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Gangs built on corporate mentality

Adopting best business practices permitted drug trade to flourish

June 13, 2004 | By Susan Chandler, Tribune staff reporter.

The Black Disciples ran a business that was the envy of Chicago's underground economy.

The South Side gang's distribution network for heroin and crack cocaine brought in as much as \$300,000 a day.

Its drug-selling territory was divided into clearly defined franchises. Gang members paid dues and "taxes" for the right to sell drugs. There was even an annual company picnic.

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A recent federal raid threw a wrench into the Black Disciples' lucrative operation, but it also opened a window on a rarely examined economic enterprise that holds sway over large parts of urban centers like Chicago.

It's unlikely to become a source of civic pride, but some South Side Chicago gangs have been among the most successful in the nation at taking the best practices of corporate America and adapting them to their use, gang experts say.

"I've always believed they were run the way IBM should have been run," said Jonathan King, a former U.S. attorney who prosecuted the Black Disciples' archrival, the Gangster Disciples. That gang, he said, was adept at putting the right people in the right jobs and identifying legitimate business opportunities to launder cash.

"They were incredibly efficient at what they did. A lot of these people could have been business leaders if they had chosen to run a legitimate firm instead of a drug cartel."

The Gangster Disciples and the Black Disciples adopted a pyramid-type organization led by a CEO-type leader. Each had its own board of directors that held regular meetings.

Although they used different designations, both gangs had the equivalent of middle managers who oversaw drug sales, and enforcers who collected fines and administered "violations," physical discipline that went far beyond the corporate norm for poor performance.

While the leaders made fortunes, front-line employees—the street-level gang members who sold drugs—earned roughly the equivalent of minimum wage in many cases, researchers found.

Except for the 40 or 50 Black Disciples who hold positions of rank, "the rest of them are the frymakers at McDonald's," said Andrew Papachristos, a sociologist and director of field operations for the National Gang Crime Research Center in Peotone.

"They're not all driving Benzes and Lexuses. They're not making the cash," he said.



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Both gangs had a code of conduct and a benefits package of sorts. Gang members who were arrested usually could count on the organization to foot the bill for an attorney and to post bail. The gangs regularly paid for funeral expenses, not an uncommon occurrence, and sometimes paid annuities to families of those killed or incarcerated.

Another thing the gangs had in common with big business: a glass ceiling. An estimated 30 percent of Black Disciples in some parts of the city were women, but they rarely, if ever, rose to prominent positions.

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The rise of the corporate gang was a product of the 1980s, when many manufacturing jobs were leaving inner cities and crack cocaine arrived on the scene, social scientists and gang researchers say.

Crack created an opportunity for a large-scale drug economy that didn't exist with marijuana or other narcotics.

"The nature of the high is short and intense, and it requires continuous feeding," said Sudhir Venkatesh, a sociology professor at New York's Columbia University and an author of a book about the Robert Taylor Homes public housing complex in Chicago.

At the same time, many more young black men were moving in and out of prison, where numerous gangs had formed alliances called "nations" to protect their members behind bars. Those nations formed the beginning of an industrial organization, Venkatesh said.

The Black Disciples, the Gangster Disciples and the Black Gangsters, now known as the New Breeds, are offshoots of the Devils Disciples gang formed in the 1960s by David Barksdale.

But King David, as he was known, died in 1974 of kidney failure related to a gunshot wound, and the gang splintered. Jerome "Shorty" Freeman took over the leadership of the Black Disciples. An up-and-comer named Larry Hoover, who was in prison for a gang murder, formed the Gangster Disciples with about 60 members.

Hoover saw the possibilities presented by the crack trade. By the mid-1990s, he transformed the Gangster Disciples into a multistate drug distribution network with 30,000 members, according to the U.S. Drug Enforcement Administration.

Hoover imposed a franchise system on drug sales, doing away with the traditional street market competition.

But his big innovation was taxing the right to sell drugs, said King, the former prosecutor. Sellers kept a portion of their drug proceeds, but a good portion was passed up the ladder to the gang organization.

Members also paid regular monthly dues of about \$20, along with political dues of as much as \$25 a month back in the mid-1990s, which added up to more than \$15 million, a sizable chunk of the gang's estimated \$100 million in annual revenue.

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