

Drugs and Market Structure:
Is There Really a Drug Crisis in the Black Community?

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Introduction

What was the number one public policy problem facing black communities in the late 1980s? Many human service sector professionals, who deal with the social cancers that seem to infect the black community in ways that defy solutions, will contend the answer is: drugs. Many in the law enforcement and corrections sector, who view the enormous problems associated with the dramatic explosion of prison populations during the 1980s, will say: drugs. And, for anyone whose version of world events comes from reading the morning Washington Post, the response will almost always be the same: drugs. The resounding theme of hundreds of editorials, news-specials, political speeches and even foot-stomping, bible-slapping sermons is the drug crisis in the black community.

Drugs seem to be the black killer of the 1990s. Drug policy, especially a national drug policy that until recently has focused on supply-side strategies, is viewed by many blacks as a policy aimed at destroying black youth. Drugs are a killer. Many blacks privately contend, however, that a bigger killer may be our misguided drug policies.

This contention, especially as uttered in private, is an expression of more alarming concern. Many blacks believe that national drug policies are not just misguided, but intentionally directed to achieve a horrible result: the elimination of a superfluous pool of already marginalized segments of the black population. Some have argued that drugs and drug policies in the United States are the moral equivalent of genocide.

This paper considers the issue of the drug crisis within a broader context of public policy-making and the black community. It offers evidence that challenges the conventional notion that drug use is on the rise and that black communities are being wiped out by the proliferation of cocaine and crack markets that are thriving in those communities' midst. The contradictory statistical indicators pose critical challenges for various public policy postures regarding drug markets. Simple partial equilibrium models demonstrate this contradiction. Within these models, however, it is possible to reconcile the conflicting evidence that: 1) overall drug use is declining; and, 2) drug addiction is on the rise among blacks.

Historical Backdrop

It is useful when considering the problem of drugs in the black community to examine related past instances of blacks in America becoming the victims of both misguided and intentional public policies that have deleterious impacts on the social and economic status of minority communities. There is a long history of a direct relationship between public policy formation in America and the status of blacks. While the words "slavery" and Negro or African never appear in the Bill of Rights or original articles of the U.S. Constitution, every strand of evidence points to the fact that public policy makers struggled from the start of this nation to deal with two groups that had at best an ambiguous legal standing: blacks and Indians. When one considers how public policy affects blacks from a historical perspective, one is struck by the fact that blacks have almost always been the subject of distinct public policy making. The state sanctioned efforts to enslave them; the judicial system upheld efforts to enfranchise them; legislative efforts were made to disenfranchise them; local efforts were made to isolate and control them; federal and congressional efforts were made to restore civil rights to them; and more recently judicial efforts were made to curb those earlier hard won rights that were designed with the intent to economically empower them; all of these efforts are parts of an ongoing interplay between the black community and public policy formation.

The most recent shift, during the Reagan Administration, toward retrenchment of Civil Rights serves as an important reminder that the relationship between blacks and public policy-making is dynamic, with many defeats and a few victories.

One valiant victory was the Civil Rights Act of 1964, which outlawed employment discrimination. It was the capstone of a series of efforts designed to open the doors of political and economic opportunity for blacks. Gunnar Myrdal argued in *An American Dilemma* that the major roadblock to the economic advancement of blacks was their lack of political empowerment. The main legacy of the Civil Rights Movement is a legacy of black political empowerment. By securing such basic civil rights as voting, unsegregated housing and nondiscriminatory treatment in employment, the black population was poised to assert its influence on public policies that would not only affect them, but the rest of the nation as well. No one would deny that one of the direct consequences of the civil rights movement was the political empowerment and enfranchisement of black people in America. And, with the civil rights victories of the 1960s came rising expectations for continued social and economic improvements for all blacks.

Yet, have those expectations been met? Many of the social and economic problems confronting minority communities today are as severe now as they were twenty-five years ago. Civil rights brought the dismantling of century-old laws and outdated, racist practices, but having legally sanctioned civil rights did not eliminate racial inequality. While some individual blacks saw their earnings increase dramatically, the incomes of the vast majority of black families continued to lag behind those of whites. Poverty rates were as high among black families in 1989 as they were in the 1960s. Crime seems as vicious and destructive now as it seemed when the Kerner Commission issued its report on black community problems after the riots of 1960s. Prisons, which have almost always been disproportionately black, are blacker now than ever. Welfare dependency, drug addiction, joblessness, all these problems still seem unresolved decades after national attention was directed toward what some have come to call the "black problem." In other words, black political power has not assured black economic power. This reality has not been lost on the black masses, nor on white conservatives.

An extremely disturbing current in public policy debates of the past decade is the tendency to identify the causes of problems confronting minority communities as the failings and inadequacies of black people themselves. Thus, much of the drug war of the 1980s was directed toward getting black people to "just say no." The problems of births out of wedlock and the rise of female headship seemed to lie in the permissiveness and lack of personal responsibility among black youth, who needed more of a middle-class set of values to set them right. Crime and joblessness were also seen as the consequences of misdirected motivations and lower-class values.

From the policy analyst's point of view, the root of black communities' poverty and hopelessness seemed to be rested in a pathological set of self-defeating and destructive behaviors. The violence, the abuse, the damaging patterns of unproductive behaviors, all were seen as manifestations of a group pathology unprecedented in its persistence and incidence among black people.

This view of the 1980s, however, helped to justify inattentiveness to the mounting problems confronting minority communities and to support a more laissez-faire governmental response to these problems. If the problems of black crime, female-headed families, welfare and poverty are the consequence of moral failings of the black community, then the black community and not the federal government must be in the forefront in laying the path toward salvation for black people.

Were the adherents to this view racists and bigots? Were those who shared this vision all right-wing conservatives? No. Respected scholars at major research universities embraced this perspective. The mainstream black press, which has a conservative reputation, embraced readily the self-help rhetoric. And black churches, particularly the more fundamentalist in orientation that bloomed during the 1980s, unhesitatingly adopted this stance.

The 1980s policy retreat was from two earlier public policy approaches towards blacks in the post-Civil Rights era. The first, which actually had its roots in the 1950s, was an approach that viewed blacks as deficient in skills and knowledge who needed to be assisted by the federal government through education and training programs. The second arose, surprisingly, out of the Nixon Administration in the form of the ill-fated family assistance plan. The plan later was revived and enacted with vigor in another form throughout the 1970s: the transfers approach. Blacks were poor because their incomes, for whatever reason, fell below the poverty line. Thus, to reduce poverty we needed only transfer incomes from the non-poor to the poor. Unfortunately, policy analysts belatedly learned that there may be some disincentives involved in such redistribution. Some also questioned whether in fact it was desirable to redistribute to the poor because they didn't deserve a handout.

This persuasive retreat from the historic dependency of black communities on the federal government was widely supported by an impressive range of intellectuals and grass-roots community activists alike. This retreat was substantially accelerated by the failure of earlier public policy approaches to resolve the dilemmas of the black community.

Now, with the current approaches to the drug problems seemingly contributing to the destruction of the black community, many blacks are worrying aloud. Is this an insidious plan designed to cause the rise in mortality rates of marginalized groups? Is this a plan to erode the traditional values and culture that support the development of a strong black community? Is the expected result of present drug policies the withdrawal from productive spheres of economic life, self-defeating and destructive behaviors by these marginalized groups? How is it that young males in the marginalized population are killing one another at such alarming rates that the ability of the population to reproduce itself is effectively eliminated?

What internationally recognized term would best describe this process? Of what would the United Nations accuse this nation? If these exterminatory policies were directed towards Jews in Poland, Armenians in turn-of-the-century Turkey, or Indians in Paraguay, the best word would be *genocide*.

In contrast, when the conditions facing blacks in America are described as genocide, attention shifts away from the facts of their continued marginalization and becomes an issue of semantics.

Such was the case last fall when a black producer of an ABC television documentary on the condition of black life alleged on Ted Koppel's *Night Line* that the drug-crisis in African-American communities "was the moral equivalent of genocide". What was meant, of course, was that national policies that neither stem the flow of addictive drugs into the poorest communities nor resolve the underlying poverty and distress that make the poor vulnerable to the lures of quick, cheap crack highs, amount to exterminatory policies. And, according to the United Nations Accord on Genocide--which the United States has never adopted--such exterminatory policies would be termed genocide. More than merely killing off the people, though, pertinent sections of the accord also suggest that eliminating the culture would be termed genocide as well.

Minister Louis Farrakan, of the Nation of Islam, has made this very claim, but most blacks in positions of leadership in white America have rushed to denounce this connection. In his speech announcing the formation of the Institute on the Black Male at Morehouse College, Louis Sullivan, Secretary of Health and Human Services, hastened to describe as nonsense these increasing calls of drug policy as genocide. Sullivan, whose agency oversees the units that compile data on black mortality and drug addiction, is in a particularly tight spot. He knows that the biggest killers of blacks are not crack cocaine or heroin; they are alcohol and tobacco. And he also knows that these two perfectly legal drugs are produced by industries that have contributed millions of dollars to worthy black causes and institutions, even as they continue to exploit minority markets.

Why, then, is it so important to denounce allegations of a conspiracy to kill blacks? Why is there a rush to discredit genocide theories? There are two reasons. First, black leaders themselves were the ones who called for the very policies that now have come to be regarded as genocidal. And second, the current stream of policies, when viewed from an historical perspective, seem to resemble others that have amounted to the same failures.

With regard to the first reason, one need only look at the fact that the chair of the Select Committee on Narcotics, who is black, has embraced wholeheartedly the national strategy of drug supply reduction. Sullivan's office leads the nation's treatment and drug rehabilitation efforts. The cities with the heaviest drug trade are cities with either black mayors or black police chiefs. This irony is not lost on the conservative critics who see the problem as a black community problem, with its leaders as much to blame as its masses.

The second reason stems from an unwillingness to admit failure. There seems to be a historical consistency of failed public policy developments in the black community. After virtually every major advance, we witness long-term backslides that cannot be regarded as simple accidents. After the Civil War, blacks enjoyed a brief euphoria of economic advancement only to be quickly struck down by the devastation of the declining Southern economy. After the World Wars, blacks earned new berths in industrial America, only to find that these jobs were too few to accommodate large numbers of young blacks entering the labor markets. And now, after the Civil Rights era, a new conservative tide has swept in with an aggressive attempt to focus on the failings of the black community itself. Now, too, when drugs seem to be the newest cancer of the black community, when it seems that drug policies are based on either blaming blacks for their addictions or worse on ignoring the victims in favor of vague and ambiguous international interdiction policies, some black observers have virtually given up in frustration. The frustration leads many blacks to view current drug policies as part of an historical pattern to marginalize the black community.

Leaders like Sullivan understand this frustration. Many of us have chosen to work from within the public sector in order to solve problems that we realize have critical implications for the survival of the black community. Part of the price of working from within, however, is that to be effective, to be heard, to be recognized and respected, we must denounce certain ideas, including the idea that current drug policies are genocidal.

There is little to choose from between Louis Sullivan's version of the world and Louis Farrakan's. But, both beg an important question: is there really a drug crisis in the black community?

Challenging Conventional Wisdom

Whether or not one accepts the view that drugs and drug policies are genocidal forces operating to kill off young black males, one thing seems certain: the drug problem in America is intensifying. It is out of control. And, there is little help along the way to stem the tide of this vicious killer. This contention seems to be the conventional wisdom in many policy arenas. Black leaders are in total agreement that there is a drug crisis in the black community.

Four statistics, however, challenge the view that there is a drug crisis in the black community and offer evidence that refutes that accepted notion. First, there is a nation-wide decline in the use of most drugs, particularly cocaine, the most widely discussed illegal drug in the nation. You can believe or not believe that these declines, measured in every national survey on record, are real. The same surveys reveal that with the exception of heroin, prevalence of use is lower among blacks than it is among whites. Figure 1 shows clearly that while the actual

prevalence of drug use differs among groups, since the mid-1980s there has been a decline in drug use among young people in the non-institutionalized civilian population. For example, among high school seniors cocaine use, as measured by the percent who used cocaine within the last 12 months, peaked at about 13 percent in 1985. It rose from about 7 percent in 1977 to a little over 12 percent in 1981. After a decline in the early 1980s, cocaine use rose again in 1984. The post-1985 decline appears to have been sharp and continued until 1988, the year for which the most recent data were available.¹ Cocaine use among college students, higher than that among high school seniors, also showed a drop in the mid-1980s.² Cocaine use among all aged 18-25 years, generally higher than that of the subset of high-school seniors and college students, appeared to peak in the early 1980s and then to decline throughout the mid-1980s.³ Not including the slight increase in regular hard drug use among criminals from the late 1970s to the 1980s, the patterns of occasional use of cocaine among young people appears clear: there was a sharp reduction in use from the mid-1980s on.⁴

Furthermore, drug use rates tend to be lower among blacks than among whites. While in 1985 12.4 percent of whites reported having ever used cocaine, only 9.9 percent of blacks admitted cocaine use. The gap was narrower for the response to whether cocaine had been used within the past 12 months. For whites the rate was 6.4 percent, for blacks it was 6.2 percent.⁵ By 1988 drug use among blacks and whites was down. Whites reported having ever used cocaine at a rate of 10.8 percent; the rate for blacks was 9.3 percent.⁶ This racial differential in prevalence of drug use is replicated for most other drugs and alcohol as well. It confirms, moreover, that the decline in occasional drug use occurred in both the black and white communities.

The second piece of evidence addresses the question of the risks associated with street-level drug sales. Figure 2 shows that drug arrests per 100,000 population soared from about 250 in 1979 to 400 in 1987. After a brief decline during the late 1970s, the arrest rate for drug abuse violations increased steadily throughout the 1980s.⁷ There are two aspects of risk included in the drug abuse arrest rate. One involves risks to sellers. The other largely involves risks to users, but indirectly affects sellers as well. Sellers are infrequently caught in the act of consummating a sale. But possession of drugs, a crime that often entraps drug users, is a charge frequently leveled against suspected sellers caught only with drugs in their possession. Thus, the combined measure of risk that captures these two indicators ought to reflect accurately the trend in risks faced by sellers alone. And this risk, unquestionably, increased throughout the 1980s.

Figure 1

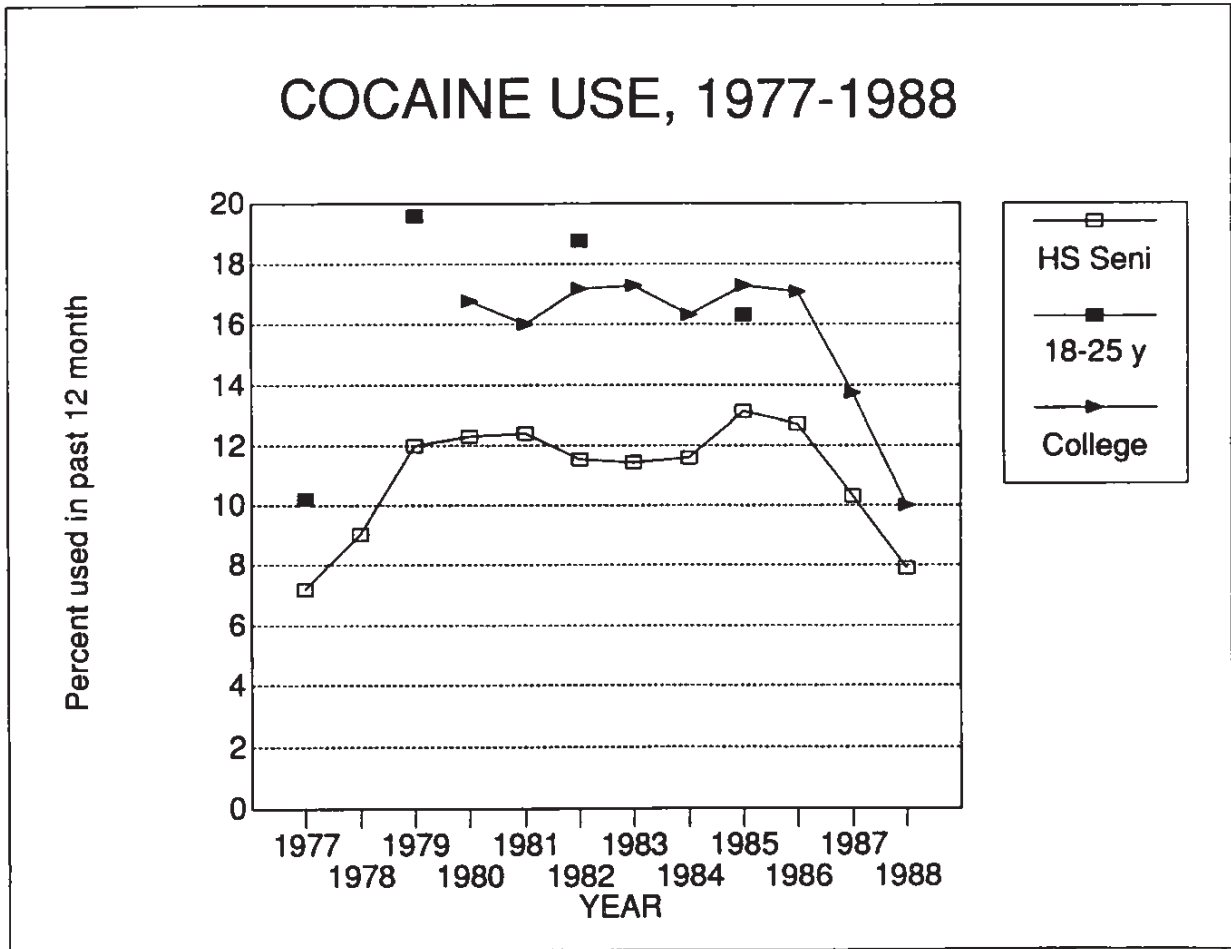


Figure 3 underscores a third aspect of changing drug markets over the past decade. Cocaine prices have dropped sharply since the mid-1980s. The price of a pure gram of cocaine dropped from a high of \$780.00 in 1979 to a low of \$142.00 in 1987. The biggest decline occurred between 1982 and 1983, when the price dropped from \$600.00 to \$314 per pure gram. Others have noted that *price increases* ought to indicate the effectiveness of law enforcement efforts to combat drug sales and curb drug consumption.⁸ However, the street-level price of cocaine is another indicator. Assuming the costs remain constant for dealing drugs--the purchasing from intermediate-level suppliers, and related risks--a fall in the street-level price of drugs will reduce the profitability of drug dealing. The drop in cocaine consumption shown in Figure 1 is consistent with a fall in drug demand that could explain the decline in drug prices; the increase in drug arrests could also explain the fall in drug demand, contributing to a decline in street-level prices. Together with the increased risks to sellers due to increased drug arrests, the fall in drug prices at the street-level suggests a reduction in the profitability of the drug trade, at least to street-level sellers.

How, then, does one interpret anecdotal evidence of escalating involvement by young black males in street-level sales of such drugs as crack and cocaine? The drug trade, it seems, has become *less profitable* in recent years because of the decline in demand, the increase in risks, and the fall in street-level prices. All other things being equal, fewer new sellers should be entering this market, not more.

Yet, just as coke prices have fallen, demand has dropped and the risks have escalated, the relative attractiveness of illegitimate activities among young black males has surged. Figure 4 displays the ratio of black to total median weekly earnings among full-time, year-round employees among males ages 16 to 24. The obvious implication of this is that the relative attractiveness of the drug trade for young black males cannot be the low risks, the high profits, or increased demand for these drugs: the risks are rising, prices and presumably profits are falling, and demand has dropped. The attractiveness of drug trade must arise from the relative decline in legitimate employment.

Or, perhaps the pundits, who claim that drugs are infesting the black community at alarming rates and serve as a new and growing outlet for the employment and entrepreneurial efforts of young black males, are simply mistaken. In particular, how does one reconcile the fact that drug consumption seems to be declining while the black community's drug problem seems to be on the upswing? We answer this question by considering the various partial equilibrium models that could explain the conventional wisdom.

Figure 2

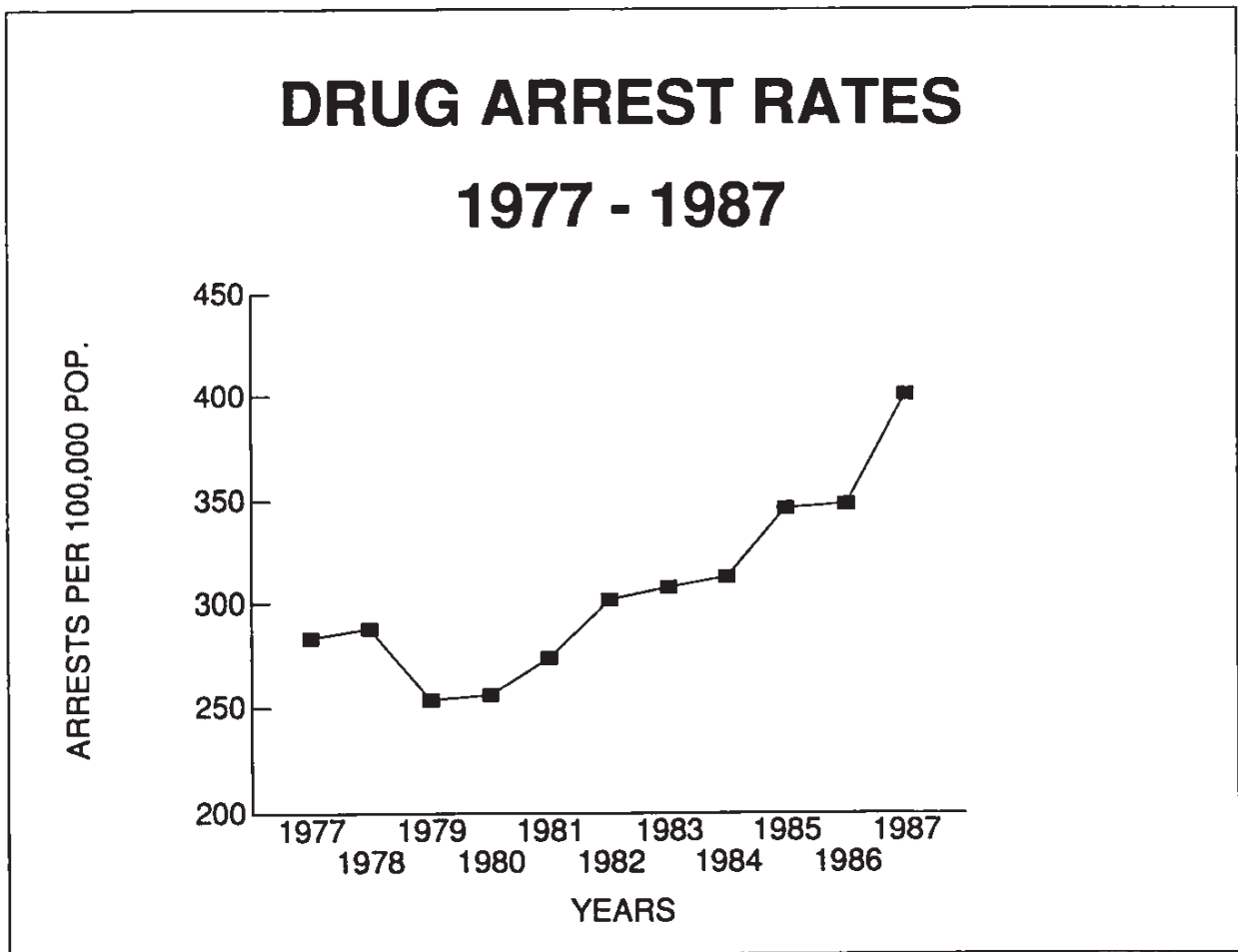


Figure 3

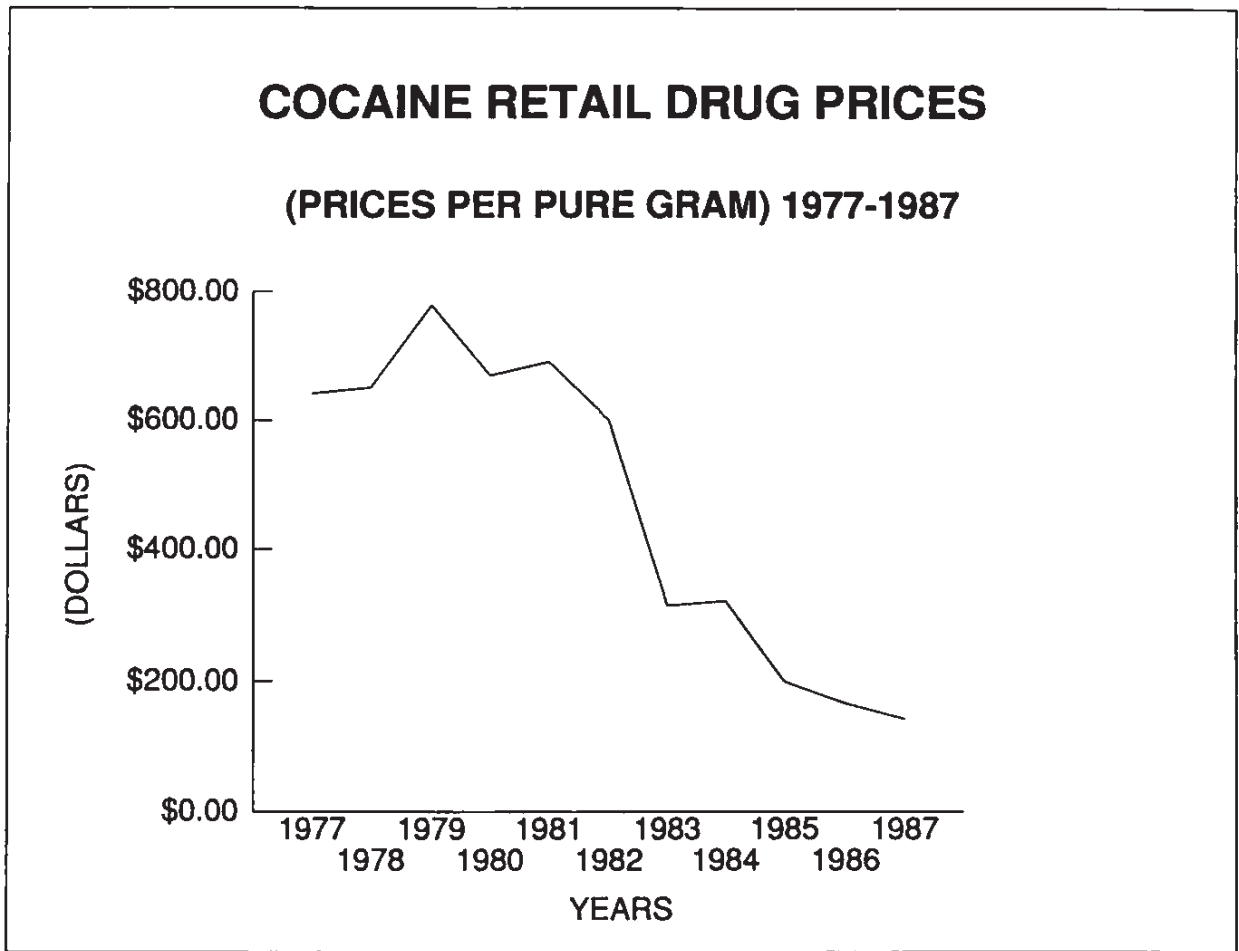
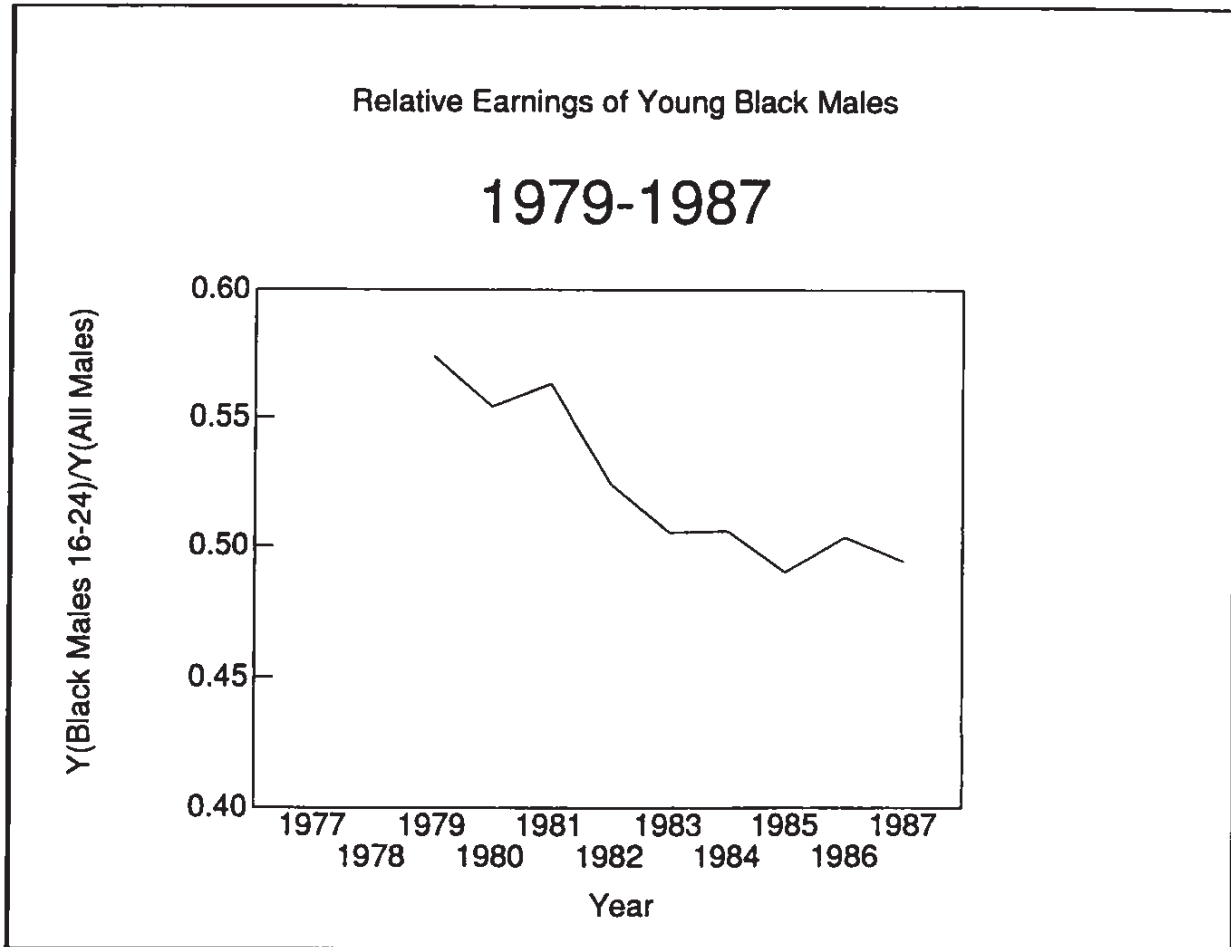


Figure 4



Partial Equilibrium Models

Price reductions in simple supply and demand models generally occur because of declines in demand or increases in supply. We will consider three cases, two capture parables of different viewpoints about what happened to cocaine markets in the 1980s. The third case describes a paradoxical result.

The first case considers the following parable: The Reagan Administration declared war on drugs. It increased drug arrests for the sale or manufacture of drugs by more than 180 percent, increased efforts to stem the flow of drugs into the country by vigorous interdiction efforts and seized increasing amounts of drugs at the different levels of the distribution chain. The expected effect: a reduction in drug supply.

Figure 5 shows this scenario. Demand, D , remains unchanged. Supply falls, shifting from S to S' . Equilibrium drug consumption drops from q^1 to q^2 . This is consistent with the evidence of Figure 1. Yet, as a result of the reduction in supply and the fall in equilibrium consumption, the price rises from p^1 to p^2 , in contradiction to the evidence provided in Figure 3. This scenario, upon which much of the Reagan year's "War on Drugs" was fought, is implausible.

A second case considers this parable: Colombian drug-lords and elected officials blamed the U.S. drug problems on the unsatiable demand for cocaine among American consumers. The alleged effect: increased drug demand and increased consumption. Figure 6 sketches a scenario consistent with this parable. Generally, increased demand *raises* price. One situation, however, wherein increased demand lowers equilibrium price arises when there is forward falling supply. This might stem from an industry with increasing returns to scale: larger outputs can be produced at lower average costs. There is much that can be said about the prospects of a drug-cartel operating in an increasing returns to scale environment. And, such an industry structure is quite consistent with and conducive to the formation of cartels and criminal monopolies. Yet, as Figure 6 reveals, the result of an increase in demand in such a world would be an *increase* in drug consumption. When demand shifts from D to D' , price falls from p^1 to p^2 , but drug consumption *increases* as a result, from q^1 to q^2 . The Colombian parable is not consistent with the evidence: cocaine consumption fell. The notion that the nature of America's drug problem is rising demand, while initially plausible in the international context of criminal monopolies and cartels, simply fails to pan out in the final analysis.

A clue remains to unravel this paradox: falling drug prices and drug consumption accompanied by an apparent increase in black participation in the drug trade. This clue comes when one inspects data on drug addiction and frequent drug use. Whereas white drug use is generally greater than that among blacks, one measure shows a different

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A clue remains to unravel this paradox: falling drug prices and drug consumption accompanied by an apparent increase in black participation in the drug trade. This clue comes when one inspects data on drug addiction and frequent drug use. Whereas white drug use is generally greater than that among blacks, one measure shows a different pattern. Black addiction rates to heroin and cocaine are generally higher than those for whites. The racial gaps in rates of regular use of cocaine and crack rose in the latter part of the 1980s, despite the fact that black and white drug use declined overall.⁹ Moreover, there is scanty evidence to suggest that drug addiction among those not in the populations covered by the national surveys--the homeless, the institutionalized, the imprisoned--is likely to be on the rise. To the extent that blacks are over-represented among those at-risk groups excluded from the conventional surveys, it is possible that overall black addiction rates have increased as well.

CASE 1: DEMAND REMAINS UNCHANGED

SUPPLY DECREASES

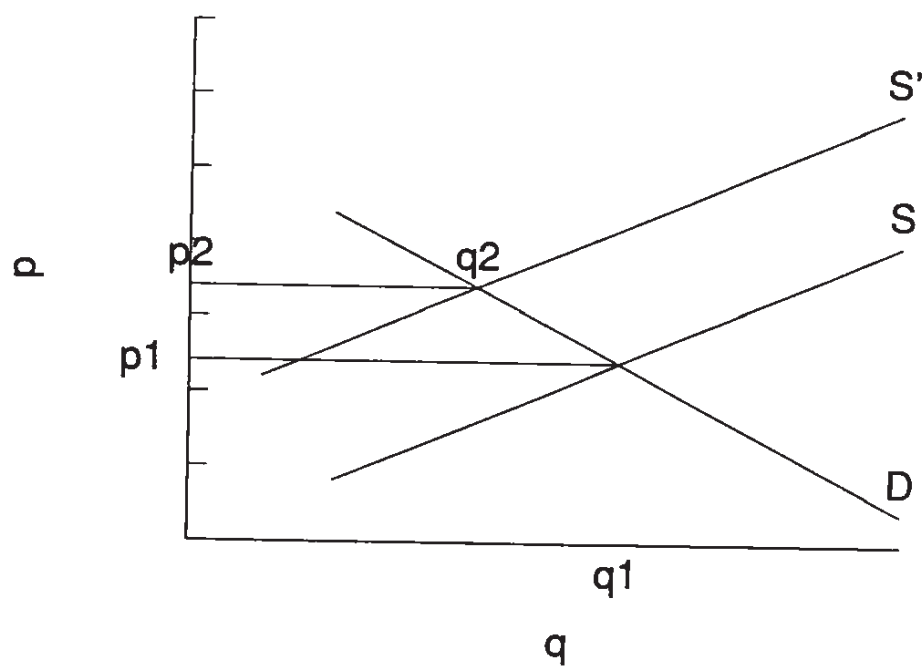


Figure 5

Figure 6

CASE 2: DEMAND INCREASES FORWARD FALLING SUPPLY

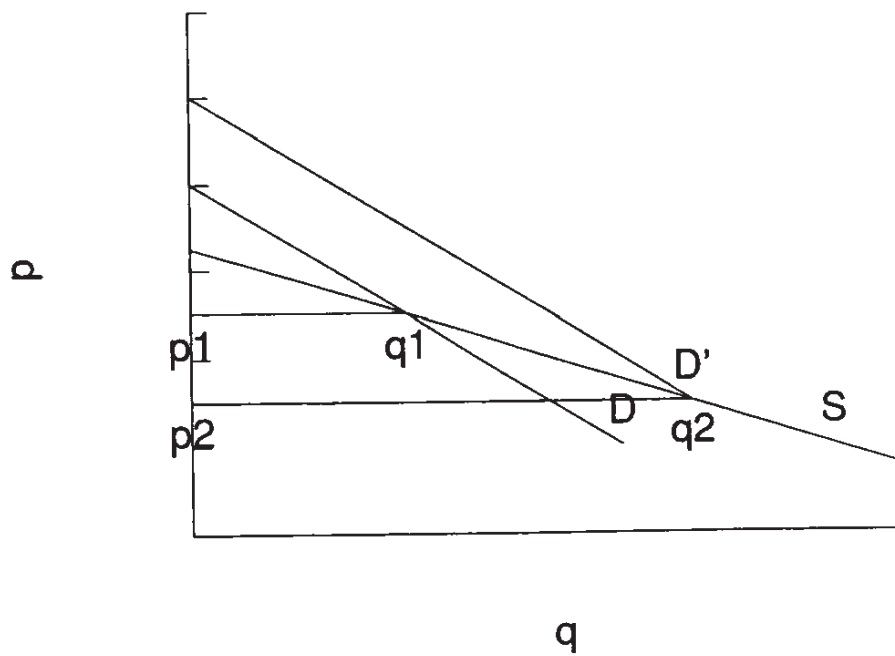
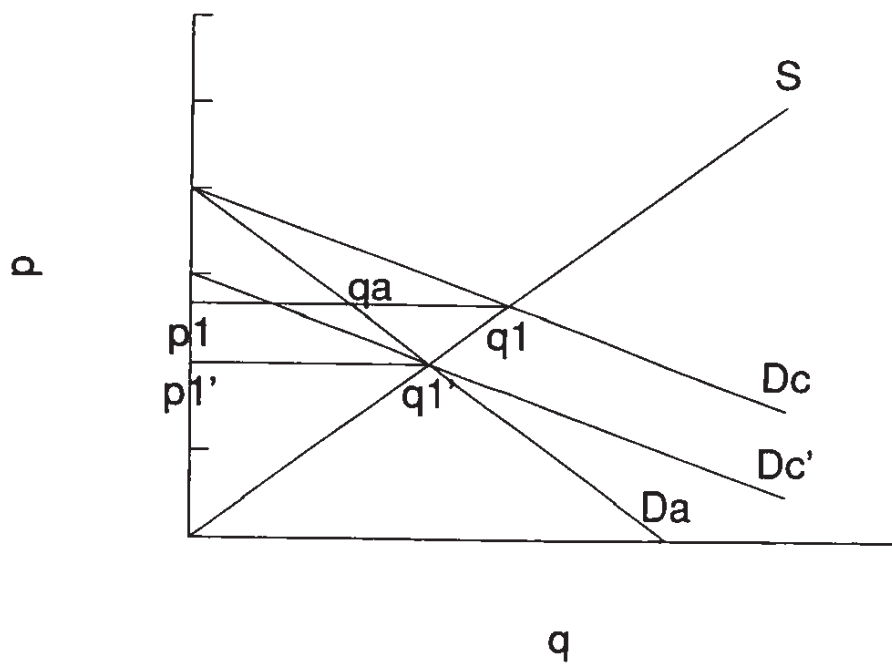


Figure 7

**CASE 3: DEMAND DECREASES
SUPPLY REMAINS UNCHANGED**



This suggests two types of demand for drugs. One demand comes from occasional users. This demand is likely to be very elastic and extremely responsive to price changes. The fall in price and the reduction in consumption among casual users during the 1980s is consistent with a fundamental shift in their demand for drugs: casual drug demand fell. This scenario, displayed in Figure 7, suggests a shift in drug demand among these users from D_c to D_c' , causing prices to fall from p^1 to p^1 and causing consumption to decline from q^1 to q^1 .

Since casual users dominate the market, the drop in demand facilitated the fall in market prices. Drug addicts or frequent users must pay the market price. Their demand curve, represented by D_a , is steeper than the demand faced by casual users. In the short-run at least, one would *not* expect there to be much responsiveness to price changes among addicts.¹⁰ At price p^1 , cocaine addicts will consume q_a . When casual cocaine demand falls, lowering the market price to p^1 , addict consumption increases to q . Admittedly, this is not a massive increase in consumption because of the inelasticity of the addict demand. But it is notable precisely because addict consumption increased at the same time that casual use declined.

Herein lies a plausible third explanation for the seemingly paradoxical rise in black drug activity when the drug market is becoming less profitable. Young black males, facing diminished legitimate economic opportunities, are attracted to this declining market for two interrelated reasons beyond their ill fates in the legal market. First, black consumers, more likely to be addicts than white consumers, represent a segmented market. With heavy concentrations of black consumers in segregated areas of the urban core, a geographical monopoly exists. With declining profitability of the drug trade generally, white traders exit the market leaving the inner-city trade largely to blacks and other minorities who reside there. Young black males, often school drop-outs, unemployed, or out of the labor force altogether, seize these entrepreneurial opportunities which may seem superior to their limited prospects in legitimate pursuits. Second, with the reduction in prices, addict consumption increases. Black addicts, often both buyers and sellers, pose specialized risks for sellers from nonblack neighborhoods. The reduction in drug prices, then, has the effect of generating more business for black sellers, despite the fact that the overall decline in prices is due to the reduction in drug demand, and therefore a fall in market-wide drug sales. Young black males simply sell to other young blacks in their own neighborhoods, oddly contributing to an increased flow of goods and services akin to what happens when exogenous increases in legitimate spending occurs.

Is there really a drug crisis?

If the third case is to be believed, then the notion that drugs are the central issue confronting minority communities is challenged. Not only is it not obvious that the cause of the myriad of problems confronting in particular young black males is the drug trade, it is also not obvious that that drug trade is economically harmful to the black community. Stated in another way, the problem stems not from the particular product that happens to be the source of the present illegal entrepreneurial pursuits of inner city residents. Instead, the problem stems from the failure of alternative routes toward fulfillment of existing entrepreneurial talents among blacks. In the 1980s, the illegal product was crack and low-priced cocaine. In the 1970s, the illegal product was heroin. In much of the post-War World II period, gambling and numbers represented the target of unfulfilled entrepreneurial talents of bright inner-city residents. Despite the changing product, the scenario remains starkly similar: conventional routes toward fulfillment of entrepreneurial talents are blocked for blacks; segregation of blacks offers a geographical monopoly in certain criminal activities, opening illegal opportunities for black residents; changes in over-all market structures can have perverse impacts on black communities. The influx of low-priced heroin from Southeast Asia during the 1970s, for example, helped to expand heroin consumption among low-income blacks and thus to open sales opportunities for other blacks in low-income neighborhoods. Quite simply, the problem is not drugs.

The problem is the market. Illegal opportunities, shunned by many outside of the black community because of high risks and low profitability, represent viable alternatives for inner-city residents. These opportunities arise because of limited competition created by residential segregation; they are made more attractive by an absence of realistic legal business alternatives. The issue goes far beyond whether there are suitable job opportunities for these inner-city residents. Some people do not want to be workers. They want to be owners. Selling drugs in the 1980s, like running numbers in the 1950s, represented the inner-city version of being your own boss. While white electrical engineers dream of leaving their jobs at IBM to start their own computer design firms, black drug pushers yearn to make a big buy so that they can acquire their own regular customers and deal with one less middle-man in the drug distribution network. Both want to be their own men. The difference is that the product the black youth sells, which happens to be illegal and unquestionably dangerous, will cause him to die young and to help kill off many other young men as well. That is why so many black commentators are quick to link the current drug phenomenon to genocide.

Unfortunately, calling this process genocide does little to bring attention to the fact that in earlier eras, when the illegal product was less lethal, exactly the same causes were at work: few alternative economic opportunities in legitimate pursuits. But more to the point, calling the Reagan-Bush administration's national drug policy genocidal because, by concentrating on reducing the supply of drugs, it raises prices, thus increasing competition, which then causes drug-related violence, misses an important factual point. Drug prices did not rise as one would expect when supply-side policies work; competition in inner-city areas probably declined because there were, undoubtedly, exits from the market.¹¹ Drug use dropped even among habitual users in the general population, and among blacks drug use declined as well. The decline, to be sure, was not because of Reagan-Bush administration policies. But, that is all the more reason to reject the claim that these policies are genocidal. Or, for that matter, all the more reason to reject the notion that the real problem is drugs.

In conclusion, then, we see in the so-called drug crisis confronting black communities the evolution of misguided or intentional policies that have deleterious impacts on black communities. For whatever the reason, drug demand fell, drug prices declined, and overall risks in the drug trade increased. The impact on the black community has been perverse: it has increased the prevalence of addiction and the opportunities for those who would sell to these addicts. Yet, in this particular case, focus on the apparent culprit--drug markets--blinds us from observing a broader, more far-reaching policy failure: the failure to formulate policies to nurture and reward the existing entrepreneurial talents of inner-city residents for legitimate markets. Decades-old policies intended to provide these people with basic skills so that they could be workers continue even today. And yet, these would-be-workers have discovered, like cohorts before them, that the illegal market can nurture and reward handsomely.

END NOTES

¹U. S. Department of Justice, *Drugs and Crime Facts, 1989*, (Washington, D.C.: Government Printing Office, 1990), p. 17. For discussion of sample design and the reliability and validity of responses, and compilation of data, see U.S. Department of Justice, Bureau of Justice Statistics' *Sourcebook of Criminal Justice Statistics, 1988*, (Washington, D.C.: Government Printing Office, 1990). Table 3.74 p. 356. The original source is U.S. Department of Health and Human Services, National Institute of Drug Use, *Illicit Drug Use, Smoking, and Drinking by America's High School Students, and Young Adults, 1975-1987*, by L.D. Johnson, P. O'Malley and J. G. Bachman. Washington, D.C.: U.S. Government Printing Office, 1989.

²Data for college students come from the same study as for high school seniors, as part of a follow-up survey of respondents 1-4 years out of high school.

³Data come from U.S. Department of Health and Human Services, National Institute of Drug Abuse, *National Household Survey on Drug Abuse, 1988* (Washington, D.C.: Government Printing Office, 1990) and earlier years. Survey results refer to the years 1977, 1979, 1982, 1985 and 1988. Intervening years were extrapolated. An important distinction exists between the NIDA estimates of young adult use and the previously discussed estimates based on high school seniors and the follow-up surveys. The young adult population in the NIDA is derived from a national probability sample of households in the United States and *excludes* persons living in group quarters or institutions. Thus, it excludes persons living in college dormitories, as well as those in jail or prison, transients and the homeless. The *Illicit Drug Use* survey (Washington, D.C.: Government Printing Office, 1989) includes high school graduates 1 to 10 years beyond high school. Thus, it *includes* college students as well as those living in dormitories. Since data on the latter measure are only available for 1986 and 1987, the former measure is used in figure 1.

⁴There is no comparable time series on criminal drug use. Two surveys of state prisoners, however, yield estimates of hard drug use in 1979 and 1986. These surveys show that regular hard drug use rose from 33.4 percent in 1979 to 35 percent in 1986. Bureau of Justice Statistics, *Sourcebook*, Table 6.44, p. 623.

⁵*Ibid.*, 3.92, 366.

⁶National Institute of Drug Abuse, *National Household Survey*, Table 4-B, p. 30.

⁷Drug abuse violations include state and local offenses relating to the unlawful possession, sale, use, growth, and manufacture of narcotic drugs. In 1988, the rate rose again to 449.9 per 100,000 inhabitants. In that year 27.4 percent of those arrests were for possession. The vast majority of sale or manufacture arrests were for heroin, cocaine and their derivatives. U.S. Department of Justice, Federal Bureau of Investigation, *Uniform Crime Reports for the United States, 1988*, (Washington, D.C.: Government Printing Office, 1989) pp. 167-169, p.320.

⁸Peter Reuter and Mark A. R. Kleiman, "Risks and Prices: An Economic Analysis of Drug Enforcement," Vol. 7, in *Crime and Justice: An Annual Review of Research*, ed. by Michael Tonry and Norval Morris (Chicago: The University of Chicago Press, 1986), pp. 289-340.

⁹In 1985 3.2 percent of blacks reported using cocaine within the last 30 days; 3 percent of whites reported use over the same period. In 1988, 2 percent of blacks reported using cocaine in the last 30 days; 1.3 percent of whites reported use over the same period. National Institute of Drug Abuse, *National Household Survey*, Tables 4-B & D, pp. 24-25; Bureau of Justice Statistics, *Sourcebook*, Table 3.82, p. 366.

¹⁰This perspective is disputed by Reuter and Kleiman who assume that heroin users are more likely to be casual users, but that heroin demand seems to be more elastic than marijuana demand. Yet, if one assumes that within a given drug market there are both addicts and casual users, then it seems more reasonable to model these demands separately. In such a case, one would be hard pressed to explain how or why addicts should be *more* responsive to price changes than casual users.

¹¹Parenthetically, black homicide rates did not soar, as is conventionally thought. Black male homicide rates fell steadily throughout the mid to late 1970s, peaked in 1980, dropping from .66 per 1000 in that year to .48 per 1000 in 1985. In the late 1980s, the rate increased, only to fall again.

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