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Research paper

Drug dealers' rational choices on which customers to rip-off☆

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ABSTRACT

Background: Drug dealers are infamous for overcharging customers and handing over less than owed. One reason rip-offs frequently occur is blackmarket participants have limited access to formal means of dispute resolution and, as such, are attractive prey. Yet drug dealers do not cheat every customer. Though this is implicitly understood in the literature, sparse theoretical attention has been given to which customers are ripped-off and why.
Methods: To address that lacuna, this paper uses the rationality perspective to analyze qualitative data obtained in interviews with 25 unincarcerated drug sellers operating in disadvantaged neighborhoods of St. Louis, Missouri.
Results: We find that dealers typically rip-off six types of customers: persons who are strangers, first-time or irregular customers; do not have sufficient money on hand to make a purchase; are uninformed about going market rates; are deemed unlikely to retaliate; are offensive; or are addicted to drugs. Dealers target these groups due to perceiving them as unlikely to be repeat business; not worth the hassle of doing business with; unlikely to realize they are being ripped-off; in the wrong and thus deserving of payback; and, unwilling to retaliate or take their money elsewhere.
Conclusion: Our findings are discussed in relation to their practical implications, including the importance of giving blackmarket participants greater access to law, and how customers may prevent being ripped-off.

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Introduction

Illicit drug dealers are notorious for ripping-off their clients (Jacobs, 1998, 1999). This is partly attributable to the fact that they operate in a blackmarket beyond the reach of government regulation and mediation. When swindled or otherwise treated unfairly, a complainant has little or no access to formal means of dispute resolution (Goldstein, 1985; Reuter, 2009). However, sellers do not take advantage of every buyer; some get a fair deal or better, whereas others are defrauded or charged more than the going market rate. So who do dealers rip-off and why? This paper addresses that question by using the rationality perspective to analyze qualitative data obtained in interviews with 25 unincarcerated drug sellers. Toward that end, first we describe our theoretical framework, prior research on the topic, as well as our method and data. Then we present our findings, and conclude by discussing their scholarly and practical implications.

Rationality and drug market rip-offs

One of the earliest proponents of the rationality perspective is Bentham (1988 [1789]). In a series of works, best known of which is *The Principles of Morals and Legislation*, he outlined the causes and consequences of rational decision making, especially as it pertains to crime and control. His propositions are as elegant as they are numerous, but can be summarized as follows: the utility of an action is the amount of pleasure minus pain it brings; people seek to maximize pleasure and minimize pain; thus, when choosing how to act, a person selects the option with the greatest perceived utility.

A progeny of the Benthamian legacy is Clarke and Cornish's (1985) rational choice framework. A key feature of this contemporary approach is that it encompasses lessons from a variety of fields, including economics, psychology, and sociology. People are not thought of as making perfect decisions (the view of traditional economics), but instead as making "bounded decisions" influenced by such things as culture, social structure, emotions, and imperfect information (Topalli & Wright, 2013). Thus, people do not always

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make the “best” choice, though their decisions are guided by concerns for obtaining pleasure and avoiding pain.

Drug dealers choose to rip-off buyers because it maximizes their profits. In this paper, we use the term “rip-off” to cover two actions. One type of rip-off is fraud, defined as an instance in which a seller gives less than promised in exchange for a particular price (Jacques & Wright, 2008). This can involve quantity or quality. A dealer, for instance, defrauds a customer by providing 3 g of cannabis despite agreeing to 3.5, or by handing over mid-grade cannabis when it is supposed to be high-grade. The second type of rip-off is selling at an atypically high price. This is not technically fraud (ibid.), but nonetheless may cause a customer to feel unjustifiably taken advantage of (see Chalmers & Bradford, 2013; Hoffer, 2006), assuming they realize this has occurred – a distinction we return to in the findings section. An example is a seller who charges a customer $100 for a gram of cocaine despite usually charging half that price. In short, then, a rip-off refers to defrauding or overcharging a customer, and it is rational for sellers to engage in this practice because it increases their profit margin.

The literature on illicit drug trade paints rip-offs as a common occurrence (see, e.g., Jacobs, 1999; Williams, 1989). As noted above, a major reason for this is that blackmarket exchanges are unregulated by the government. As such, there is no official body that sets or enforces price limits and punishes unfair or predatory business practices. Thus when defrauded or discriminatorily overcharged, drug buyers are unable to make a police report or to file a civil claim (Reuter, 2009). Dealers are well aware of this and take advantage of it, as rip-offs are more rational to the extent they are less likely to be formally punished (see also Jacobs, 2000; Wright & Decker, 1994, 1997). As one of the sellers we interviewed put it, “I mean what you gonna do? What, you gonna go up to the police and say, ‘Hey man, he skeeted me out of an ounce’? Hell no.” Such perceptions – combined with the disposition to maximize benefits – give dealers reason to defraud and overcharge customers.

The theory expounded above amounts to a macro-level or contextual explanation of illicit drug market rip-offs. In other words, it sheds light on why illicit drug sellers are more prone to scam customers than are licit sellers of, say, alcohol or cigarettes. Despite its merits, however, that theory is incapable of explaining why dealers treat some customers fairly but rip-off others.

What explains which customers are treated unfairly by dealers? Though there are anecdotal examples in the literature, very little theoretical attention has been focused on this question. Instead, studies on drug market rip-offs have focused on three areas. One is to look at rip-offs generally by dealers operating in a specific market or locale (e.g., middle-class suppliers in California or urban disadvantaged dealers in St. Louis, see respectively, Adler, 1993; Jacobs, 1999), including how they are affected by law enforcement interventions (see, e.g., Aitken, Moore, Higgs, Kelsall, & Kerger, 2002; Maher & Dixon, 1999). Another line of inquiry examines how drug traders avoid becoming the *victim* of rip-offs when making stock purchases; their methods of preventing victimization include, among others, only trading with trusted individuals and using a digital scale to weigh the product (see, e.g., Jacques & Reynald, 2012; Zaitch, 2002). The third area of research delves into how drug traders react to being ripped-off; their responses include everything from violent retaliation to negotiation, avoidance, and toleration (Bourgois, 2003; Jacobs & Wright, 2006; Jacques & Wright, 2008, 2011; Taylor, 2007). While all of these investigations are valuable in their own right, their focus is such that they shed little light on who exactly dealers direct their unfair sales practices towards and why this is so.

Perhaps surprisingly, there appears to be more known about why sellers do not rip-off customers and who they treat preferentially (i.e., give relatively low prices, more quantity, or better quality) than why they rip-off particular individuals. Dealers, for instance, are known sometimes to avoid engaging in predatory behavior because it is potentially bad for business or may result in retaliation (Adler, 1993; Bourgois, 2003; Jacobs, 1999), and also to give customers more than owed – or “the hook up” – because it builds customer loyalty and thereby earns repeat business (Coomber, 2003; Jacobs, 1999). Those studies hint at the answer to our research question, but they do not explicitly address it.

After describing our method and data, we draw on sellers' own words to demonstrate the rational calculation behind choosing which customers to cheat.

Method and data

This paper draws on interviews conducted in 2006 with 25 unincarcerated drug dealers residing in disadvantaged urban neighborhoods. At the time of the interviews, all of the participants were actively dealing drugs or had done so within the previous two years. The interviews, which typically lasted about an hour, were semi-structured to provide some consistency in terms of the topics discussed while still permitting other matters to be introduced. Questions asked of the participants included, “Who, if anyone, do you charge a higher price than normal? Give less quantity or lower quality to than they pay for?” For each answer, participants were probed for details, including how the events unfolded and the thinking behind their actions.

The sample was recruited by a tried and trusted project fieldworker, who himself is a former offender. He worked through chains of street referrals to solicit introductions to drug dealers, and then built on these introductions to initiate further contacts. Recruitment is the most dangerous and difficult component of this sort of research. Recognizing this, the fieldworker was compensated $75 per successful recruit; participants received $50 for an interview.

All of these drug dealers were African-American, and six of the 25 were female. Five had attended college, but none had graduated; of the remaining 20, eight had graduated from high school. The age of the sample clustered around 30 years old. Criminal justice involvement was commonplace for this group; virtually all of the dealers had arrest records. Many of these dealers sold crack cocaine or heroin, a few traded in cannabis only; other drugs were also mentioned by a few, including ecstasy and PCP. The sample is composed largely of retail dealers (e.g., persons selling a few grams at a time), with some low-level suppliers – or “middle-men” – also being interviewed (e.g., persons selling a few ounces or pounds at a time). Sellers often sold drugs openly on the street, which was especially true for retail sellers; inside residences, be it their own or someone else's; and would drive or take public transportation to make sales in the car parks of public businesses, such as fast-food restaurants and discount outlets.

The participants reside and ply their trade in disadvantaged neighborhoods in St. Louis, Missouri, which as of 2010 had a population of about 320,000 that is predominantly black (U.S. Census Bureau, 2012). Around the time of our study, St. Louis was ranked as the United States' most dangerous city (Morgan & Morgan, 2007; but see Rosenfeld & Lauritsen, 2008). The neighborhoods from which our participants were recruited are not only are extremely poor, but also have high rates of unemployment, low rates of educational attainment, large numbers of single parent households, and widespread substance use.

As with any interview-based study, some participants may have lied or distorted their accounts to impress or mislead us. To minimize this possibility, interviewees were promised confidentially and informed of their rights as research participants via a consent form read to them at the start of the interview. Inconsistent

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