

An Economic Analysis of a Drug-Selling Gang's Finances

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Abstract

We use a unique data set detailing the financial activities of a drug-selling street gang to analyze gang economics. On average, earnings in the gang are somewhat above the legitimate labor market alternative. The enormous risks of drug selling, however, more than offset this small wage premium. Compensation within the gang is highly skewed, and the prospect of future riches, not current wages, is the primary economic motivation. The gang engages in repeated gang wars and sometimes prices below marginal cost. Our results suggest that economic factors alone are unlikely to adequately explain individual participation in the gang or gang behavior.

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