere else, have pulled up stakes and moved to the suburbs, leaving their friends behind. Some continue to sell wholesale; others have invested their drug profits in licit businesses. Major suppliers seldom live in neighborhoods like Horatiotown or Algerville.

#### **5. Down and Outs.**

There is another set of people in Horatiotown, Algerville, and similar neighborhoods who are drug users and whose life revolves around cocaine or heroin. Some are employed as runners, which gives them drugs and often enough food and rent to keep on going. Women who are dope fiends use any licit or illicit money to continue their partying and drug use. Many of the women exchange sex for drugs when the money runs out. Others work as prostitutes, with ties to local drug dealers, as described above. All of the prostitutes we surveyed in Algerville were heavy drug users, and many were trying to escape the life in order to get their children back from relatives or from Child Protective Services. The ten prostitutes we surveyed in Algerville together reported receipts of between \$1000 and \$5000 per month, depending on whether it was a “good” month or not. While not all prostitutes are heavy drug users, research evidence from Chicago and New York suggest that the crack economy has transformed the world’s oldest profession, with the dope man replacing the pimp (Goldstein et al 1992). Our male informants believed that prostitution was increasing, especially among teenage girls, but we have no data to validate their beliefs.

Horatiotown and Algerville are ideal neighborhoods for the down and out, since drugs are plentiful and parties often continuous. The night life is alive, especially around the first of the month. Heavy drug users and older adults with

little money may collect cans to exchange for cash. Some wait outside restaurants, where they know the sympathetic owner will let them sweep floors or do some work for a hot meal.

## **6. Kids**

The final group of people who play an economic role are children. Some parents let their kids play on corners, but other parents keep their children indoors as much as possible to avoid violence and the temptations of street life. Local gangs hang on corners, and boys and girls who are often outdoors have to decide whether to join. The gang is a street-oriented peer group, but it also provides opportunities for making money. Junior gangs members, as young as 11 or 12, work as look-outs for drug businesses, getting paid in dope, money, or favors. Some young kids see all the money being made by siblings or relatives and become self-employed as drug sellers. Sometimes juveniles carry guns or run other risks for older drug sellers. Kids who hang out in these neighborhoods have to be streetwise to survive. While some drug deals and other illicit ventures are performed in front of children, most dealers keep their “business” from kids. Mothers’ responsibilities for children probably account for women’s much lower participation in risky drug sales and violence. There is some anecdotal information that teenagers are being asked to work in licit or illicit jobs to replace lost welfare money, but more ethnographic work needs to confirm this notion.

## **CONCLUSIONS AND IMPLICATIONS FOR POLICY**

My purpose for writing this seldom-told story of illegal drug use and sales is to promote a better understanding of the consequences of economic restructuring for the poor in our cities. Rather than starve or sink into self-pity, thousands of poor Milwaukeeans have been forming new businesses in order to survive. In a few cases, these businesses become quite profitable. But most are small-scale and do little to lift poor people from the margins. At the present time, it is these economic activities, not politics or rebellion, that hold center stage at the theater of the streets. Many of those new businesses have as their product illegal drugs. In fact, the drug business is the most profitable sector of an expanding informal economy. While drugs are harmful and destructive, as well as illegal, this report has sought to dispassionately understand the drug business in the context of the various economic and entrepreneurial strategies of the minority poor, in contrast to drugs’ more social role in the white suburbs. I hope this report will encourage both conservatives and liberals to engage in a rethinking of our nation’s and state’s drug policies.

This report includes several major findings that are at variance with stereotypical images of poor people and the drug business.

**1. Much of what we call “crime” is actually work.** Both Horatiotown and Algerville are literally alive with informal economic activity. The 28 drug businesses surveyed employed a total of 191 people. At least 10% of all male Latinos and African Americans aged 18-29 living in these two neighborhoods are supported to some extent by the drug economy.

**2. The work of drug dealing in the central city is in many ways an innovative, entrepreneurial, small-business venture.** The business of drug dealing in these two neighborhoods has changed over the past five years. For sixteen of the twenty-eight drug businessmen, drug sales are no longer based on corner and drug-house-based sales but has transformed into a more mobile, less risky, innovative, entrepreneurial venture.

**3. Most drug entrepreneurs are hard working, but not super-rich.** The majority of entrepreneurs in Horatiotown and Algerville grossed between \$1000 and \$5000 per month, hardly the media stereotype of Mercedes Benz-driving drug dealers. Drug businessmen work long hours, usually from mid afternoon until early morning. More than a quarter also work a legitimate job to make ends meet. The majority of their employees are daily drug users, are not paid in money, and have difficult working and living conditions.

**4. Most drug entrepreneurs aren’t particularly violent.** While drug dealing may attract violent criminals to its ranks, it also appears that successful drug businesses are those which avoid violence. More than a quarter of all drug businesses surveyed reported no violence at all in their business, and nearly two thirds reported violence oc-

curred less than once a month. This is a major change from the early 1990s when drug gangs violently competed for markets.

**5. Drug entrepreneurs have reduced their risk of arrest.** Innovative sales techniques have minimized the risk of arrest for most drug sellers. A quarter of all drug entrepreneurs reported no problems with police at all, and a majority reported problems with law enforcement no more than once a month. The modal method of drug sales — utilizing drug-addict “runners” — has allowed drug entrepreneurs to displace most risk onto their employees and avoid arrest.

**6. Women do not seem to be entering the ranks of drug sellers in large numbers.** Women still appear to be playing a secondary role in the drug business. Only five of twenty two drug entrepreneurs were women, and only three of seventeen wives/spouses were involved in their husband’s drug business. Our data do not indicate increases in prostitution are occurring, except for anecdotal information on increases in teenage girls exchanging sex for drugs. Whether welfare reform will influence the patterns of female involvement in prostitution or drugs sales is unknown.

**7. Drug dealing by whites in the suburbs and youth culture is more about partying than economics.** Drugs are sold mainly by “word-of-mouth” means to white youth in the suburbs. There are no stable, neighborhood, drug-selling locales like Horatiotown and Algerville in the suburbs. White youth and suburban drug dealers hire very few employees, and drug dealing is more part of a “partying” lifestyle than a job. Drugs are sold to whites through contacts at work, at taverns and athletic leagues, and at alternative cultural events like “raves.” These methods are more hidden from law enforcement than neighborhood-based sales. Police have chosen to focus on neighborhood-based drug sales, rather than workplace or nightclub-based drug sales. This is a major reason for the racial disparity in arrests for drug offenses.

### Policy Options

What implications can we draw from this study? I’m sure that there will be a variety of interpretations by the readers. Some will be outraged. Hopefully, some will want to rethink some of their old ideas. I am not a policy maven, and I do not wish to push my own agenda on the readers of this report (for the curious, the policy suggestions of my Drug Posse and Homegirl studies can be found at <http://www.uwm.edu/Dept/CUIR/MajorRes/posse.html>, and in the second edition of my book, *People & Folks*, available at your local bookstore). But there are some options that I think the reader could mull over.

I believe the extent and centrality of drugs to the informal economy — a major way poor people are trying to survive — indicates we should reconsider our current drug policy. I think there are four alternative policy directions from which we can choose, each with advantages and disadvantages. To conclude this report, I will briefly outline each of these and then suggest a method for those concerned citizens of both the right and left to attempt to forge a common, more sensible policy out of the highly charged and deeply partisan issue of drugs.

**1. We can continue on our present “War on Drugs” course.** This is the most likely policy direction, since any deviation from it brings immediate cries from both Republican and Democrats that the offending politician is “soft on crime.” Thus, our drug policy is held captive to politics rather than rationality, as pointed out by such luminaries as John DiJulio, William Bratton, Mark Moore, Glen Loury, and Robert MacCoun (see Wren, *New York Times* 1997).

Our present policy has the advantage of enforcing norms against drug use. It does this by incarcerating large numbers of law breakers. The war on drugs has seen little resistance from the poor, and it has support from all segments of the polity. Present policy does create jobs — for working-and middle-class people of all ethnicities as workers in a growing criminal justice system which has as a national budget approaching \$100 billion per year (Martin and Jurik 1996).

The war on drugs, however, does not create jobs for the poor. It has the disadvantages of the high cost of incarceration which must be born by taxpayers (see especially Caulkins et 1997 — the Rand study on this issue). Present pol-

icy also has the discriminatory impact of incarcerating a disproportionate number of minorities and poor people (Tonry 1995). Finally, it is the most likely of the alternatives to eventually provoke rebellion among the underclass and violence in overcrowded prisons.

**2. We can legalize drugs.** This is supported by a growing number of people from the left and the right, but there is little chance of its adoption in the near future. Its main advantages are that it would regulate and tax the sale of drugs and drastically reduce costs of law enforcement and incarceration. It would free up a large proportion of our police force from fighting a no-win war against widespread, and probably unstoppable, drug use. It would have the main disadvantage of weakening social norms against drug use and perhaps increasing the use of dangerous drugs (see Inciardi 1991 for opposing views). Our own studies in Milwaukee have found that even most drug dealers are opposed to legalization. I believe this is an option suitable for study, rather than immediate implementation.

**3. We can support an old-fashioned, liberal, jobs program.** Replacing the “War on Drugs” with a new “War on Poverty” does not appear to be either a realistic, nor a long-term policy option. Its advantages are that it would attempt to remove the economic incentives for small-scale, drug selling. It would provide licit opportunities for those who feel they have few economic choices. Its main disadvantage is that it is far from clear that the low paid, unskilled jobs created in such a program would be a significant disincentive to more profitable drug sales. Make-work jobs, dependent on shifting political winds, would not offer much long-term hope to the poor. The nature of today’s global economy would probably penalize, by disinvestment, the US, or any country, which initiates massive social expenditures on jobs for the unskilled (see Thurow 1997; for a more optimistic “minimum labor standards” approach, see Portes 1994). Such a universal jobs or social insurance program would also inevitably increase immigration to the US and present difficult policy options for those deciding who would qualify for such a “universal” jobs program.

**4. We could attempt a conservative, but daring, approach.** The outlines of such an approach have been suggested by many on both the right and left, but there is little open support for new directions or fresh thinking by powerful politicians (see Wren 1997 for a New York Times report on one such effort). A daring, conservative, policy would include continuing strong social disapproval for drug use, but it would make distinctions between non-violent drug offenses and violent crime. Non-violent economic activity would not be punished as harshly as violent crime against persons, or the use of firearms — the opposite of much present policy. To be explicit, non-violent drug dealers would receive less harsh penalties — mainly alternatives to incarceration like job training, drug treatment, or community supervision. Severe penalties would continue for violent offenses and for use of firearms.

Such a conservative, daring policy would be based on the importance, public and private, of the economics of drug sales for the poor, consistent with the argument of this report. It would imply increased investment in central-city neighborhoods like Horatiotown and Algerville. It would encourage tax credits and subsidies for new, licit businesses, and linkages between the private sector and entrepreneurial training. One example of such an innovative business ventures is Homeboyz Graphics, a business run by former gang members, who design and sell web sites (<http://www.homeboyz.com>). In other words, this new direction would include, at a minimum, more toleration — a “look the other way policy” — for most non-violent, productive, informal economic activity.

The disadvantages of such an approach are that there are no guarantees that it would reduce drug use or violence. On the other hand, present policy has been less than successful in those regards as well. The main advantage of a new approach would be that it has the potential to forge a consensus between actors on all ends of the political spectrum. It would be based on an understanding of the poor as hard-working, rational human beings who, in the face of distress, are making their own opportunities. They deserve our respect and support. I would hope that we may be able to go beyond simplistic liberal and conservative bromides of “more jobs” or “more prisons” and offer new hope for the future.

#### A Call for Dialogue

Hernando de Soto (1990, 258), in his study of the Peruvian informal economy, which has been praised by both the right and the left, argues:

The real remedy for violence and poverty is to recognize the property and labor of those whom formality today excludes, so that where there is rebellion there will be a sense of belonging and responsibility. When people develop a taste for independence and faith in their own efforts, they will be able to believe in themselves and in economic freedom.

How to create an economy that works for those on the bottom of our socio-economic ladder, as well as for those on top, it seems to me, is a crucial question for both the left and the right. The informal economy is not the solution for our nation's ills, but it may be a part of the solution. As a person with a long history of left wing activism, I am committed to fighting for a future where our nation's poor can find hope for a better life and live in respect, without fear of starvation, persecution, or violence. I know that there are people of all political persuasions who also share this goal. How can we find common ground? The Johnson Foundation's Wingspread conference center may be the perfect environment for such a right/left dialogue. Perhaps Wisconsin can lead the way for the nation.

A fitting conclusion to this study would be to listen once again to the words of Hernando de Soto. After criticizing Peru's left for a failure to move beyond abstractions and their inability to do something practical to create meaningful work for the poor, de Soto addressed the right:

The leaders of Peru's right wing may be able to play a significant role in the future if a fresh look at informality makes them realize that their prejudices have closed their eyes to poor people's problems and to the possibilities of attracting and helping the neediest classes. (256)

Real change requires courage and fresh thinking. This report was written to inspire both.

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### **Appendix One: Drug Business Survey**

1. How long have you been in business?

less than 6 months	0
6 months to a year	5
one to two years	10
more than two years	13

2. How many people are employed at this business?

partners	83
runners	108

3. How are your employees paid? N/A (see # 4)

mainly cash
mainly drugs
other

4. How are your runners paid?

mainly cash	4
mainly drugs	16
other	1

5. In a typical month, how much does this location gross in sales?

less than \$500	4
\$500 - \$1000	6
\$1000- \$5000	14
> \$5000	4

6. What percentage of the business's customers are

from the neighborhood	between 10% and 100%
white	between none and 80%
female	between 33% and 67%
suburbs	between none and 70%
regulars	between 10% and 90%

7. How has that changed since the business started?

more whites buying	3
no change at all	5
more customers	7
fewer houses	1
got slow	2
more guns	1

8. Is the business gang related or	free lance	10 17
9. Is the market open or	closed	16 11
10. Is the main supplier gang		11
non-gang		16
out of town		20
local		7
11. Problems with police?		
daily		1
weekly		4
once a month or so		15
not at All		7
12. Problems with violence?		
daily		0
weekly		3
once a month or so		16
not at all		27
13. Seller a user		11
non user		16
14. Type of drugs sold		
marijuana		11
cocaine		16
crack		9
heroin		5
lsd		1
fake stuff		4
other		4
15. Other business at location?		
legit business		4
Other illicit business		6
prostitution		3
guns		1
after hours		1
16. Owner also work a legit job?		
mostly full time		7
mostly part time		1
AFDC or welfare		6
no legit job		14

17. Spouse of owner in business

full time	3
part time or handler	2
not at all	17

18. Spouse works

mostly full time	5
mostly part time	3
AFDC or welfare	0
no legit job	14

19 Business at:

private house	6
bar	5
follows seller	16
other legit business	1

20. How many business in the area went out business last year?

N/A (multiple responses)

21. How?

police	10
just quit	1
moved (still in business)	2
run out by rival	0
neighbors	0

## ABOUT THE INSTITUTE

The **Wisconsin Policy Research Institute** is a not-for-profit institute established to study public-policy issues affecting the state of Wisconsin.

Under the new federalism, government policy increasingly is made at the state and local levels. These public-policy decisions affect the life of every citizen in the state. Our goal is to provide nonpartisan research on key issues affecting Wisconsinites, so that their elected representatives can make informed decisions to improve the quality of life and future of the state.

Our major priority is to increase the accountability of Wisconsin's government. State and local governments must be responsive to the citizenry, both in terms of the programs they devise and the tax money they spend. Accountability should apply in every area to which the state devotes the public's funds.

The Institute's agenda encompasses the following issues: education, welfare and social services, criminal justice, taxes and spending, and economic development.

We believe that the views of the citizens of Wisconsin should guide the decisions of government officials. To help accomplish this, we also conduct regular public-opinion polls that are designed to inform public officials about how the citizenry views major statewide issues. These polls are disseminated through the media and are made available to the general public and the legislative and executive branches of state government. It is essential that elected officials remember that all of the programs they create and all of the money they spend comes from the citizens of Wisconsin and is made available through their taxes. Public policy should reflect the real needs and concerns of all of the citizens of the state and not those of specific special-interest groups.