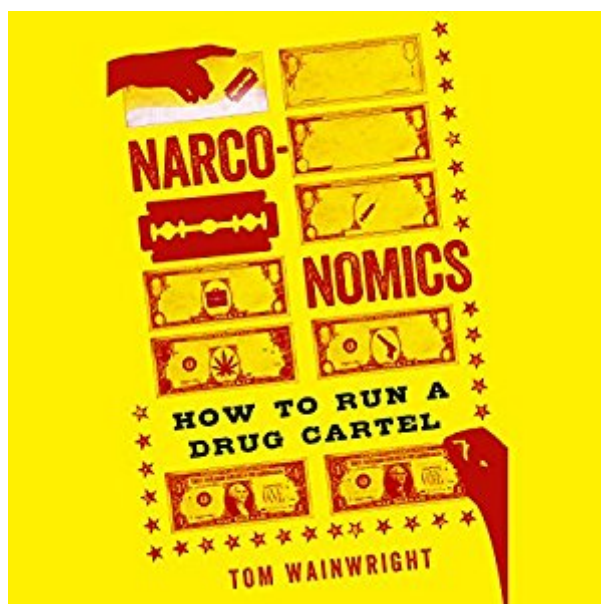


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Narconomics: How To Run A Drug Cartel



Synopsis

What drug lords learned from big business. How does a budding cartel boss succeed (and survive) in the \$300 billion illegal drug business? By learning from the best, of course. From creating brand value to fine-tuning customer service, the folks running cartels have been attentive students of the strategy and tactics used by corporations such as Walmart, McDonald's, and Coca-Cola. And what can government learn to combat this scourge? By analyzing the cartels as companies, law enforcers might better understand how they work - and stop throwing away \$100 billion a year in a futile effort to win the "war" against this global, highly organized business. Your intrepid guide to the most exotic and brutal industry on earth is Tom Wainwright. Picking his way through Andean cocaine fields, Central American prisons, Colorado pot shops, and the online drug dens of the Dark Web, Wainwright provides a fresh, innovative look into the drug trade and its 250 million customers. The cast of characters includes "Bin Laden", the Bolivian coca guide; "Old Lin", the Salvadoran gang leader; "Starboy", the millionaire New Zealand pill maker; and a cozy Mexican grandmother who cooks blueberry pancakes while plotting murder. Along with presidents, cops, and teenage hit men, they explain such matters as the business purpose for head-to-toe tattoos, how gangs decide whether to compete or collude, and why cartels care a surprising amount about corporate social responsibility. More than just an investigation of how drug cartels do business, *Narconomics* is also a blueprint for how to defeat them.

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Customer Reviews

I am a conservative dentist, with conservative social views and conservative prescribing practices, who once thought I knew most everything about drug lords, drug addicts, and addictive substances. Then, in October 2014 we found our 24 year old son, dead in our bathroom with a syringe in his hand. I have spent the past 16 months in grief, depression, and wanting to deal with drug dealers in the most violent, painful means imaginable but with no means, plan, or intel to carry this out. The local police have basically have shown zero interest in his case, since they ruled us out as suspects. This book has made me realize that our nation's (world's) drug problem is an economic problem and needs to be addressed in those terms. This extremely well written and researched book gives me a set of arguments to present to our state representatives. An excellent and less emotional review can be read above by Loyd Eskildson

This is the story of a business journalist sent to cover the most brutal industry on earth through the eyes of an economist. The author arrived in Mexico in 2010 - the number of those murdered that year would reach more than 20,000, about 5X that for all of Western Europe. The following years was even more violent. Every week the news brought new stories of corrupted cops, assassinated officials, and massacre after massacre. It is a global, highly organized business with products sold to 250 million worldwide. Annual revenues are about \$300 billion. Yet, these ruthless outlaws have the same problems of other business leaders - managing personnel, navigating government regulations, finding reliable suppliers, and dealing with competitors. Their clients also are like other consumers - seeking reviews of new products, preferring to shop online, and even demanding a level of 'social responsibility' from their suppliers. One of his first lessons was that the value of drugs seized is often summarized in numbers derived used prices paid by ultimate customers - considerably higher than what the product is worth 2,000 or more miles away. Thus, 134 tons of marijuana seized in six shipping containers in Tijuana was only worth about \$10 million there, not the \$500 million it would have been worth in Manhattan. And officials in Texas boosted their 'successes' by \$1.6 billion just prior to performance reviews by revaluing drugs seized using retail instead of wholesale values. Taxpayers of the world pay \$100+ billion a year combatting illegal drugs, with some \$20 billion from the U.S. at the federal level making 1.7 million arrests/year and sending 250,000 to prison. Mexico's fearsome murder rate is not as high as some of the other countries on the cocaine-trafficking route, where thousands more are murdered each year attempting to fight the drug business. Wainwright sees the overwhelming focus on suppressing the supply side of the business. Cutting supply, however, has done more to raise prices than to reduce consumption -

creating a more valuable criminal market. Virtually all cocaine is grown in Bolivia, Columbia, or Peru - made from the coca plant that is most at home in the 13,000 or so foot foothills of the Andes that take hours on gravel roads to get to. There it is a \$90 billion/year industry. The leaf has been consumed in the Andes long before Europeans first arrived. Many natives suck on a wad of leaves throughout the day - in this form it has only a mild stimulant effect and supposedly helps ward off cold, hunger, and altitude sickness. Many hotels in La Paz serve coca tea to their guests. This 'traditional' use of the leaf is supported by a limited amount of land licensed for coca farming. Farmers can get up to three harvests/year, while coffee yields only a single harvest/year and is more difficult to grow. La Paz is one of two places in Bolivia where coca can be legally traded, and each incoming truck loaded with dried leaves displays license showing how much coca it is carrying and where it came from. Bolivia's current president is a former coca farmer. He sees anti-drug efforts as meddling in Andean affairs - in 2008 he expelled the U.S. ambassador for interfering in local politics and booted the DEA at the same time. The U.N. estimated that in 2014 Bolivia had 50,400 acres devoted to coca, enough to produce about 33,000 tons of dried leaf. Since in that same year Bolivia's two licensed markets handled only about 20,000 tons, it's likely the rest was turned into cocaine. The armies of both Columbia and Peru have been tasked with eliminating every trace of the coca bush - difficult to do in the mountainous terrain. Spotters' planes are helped by satellites. In 2015, Columbia indefinitely suspended its aerial spraying program after a WHO warning that the weed killer may cause cancer. In 2014 the three nations laid waste to more than 300,000 acres, mostly by hand. However, total output hasn't changed much - thanks to more efficient cultivation and new plantings. Since for any given region, there usually is only one group of traffickers holding sway, that group dictates the price. Thus, the farmers bear the cost of eradication, disease, etc., not the cartel. The U.N. estimates that the average coca farmer in Columbia earns little more than \$2/day. Converting coca leaves to a damp, cream-colored paste known as cocaine base is the first step in converting coca leaves to cocaine powder. One ton of fresh leaves is dried until it weights about 660 lbs. The dried leaves are then chipped into smaller pieces and mixed with chemicals including cement, fertilizer, and gasoline, removing the cocaine from the waxy leaves. The remaining plant matter is then filtered out, the chemicals removed (most of them), and the remaining residue boiled down --> about a kilogram of cocaine base. It is then mixed with a solvent such as acetone, and with hydrochloric acid. This is filtered and dried to provide just under a kilogram of pure cocaine. Wainwright contends that by tripling the price of cocaine's raw ingredient in South America, its retail price in the U.S would rise 0.6% - not a good return on the billions of dollars invested in disrupting the supply from the Andes. Most of the time they serve merely to impoverish

farmers. Felipe Calderon became Mexico's president when there were about 10 murders/100,000. By 2012, the rate had doubled, and Calderon left office as the most unpopular president in Mexico's recent history. Previously, El Salvador had one of the world's highest murder rates, dwarfing that in Mexico - 71/100,000. But in 2012, within the space of a few days, peace broke out and the murder rate fell by two-thirds after its two main gangs agreed on a truce. So, asks Wainwright, why did the Mexico market see heightened competition and the other collusion? Juarez had about 400 murders/year within its 1.5 million population. But that began changing in 2008, and by summer of 2011, bodies were piling up at a rate of 300/month, many from out of town. The DEA estimates about 70% of cocaine entering the U.S. via Mexico does so at Juarez. Tightening up the border after 9/11 cut down business on both sides from 'day-trippers.' Juarez was difficult to split up, El Salvador was not. The narcotics business has an image of ruthless professionalism. But it is also characterized by sometimes stunning incompetence that is frequently the cause of traffickers' downfall. Human resources is perhaps the biggest problem any drug cartel faces. Cartels must recruit workers in an industry where jobs cannot be advertised, total trust is required, and there are high levels of turnover (death, jail). (One British smuggler estimated that one in four cocaine 'mules' sent on flights from the Caribbean to the U.K. will be caught.) Another problem is that cartels must manage relations with staff, suppliers, and clients without an easy way of enforcing agreements - employing violence is the only way, but it's bad for business. Many criminal gang organize themselves on the basis of race. A Dutch study found that disputes between parties belonging to the same ethnic group were significantly less likely to be resolved with violence - 29%, vs. 53%. Using Mexican nationals well known to the cartel's leadership and can easily be reshuffled every few months makes cells much harder to infiltrate than if they relied on making local hires. There are exceptions - eg. Nigerian heroin traffickers have found that white women are far less likely to get stopped at airports. Jails provide a place to hire and train new staff members. We all know that higher costs lower consumption. However, there's a much bigger impact for some products than others. One study estimated that a 10% rise in the price for marijuana would only create a 3.3% drop in demand, others have found even weaker relationships - eg. a 10% increase in the price cuts the number testing positive for cocaine by only 1.7%, and less than 1% for heroin. Thus, even big successes in raising the cost of drugs translate to only small victories in the number of people buying the drugs. Worse yet, this is also likely to boost drug-dealing profits. Wainwright suggests focusing on cutting demand would be more cost effective for governments - as much as 10X more.

This is a fact based, rational examination of how drug cartels operate and by implication, why they

continue to thrive. Although the author speaks in terms of the economics of a drug based business, one is logically lead to the inescapable conclusion that our past and current efforts to eradicate the drug trade are woefully misguided. This book is an enlightening and eye-opening dissection of narco economics. If you've ever wondered why the "War on Drugs" has been lost, you'll find a very entertaining and logical answers in the reading of this book.

This well written, thoroughly researched, broadly sweeping book, should be read by everyone involved in drug law enforcement. The book indicates where the cartels are most vulnerable, and where solid enforcement activities will produce the biggest bang for the buck. On another note, the book highlights the fact that as an intelligent species, many humans have lives that are so deficient that a multi-billion dollar industry can thrive supplying toxic substances that make people feel good. Without this demand, there would be no narconomics.

More addictive than a bag of illicit drugs (one can imagine), this book takes a look at the multi-billion dollar global drug industry in an entirely different way, viewing it as a business and showcasing its different business functions. Narconomics, the economics of narcotics, in other words. This is not just a book about drugs but a look at many areas of business and economics through a practical lens. It is all strangely addictive, informative and engaging. Tabloid newspapers need not fear; this book does not advocate the taking of illegal drugs or put the drug cartels on a pedestal in any way. As a business worth conservatively over USD300 billion a year, clearly those running it know what they are doing. No matter about the law, you just cannot run something of this scale or size without having finely tuned structures in place. If anything, the operation could arguably be even larger and certainly more efficiently were it legal. You can look at the book in two distinct ways, either learning more about the global drugs trade and seeing how it uses big-business techniques to good effect, or you can use the examples given as a way to understanding business concepts that are often swaddled in theory and can be difficult to understand. It serves both well, packaged in an easy-to-read, informative form. The author shows how business practices such as mergers and acquisitions, competition and collusion, social responsibility, media relations, human resources, franchising and strong management oversight are used within the drugs business. You might not look at it in the same light ever again. You do not need to be interested in business to get a lot out of this book. It is great for a general reader and eminently suitable for anyone with an interest in business or the global drugs industry. Once you pick it up, it can be hard to put down though!

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