

The shadow market: How drug use fuels an underground economy, and what can be done about it

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The first time Elizabeth Navarro did methamphetamine was in the mid-2000s, when she was 15 years old.

She'd drop out of high school before long. Most of the men in her life were abusive. By 17 years old, she was a regular meth user.

Through her meth use, she got to know Greeley-area drug dealers. They had ties to the Mexican drug cartels that fed northern Colorado's addiction. Instead of just being a user, Navarro would be a seller.

When she made that choice, the Greeley woman entered a dark, unregulated world that operates beneath legitimate business spheres. It goes by many names — the underground economy, the shadow market, the black market — and is as old as economics itself.

The shadow market is driven by millions of people with addictions such as Navarro's. Each individual addiction is a cog in a larger machine, and that larger machine is a massive, illegal industry worth billions of dollars.

According to a 2005 study, about half of the people in America's jails and prisons are clinically addicted to a drug.

Navarro's years in the shadow market ended in May 2016, when she was arrested at the age of 30 in the closing act of a massive investigation by the Weld County Drug Task Force. When police arrested her, they found about a pound of heroin she'd hidden in one of her children's bedrooms.

She counts her arrest as a blessing, her attorney said at her March 1 sentencing, when she was sentenced to 20 years in prison. By the time she gets out, her attorney said, she can start afresh.

'ALL TOO COMMON'

While Greeley is not a war zone for drug trafficking organizations, police and prosecutors agree drugs play a major role in the city's crime. One of the key reasons is because drugs are an expensive luxury and, when an addiction becomes severe enough, an addict is usually willing to

commit crime to fund the habit. This is true of Navarro, who became more entrenched in the drug lifestyle as time went on.

Addiction is linked to many kinds of crime. These crimes range from vast, complex drug trafficking operations to domestic violence to simple property crimes.

"It's all too common," said Sgt. Aaron Carmichael, who leads the Greeley police property crimes unit. "People are motivated by that desperation."

Drugs aren't a factor in all property crimes, but Carmichael said he and his officers see it regularly.

Drug users aren't just committing a crime either — they can also be victims. Drugs require a great deal of money, but it must be cash. This can make drug users an easy target for robbery, and the shadow market leaves them with little opportunity for recourse. This is another way drug addiction can lead to crime.

"(People are) stepping outside the normal judicial process when (they) enter this world," Carmichael said. "If you were on your way to buy drugs, and someone you thought was a drug dealer points a gun at you and says, 'give me your money,' what do you do with that information? Do you go to the police?"

Navarro herself experienced the threat of such crime. After she became a mid-level drug dealer in Greeley, her cartel connections would provide her with a shipment of drugs for free. She and her fellow drugs dealers then sold the drugs to earn the money to pay back the cartel at a later date. It's a process called "fronting," and it's common in the shadow market, said Greeley Police Lt. Steve Black.

But Navarro had trouble paying her sources back. When that happens, Black said, sources might use violence to settle the dispute.

"She put her family in danger," said prosecutor Steve Wrenn at Navarro's sentencing. "She repeatedly acknowledged this."

Wrenn said he felt 20 years in prison was a fair price for Navarro to pay in light of the damage she did to the Greeley area through selling drugs.

CRIMINAL ENTERPRISE

Black knows that by arresting Navarro, he only disrupted the flow of meth trafficking in northern Colorado. The leader of the Weld County Drug Task Force can remember the rise and fall of similar drug trafficking organizations. Someone else will always fill the void.

On the streets of Greeley, those sales, and the addictions they fuel, are the final link to a chain stretching across the Pacific Ocean.

Among the key sources for narcotics in northern Colorado are the Mexican drug cartels. They don't have a direct presence in Greeley, but they don't have to. Black said the cartels are large enough and powerful enough to operate like multinational corporations. Just as a legitimate

business has smaller franchises throughout the country, the cartels are able to reach far into towns and cities hundreds of miles from the southern border.

"They're a conglomerate company," Black said. "It's just like any large corporation. If you took the company names off there probably would not be drastic differences (between cartels and corporations)."

Like any large manufacturing company, the cartels purchase their raw materials in bulk. Paraphrasing law enforcement reports he's seen, Black said cartels often buy powdered chemicals from China. Specifically, cartels use fentanyl — originally designed as a painkiller for cancer patients — to make heroin more potent. They also import large shipments of ephedrine, one of the building blocks of methamphetamine.

Once drug production is complete, cartels then send the completed product north of the border. In general, cartels work with mid-level drug dealers, such as Navarro. Those people are given large shipments of drugs they then distribute to smaller markets, such as Greeley.

This factory-to-market practice is little different from the process of selling, say, office supplies, at least on the surface. But because drugs such as heroin and methamphetamine are illegal, the markets for those drugs are unregulated and violent.

"In legal markets ... to eliminate the competition ... you beat your competitors and increase your profits by decreasing prices, increasing quality, advertising, brand naming, diversifying," said Alexandre Padilla, an associate professor of economics at Metropolitan State University in Denver. "In illegal markets, a significant amount of market strategies are not available because they will attract the attention of law enforcement."

Often, Padilla said, the only effective way drug dealers can eliminate their competition is through violence. This is borne out by the death toll in Mexico's war on drugs, which the Los Angeles Times in March reported has claimed 175,000 lives in 10 years.

While the drug trade in Greeley does occasionally turn violent, Black said that's not the norm. There's competition, and from time to time an occasional fight might occur, but it's nothing like the carnage that flares up along the Mexican border.

PROHIBITION PROBLEMS

As a district attorney, Wrenn knows well the damage drugs do cause in Weld County. He is a board member of Weld County's drug court. It's an alternative to normal criminal court, and it aims to treat those with drug addictions through rehabilitation as well as normal legal action. The Weld District Attorney's office invites some defendants to take part in drug court if prosecutors feel they would respond well to the treatment and therapy. Wrenn said drug dealers — such as Navarro — are almost never invited, but average users — such as her customers — often take part.

"We ... see a lot of lower level property crimes like thefts, forgeries, identity thefts, car break-ins," Wrenn said. "(They are) common when people are trying to scrape enough money together to get by."

Black doesn't believe the problem of the shadow market can be answered through law enforcement alone. He believes enforcement is an important aspect, but he believes in a multi-pronged approach. Rehabilitation and education need to be included.

Wrenn agreed. Drug court participants are heavily supervised, and they attend a variety of classes and therapy sessions together. The program is meant to be an alternative to a traditional, punitive approach, but judges do sentence participants to jail from time to time. Altogether, the program takes about two years to complete.

Wrenn said he sees drug court as a creative approach to an old problem but acknowledged it's not for everyone.

"Some people are so engrained in that criminal lifestyle that even drug court is not going to help," he said. "For those people, there has to be a different approach."

Even with the rise of drug courts throughout the country, people are sentenced to lengthy prison terms for drug-related crimes every day. Black pointed out many of these decades-long punishments come after a career in drug dealing, but there are still those who say the best way to deal with the shadow market is to dismantle it completely.

The way to do that is to legalize drugs, said Adam Bates, a policy analyst for the Cato Institute, which is a Libertarian think tank.

"Drug prohibition creates crime," he said. "I think across the board we should legalize drugs."

It's a bold opinion, and one that is not without push-back. Black and Wrenn both wrote the solution off as being dangerous.

"(Harder drugs) grip people to a depths of addiction ... alcohol and marijuana don't," Wrenn said. "People can't keep jobs, and they're not capable of bringing themselves into compliance with the law in that condition."

Black pointed out that even if drugs were legal, people would still get addicted and they would still need money to buy drugs. This would lead to job loss and all the petty crime police still see connected to drugs, but there would be even more of it.

"If you want to exponentially increase (the drug problem), legalize the rest of this stuff and see what happens," he said.

Yet Bates feels differently. He said part of the reason drugs are dangerous is because they are not regulated by the government. That lack of regulation leads drug manufacturers to produce as potent a product as possible — as the cartels do by adding fentanyl to heroin.

According to the Drug Enforcement Agency, fentanyl is 80 to 100 times stronger than morphine, making it extremely dangerous. The DEA suspects fentanyl is at least partly to blame for the spike in accidental heroin overdoses.

"These are the kinds of things that happen in a black market," Bates said.

Bates also said legalization would erase the stigma surrounding drug use and would mean users would be more likely to use medical and police resources to solve problems. It would also, he said, remove the violence from the drug trade. The only reason drug trafficking is violent, he said, is because drugs are illegal. It's no different than the way prohibition of alcohol caused a spike in crime in the 1920s and 1930s.

"In 1931, if two alcohol distributors had a dispute, they settled it on the street with tommy guns," he said. "That's what prohibition looks like."

In many ways, Colorado is a case study in drug legalization, because voters approved marijuana for recreational use in 2012. That didn't destroy the shadow market for the drug, Black said. People are still arrested all over the state for selling marijuana illegally.

In addition to that, Black said, legalizing drugs would send the wrong message.

"If we legalize (drugs), we as a society have given up," he said. "When you do that, we've lost."

Bates disagreed. He doesn't deny the fact that drug addiction is a problem, but it's a public health problem, he said, as well as a personal accountability problem. It's not a criminal justice problem.

"We are the world's leader in incarceration rates," he said. "We do that better than anyone else. We've been doing that for decades. We're not any closer to solving this problem."