

Street sale of heroin — a profitable way of making a living?

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The aim of the study was to give an outline of the financial environment of heroin-sale at street level in Norway and the possibilities of making retail sale of heroin a living. Data were gathered through police records and interviews with informants at street level. Retail sale price has been nominally stable at 300 Nkr (£28, i.e., £1 = 11 Nkr) per end-user dose since 1978. This price is coupled to the price of one standard service by street prostitutes. Both the end-users and retailers formally make their living from social welfare payments. The retailer purchases from a wholesaler batches of up to 10 g of heroin at a cost of 50 000 Nkr (£4800). At monthly intervals of delivery this yields 120 000 Nkr (£11 500) as net tax-free income per year, on top of the social welfare payments, even when the retailer and his accomplice consumes a third of the purchased quantity. Crime of gain on the part of the retailer is negligible, due to increased risk of also disclosing his drug trafficking.

Key words: drug abuse; heroin sale; informal economy; crime of gain

Introduction

The market for illegal drugs is at the same time a very local and an international phenomenon. Illegal drugs such as heroin and cocaine are produced in Third World countries giving meager revenue to producers. The drugs are transported along illegal routes to the industrialized world, and find a market of customers not furnished with great wealth. This persistent trade activity is based on the willingness of people at all links of the chain of trade to take great risks, presumably based on the combination of a low probability of detection, and a fairly high one of substantial revenue both to the couriers and the organisers (Morstein, 1989). At the lower end of the chain of trade, trafficking in heroin is partly dependent on the ability of the retailer to make trafficking a living, and partly on the ability of seller and buyer to avoid harassment by the street police force. The retailer may wish to run a reliable business for his customers, guarantee

a profit to the wholesaler and importer, and reduce his own risk of detention for offences other than the act of trafficking (Becker and Murphy, 1988).

Various strategies have been implemented to limit or prevent drug trafficking. The emphasis has changed from mainly law enforcement approaches to more demand-reducing activities (Montagne, 1990). Reducing the supply of drugs may not be very effective, as the business of the retailers close to the street level market may be robust to changes in supply. Measures aimed at changing the social network and augmenting the mental resources of the drug users may influence trafficking favourably (Grapendaal, 1992).

Much effort has been directed at understanding the economic basis of heroin production and distribution from third world countries to the local border (Thomas, 1992; Hamowy, 1990). To our knowledge few studies have scrutinized the market segments close to the customer — the non-selling user — without whom the market would dissolve (Hanlon et al., 1990; Grapendaal, 1992).

The aim of this study was, accordingly, to explore the economics of retail sale of opiates in

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Norway, and its possible impact on crimes of gain.

The market for street sale of heroin

The illegal nature of the market makes investigations into its ways of functioning troublesome (Dunlap et al., 1990). This study was based on written reports from police and customs officials (Police Office of Oslo, 1991) and on interviews with 20 active and former heroin users, both on street level and in an institution for treatment. Persons interviewed were not rewarded financially, and were interviewed following the snow-ball method, one informant introducing the interviewer to the next. In the treatment institution interviews were done by the consultant medical officer of the institution with customary professional secrecy. We presume that the information gathered from the different actors in the field were fairly unbiased. The drug scene in Oslo does not exceed 3000 people, and to our knowledge has not been divided in subgroups having different rules or prices.

Trade routes to Norway

Heroin is imported to Norway by air, sea or land in kg quantities. The origin of the heroin on the Norwegian market is believed to be predominantly the Golden Triangle and Turkey, and the route to Norway probably is by way of transit through African countries (Gambia, Nigeria). A small fraction is imported from Denmark and the Netherlands. There are two types of heroin on sale, 'White Thai' and 'Brown Turk'. The peak effect of White Thai is reported to be higher, whereas the Brown Turk gives more prolonged and relaxing effects (personal communications). Custom seizures have grown from less than 0.6 kg in 1973 to 3.2 kg of opiates in 1990, with 1976 and 1988 as exceptions with 17.2 kg and 12.0 kg, respectively (National Institute for Alcohol and Drug Research, 1991). The numbers for cannabis were 46 kg and 230 kg and for cocaine 0 kg and 0.9 kg. The number of police seizures of opiates soared from 59 in 1974 to 822 in 1990.

The market

The persons involved in heroin sale in Norway are mainly situated in the capital, Oslo. There are some 1500–2500 active, intravenous (i.v.) drug users as estimated through police and social aid records (personal communication; Skretting and Skog, 1990).

This number may be thought of as a crude estimate of 3 populations: an estimated 7500 infrequent users in touch with the market as i.v. drug users from time to time, some 2500 who are active as i.v. drug users more than 6 months/year, and a hard core of 250 active on a day-to-day basis over prolonged periods of time. At the selling spot the markets are compartmentalized with few regular customers, ranging from 2 to 8 per retailer. The infrequent users keep in contact with one or a few retailers to reduce their personal risk of exposure when trading. This information suggests that there were between 50 and 100 retailers active at the selling spot. Retailers keep in contact with some 10 wholesalers, though the exact number or other details on wholesalers were not disclosed. The wholesalers are rarely in direct contact with the drug scene.

Prices

The price of retail heroin per gram, as purchased from the wholesaler, was 4600–6000 Nkr (£440–£580) in Oslo 1990 compared to £80 in London in 1983 and £93 in Amsterdam in 1992 (Wagstaff and Maynard, 1988; Grapendaal, 1992). The purity of street level heroin in Norway (25–35%) is higher than in continental Europe (for instance, Denmark 5–15%). This information was based partly on information from police laboratories and partly on the experience of drug users travelling abroad. Cutting practice varies, and White Thai heroin has infrequently been sold with higher purity. These instances have been connected to small 'epidemics' of overdoses. This information, however, must be evaluated cautiously as autopsies often show mixed intoxications.

Prices of heroin have been nominally stable in

Norway from 1982 to 1990 at 300 Nkr/end-user dose, whereas the inflation-adjusted price of heroin in Norway has tended to fall.

The price per dose has matched the fee of a standard service by a street prostitute. Contrary to this stability, the price of heroin at street level in the Netherlands and England has fluctuated both in real and nominal money in the same period (Hoekstra, 1990). Retail sale to the non-selling user at 300 Nkr per dose has been the basis of all other transactions in the market. Regular customers do purchase at a discount of 'a quarter pack' at a price of 750–800 Nkr per pack. This quarter pack contains one 12th of 1 g of heroin. An end-user dose sold at 300 Nkr per dose contains 10 mg of heroin and some 20 mg of other substances such as phenazone, caffeine or methaqualone. When sold as one quarter pack the amount of heroin is 25 mg plus some 50 mg of other psychoactive substances. Currently (1991) the established users consume from one to three quarter packs per abusing day. Cutting of the specimen with other drugs or chemicals is done partly in Norway, and partly before the lot reaches the retailer.

The high price level of heroin in Norway may be the result of a generally high standard of living, and fairly generous social aid payments. Likewise, the willingness to pay for a standard service by a street prostitute has been higher in Norway. The geographical distance to the greater markets in central Europe may also have contributed to price discrimination, which is a general phenomenon not only affecting illegal drugs.

Characteristics of the retailer

Most retailers are male, former drug users who are able to control their own use for shorter periods of time. Many have female assistants who help recruiting customers and carry out the exposed part of the selling. Especially among the infrequent users, a stable contact with one or a few sellers is important, as the consequences of an arrest are more socially unacceptable in this group. The basis of the relationship between the retailer and his customers is, accor-

ding to our informants, earlier acquaintance with one another from the abusing milieu.

As former end-users at street level, the retailers have a detailed knowledge of the market of end-users, and thus a basis of potential users/buyers. Their reliability as customers may have contributed to recruitment to the status of a retailer. As drug users most retailers have been arrested for drug offences, but they stop other criminal activity when going into retail business. They seldom have regular jobs, and officially finance their living through social welfare payments.

Characteristics of the non-selling consumer — the end-user

The typical consumer is a person under the age of 35, who has serious problems in organizing his life economically, socially and psychologically (Pedersen, 1990). In a study of the costs of rehabilitation, the mean street drug user increased public spending — before entering rehabilitation — with an amount of 500 000 Nkr/year (Berg and Andersen, 1992). On top of this, the end users are the financial basis of the retailer. Transactions between end user and retailer, as any exchange between citizens, are not part of this public spending on the drug users.

There are by far more males than females among the drug users in the market, but among drug users in inpatient treatment 44% are female, perhaps reflecting a greater tendency of women to seek treatment. In a survey of persons arrested for drug offences in Oslo, 1069 were men and 146 women (Skretting and Skog, 1989). The number of arrestees with injection marks, however, were 31.2% and 63.7%, respectively.

The business of the retailer

According to our informants the retailer personally uses a small quantity of the purchased heroin. In the case of an accomplice helping at retail sale, this person also consumes some. There is evidence of the retailer using more heroin personally than the non-selling users in Norway, as reported by Hartnoll et al. (1985). The

retailer buys up to 10 g of heroin from his wholesaler, who is paid through the next delivery to the retailer. This arrangement of trade ensures the purchase of most of the 10 g in a short time, but irregularities in trade are common. These may be the unexpected detention of the accomplice of the retailer, or the disappearance of customers. The short-term credit when moving up the chain of trade is secured by corporal punishment if payments are not executed.

One gram of heroin is repacked, giving 12 'quarter packs'. With a regular price from wholesaler to retailer of 5000 Nkr/g and a purchase of 10 g, the cost to the retailer is 50 000 Nkr (Fig. 1). We may assume no costs on repacking and distribution, as there is no other relevant use of the retailers time. The repacking gives 120 'quarter packs' at a price to the end-user of at least 750 Nkr/tube, i.e. 90 000 Nkr. Given a personal use of 40 packs from this delivery on the part of the retailer or his 'friends', a net intake of 10 000 Nkr, tax-free, emanates. Social aid payments to the retailer, meant to cover food and shelter just above the poverty level, amounts to 3500 Nkr. A net of tax income of 10 000 Nkr on top of this therefore constitutes a before tax income comparable to 13 500 Nkr/month, which is higher than a worker's income. In Fig. 1 the net intake of the

retailer at differing levels of personal consumption is shown. Given no private use, the net intake would be 40 000 Nkr per purchase of 10 g of heroin from the wholesaler.

Discussion

The drug user and his retailer develop a mutual dependency which is difficult to influence, from either the treatment side or the wholesaler and importer side. The drug user and his retailer both have social aid as formal income. However, because of the illegal retail income on the one part, their financial degrees of freedom differ. The level of consumption of the retailer is generally higher than that of his customers. The retailer can not ostentatiously show his financial position, and has no need for other criminal activity. Even more so, his behaviour would be expected to be very inconspicuous in order not to reveal his illegal trade. To the social aid officers they are both drug users and are treated as such. The non-selling user is, however, all the time in greater need.

How often does a retailer himself purchase a batch of 10 g?

A retailer has to take precautions against police surveillance. Such actions hamper both the purchase and sale of his lot of heroin, and takes

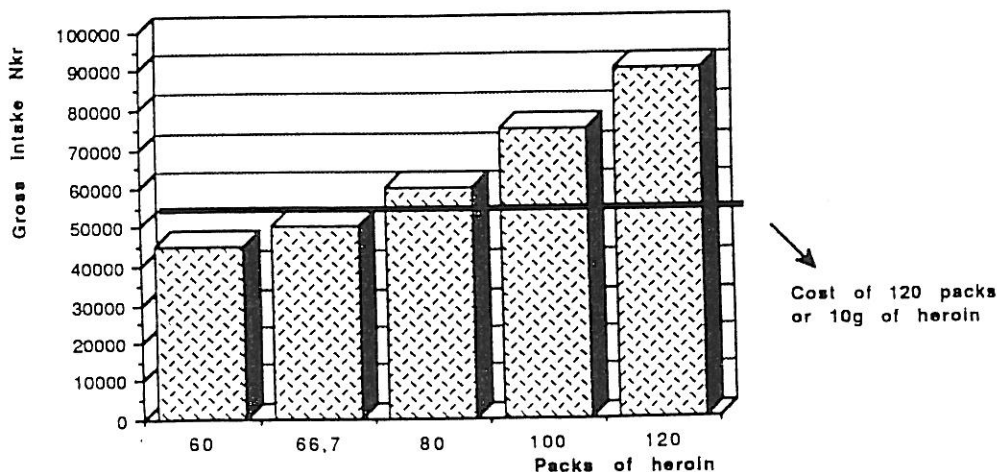


Fig. 1. Gross intake to the retailer at different levels of personal use of a batch of 10 g of heroin. The cost of this batch from the wholesaler was 50 000 Nkr, Norway 1990.

time. There is thus a limit to the amount a retailer may be able to sell. The use of an accomplice reduces the personal risk of the retailer.

A regular purchase of 10 g of heroin from the wholesaler every month yields 120 000 Nkr net income/year at the level of personal use of one-third of each delivery. The work effort needed to sell this quantity may consume a substantial part of the available time for the retailer and his accomplice, i.e. equal to the workload of other normally employed people.

Buying once a fortnight yields 240 000 Nkr/year, an income that equals a pretax income of more than half a million Nkr, an income which only the top 3% of the income distribution can boast of. Even if we subtract a substantial portion of the retailer's revenue to adjust for lost quantity, increased personal consumption or confiscated amounts, there is still a reasonable return on invested capital for the retailer. Difficulties will ensue if he tries to stop his business. This demands planning over longer periods of time with the building up of assets to repay creditors.

How relevant is the distinction between a retailer and a non-selling user?

Retailers are recruited from the group of users at street level. There seems to be a tendency towards the retailers having a more favourable social background (personal communication). They live to a lesser extent in hospices and have easy access to washing machines and other hygienic facilities. On the other hand, they maintain a high level of drug abuse and consumption of clothes, food, and transport, made easier by their possession of drugs. Many retailers cohabit with a girl not addicted to drugs, but some have a prostitute as assistant in selling and attracting customers.

If the retailer resumes a more deviant lifestyle, he rapidly loses the confidence necessary to purchase further from a wholesaler. The proximity of the retailer to the street scene, however, constitutes a threat to his position as a retailer, as the temptation to indulge in further abuse and to lose control is constantly present.

Retail sale of heroin is illegal. As the probability of getting arrested decreases outside the city

centre and by selling from apartments, there has been a tendency towards these more discrete purchasing practices. As the quantities in the possession of the retailer on the street are close to the level required for personal use for a few days, he may not be charged for trafficking if arrested.

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