

How Prison Gangs Govern the Outside

Anybody that thinks a prison gang, such as the Mexican Mafia, can't reach out and touch ya on the street is a fool for thinking that way. Because they can. They can reach out and touch anyone they want.

Sergeant, Corcoran State Prison'

The Economics of Extortion

Imagine a horde of roving bandits whose sole desire is to accumulate as much wealth as possible. One day, the bandits are roaming the countryside. In the distance, they see a small community, whose residents enjoy substantial material comfort. They drive nice cars, have expensive electronics, and own beautiful pieces of artwork. The bandits descend on the town. They run amok, beat and terrify the locals into submission, and steal everything of value. The bandits depart with the riches, and the local townspeople are impoverished. At first, there seems to be little hope for the townspeople, for they cannot defend themselves from the deadly brigands. It appears that the bandits are an unmitigated disaster for the townspeople. However, this might not be the case. Imagine that instead of roving bandits, the bandits are stationary. Instead of a never-ending nomadic life, they live just down the road from the community. How does this change their incentive to plunder?

First, the bandits now have an incentive not to take everything from the townspeople. If they took everything of value from them every day, then the townspeople would have no incentive to create anything of value in the first place. Complete theft would leave the bandits with nothing to steal. However, the townspeople may be willing to produce something of value if they can keep a share of it. The total wealth the bandits can steal, therefore, depends on how much they steal and how much the townspeople are willing to produce,

given different rates of theft. The bandits earn nothing in two scenarios: (1) if the bandits steal everything that is produced, then the townspeople will stop producing anything; (2) if the bandits steal nothing, they get nothing. Therefore, the bandits maximize their extraction by stealing some, but not all, of the town's wealth. The stationary bandit maximizes its thievery by constraining its theft.²

We can extend this logic a step further. If the bandits know that they can steal a portion of the wealth, then they may actually have an incentive to help the townspeople grow even richer. The bandits might not only constrain their theft, but also produce public goods that encourage wealth creation. For instance, they may protect the townspeople from other bandits. They might provide market-enhancing goods, such as roads, police, and venues for resolving disputes. By doing so, they promote wealth creation and increase the amount of wealth that they can steal. If the bandits can steal from everyone in the town, then they can internalize the benefits of producing public goods. Their encompassing interest makes it profitable to produce governance. Despite their ill intentions, a stationary bandit may actually provide the essential governance institutions that make the town richer than it would have been in the bandits' absence.

The logic of the stationary bandit can fail in several ways. If the stationary bandit's time horizon goes from long to short, then he will steal everything. If the bandit isn't going to be around to steal, then he doesn't care if his theft discourages future production. The townspeople also must believe that the stationary bandit has a long time horizon. The bandits must be able to organize themselves effectively. If some of the bandits want to be stationary and some want to be roving, for instance, then costly infighting occurs. Importantly, the bandits have to care about wealth more than anything else. If the bandits enjoy making people suffer and are willing to give up wealth to do so, then they will not produce all possible market-enhancing governance institutions.

Like the stationary bandit, prison gangs provide governance institutions that allow illicit markets to flourish. They adjudicate disputes and protect property rights. They orchestrate violence so that it is relatively less disruptive. They do not do this because they are benevolent dictators. Gangs do it because they profit from doing so. In addition to governing prisons, these gangs are also an important source of governance to the criminal world outside of prison. They wield tremendous power over street gangs, specifically those participating in the drug trade. Because of this power, governance from behind bars helps illicit markets to flourish on the streets.

Drug Dealers Pay Taxes

A defining characteristic of a prison gang is that it operates in prison, but that doesn't mean it only operates in prison. According to some sources, since at least the early 1970s, prison gangs have been active in county jails and on the streets.³ The county jail system plays an important role in how the criminal underworld functions. It is a crucial link between prison crime and street crime. It allows prison gangs to project their influence beyond prison walls.⁴

Unlike state or federal prisons that hold convicted inmates, county jails typically hold three types of people: people charged with crimes who have not been convicted, people serving less than a year, and people who have been convicted of a crime and are waiting to be transferred to a state prison. The Los Angeles County Jail system is one of the largest in the United States. The county jails serve an area that comprises more than 4,000 square miles and nearly 10 million people. The L.A. District Attorney's office handles more cases each year than any other office in the country.⁵ On a typical day, the system holds about 19,000 people. The largest facility in the system, Men's Central Jail, holds about 4,600 inmates.⁶ Inmates stay in jail, on average, 60 days. There are few places as important to street gang members as the Los Angeles County Jail.⁷

Many people have dubbed L.A. the "gang capital of the world," so it is a useful place to study to understand the remarkable influence prison gangs can have over street gangs. The Bloods and Crips are perhaps the best-known gangs in popular culture, but in L.A., Hispanic gangs are actually more important in terms of numbers and influence. The most recent data available, from reports by the Los Angeles Police Department, indicate that the city of Los Angeles is home to about 720 street gangs. There are 417 Hispanic gangs, compared to 228 Bloods and Crips gangs. The L.A. Police Department estimates that there are about 22,000 Hispanic gang members and 15,500 Bloods and Crips members. Not all of these gangs sell drugs, but many do. For gangs engaged in the drug trade, it is typically their most important source of revenue.⁸

These drug profits have caught the Mexican Mafia's eye. For many drug-dealing Hispanic street gangs, the Mexican Mafia demands an extortion payment. The gang members refer to these payments as "taxes," "gang taxes," "tribute," *feria*, and "rent." A street gang typically pays between 10 and 30 percent of its drug revenues to the Mexican Mafia. They pay these taxes on a monthly or weekly basis to three types of Mexican Mafia tax collectors.⁹

First, a non-incarcerated Mexican Mafia member may collect taxes from a gang. If so, it will usually include collecting from a gang with which he has a history of interacting, perhaps as a former member or business partner. Second, the Mexican Mafia may authorize an associate, who is not a full-fledged member, to collect taxes on the prison gang's behalf. It has become increasingly common, for example, for the wives and girlfriends of incarcerated members to have the responsibility of collecting taxes.¹⁰ Third, the Mexican Mafia may delegate the responsibility to collect taxes to a high-ranking and well-known member of the street gang that is being taxed.¹¹ For instance, the Mexican Mafia allowed a prominent MS-13 member to collect gang taxes from cliques within MS-13. Although they collect the taxes, these representatives know that they are only an intermediary. According to one law enforcement official's summary of a wiretapped phone conversation, two Mexican Mafia members discussed the fact that "the tax collectors who work for the Mexican Mafia know the money they collect was not their property and that they were working on a salary."¹² These collectors also do so because it increases their status in the eyes of the Mexican Mafia and is a route to membership.

Mexican Mafia members control these funds in a variety of ways. Until the mid-2000s, incarcerated prison gang members had inmate bank accounts that officials rarely monitored.¹³ They could transfer funds into and out of these accounts with ease. Some inmate accounts held tens of thousands of dollars. According to a former Mexican Mafia member, "It's the perfect method to cleanse money. There is so much money leaving and entering the prison—tens of thousands of dollars moving on and off the books on a regular basis, dirty money that is laundered with the help of the CDC [California Department of Corrections] system."¹⁴ Gang members reportedly invested in U.S. Treasury Bonds, CDs, double-e series U.S. savings bonds, homes, and commercial real estate.¹⁵ In the last 10 years, however, officials have started monitoring these accounts much more closely.

Now a more common way to hold funds is to have them sent to a trusted associate, such as a wife, who can disperse these funds as needed.¹⁶ These women, often referred to as *Señoras*, are "high-level female associates, who often have close personal relationships with Mexican Mafia members. Largely due to their close ties to members, Senoras can have the most authority amongst non-members. That authority, which is given to them by a member, often empowers them to speak on the member's behalf and direct Mexican Mafia business, including ordering murders or assaults. Senoras, like other associates, will also collect 'taxes,' or extortion/protection payments, and distribute drugs."¹⁷

The prison gang faces two major challenges in monitoring the tax collection process: They must prevent tax collectors from keeping a portion of the money, and they must ensure that imposters do not pose as tax collectors. An obvious solution is to threaten to kill people who break these rules. In March 1994, for example, law enforcement was secretly recording a Mexican Mafia meeting where gang members discussed Ramiro Valerio. According to the 9th Circuit Court Ruling, the gang members believed he was "collecting money from drug dealers by claiming he was a member of the Mexican Mafia. At the videotaped March 27, 1994 meeting, the members present clarified that Valerio was not a member and therefore had no authority to collect money or act on the Mexican Mafia's behalf."¹⁸ The gang members decided to kill Valerio. Later that year, officials listening in on a phone call heard two Mexican Mafia members discussing the operation. The ruling explains, "Castro called Rodriguez to advise him that the police had arrested Valerio and he was in jail, so R. Castro now had the opportunity to kill him. During subsequent conversations, R. Castro devised a plan to kill Valerio while in custody."¹⁹

The taxpayers themselves also have an incentive to ensure they are paying the right person: they want to get credit for doing so. In one case, a street gang member named Mendoza, who had recently been paroled from Pelican Bay, falsely claimed to be a Mexican Mafia member. While at a dope house, he demanded that the drug dealer give him drugs and money.²⁰ Several people grew suspicious of his credentials, and one telephoned around to find out if the Mafia had authorized him to collect taxes. A short time later, a Mexican Mafia member tracked Mendoza down at an apartment. According to the appellate ruling, Mendoza "came to the door...but did not respond when defendant asked if he was from the Mexican Mafia. Defendant asked, 'Are you a carnal?' [a Mexican Mafia member] Mendoza said nothing, but began to pull up his shirt as if to show his prison tattoos.... At that moment, defendant fired a gun at Mendoza, who grabbed his chest and said, 'Ah, shit. They shot me.'"²¹ To avoid these problems, tax collectors often work with neighborhoods with which they have a relationship. A history provides credible information to taxpayers and assures them they are paying the right person. It is also easier for tax collectors to know about the volume of business the street gang is doing and the personalities of the people involved.

The taxation structure imposed on the Varrio Hawaiian Gardens (VHG) street gang is typical of many Sureño gangs. A shot caller of the street gang collects taxes that he then remits to the Mexican Mafia. According to officials, "At any given time, one or more members of the Mexican Mafia has control over the VHG Gang's territory and is empowered to receive the drug 'taxes'

from the VHG Gang and to issue orders and instructions to the VHG Gang. A Mexican Mafia member with authority over the VHG Gang's territory typically enlists the assistance of a VHG Gang member and authorizes that VHG Gang member to act in the name of the Mexican Mafia member. ... [He] is empowered to collect drug 'taxes' for that Mexican Mafia member from VHG Gang members and drug traffickers selling drugs in Hawaiian Gardens."²² The Mexican Mafia member delegates the tax collection responsibility to someone who has the information to carry it out effectively.

The 18th Street gang is one of the most notorious gangs in the world. They have come to dominate much of the L.A. drug trade. The Columbia Little Cycos (CLCS), an 18th Street clique, operates in the areas west of downtown, near MacArthur Park.²³ Despite their power on the street, the Mexican Mafia has taxed them for many years. The CLCS shot caller collected taxes from those selling drugs in its neighborhood and sent them to the incarcerated Mexican Mafia member. His job was to "maintain an accounting of the rent amounts paid to the CLCS Organization by narcotics distributors during each rent collection period, and calculate the percentage of the illicitly obtained proceeds that the CLCS Organization was required to pay to Mexican Mafia Member 1."²⁴

The notorious street gang Mara Salvatrucha (MS-13), formed in the mid-1980s in Los Angeles, has since spread to other states and countries.²⁵ Despite officials' claims that they are one of the "largest and most violent gangs in the world," they too pay gang taxes.²⁶ As an indictment explains, "each clique contributes a portion of its profits towards a tax paid by MS-13 to the Mexican Mafia. Like all gangs associated with the Mexican Mafia, MS-13 is required to pay a specified sum of money on a regular basis to a member of the Mexican Mafia."²⁷ The indictment continues, "A single powerful MS-13 member in Los Angeles has been appointed to act as MS-13's representative to the Mexican Mafia."²⁸

The Mexican Mafia does not limit its taxation to gang members. They call on the street gangs to look for non-gang drug dealers, and they authorize the street gangs to collect taxes from these people on their behalf. As one indictment explains, "The Mexican Mafia also exercises control of non-gang affiliated narcotics dealers by taxing them, either directly by a Mexican Mafia member ... or a gang answering to the Mexican Mafia, such as the Diablos, West Side, Varrio Fallbrook Locos, or Varrio San Marcos gangs. If they pay taxes, drug dealers are permitted to sell illegal drugs in their designated areas. If a drug dealer fails to pay the required tax either directly to a Mexican Mafia member or to a gang collecting tax under the authority

of a Mexican Mafia member, the drug dealer may be assaulted or robbed of his/her drugs, money, and/or possessions.³⁹ The taxation scheme is not optional, and the gang forces compliance. According to one indictment, the defendant explained to a drug dealer, "[You] have to pay taxes.... You're slinging in the city, anyone slinging in the city has to pay taxes... whether you like it or not.... [I]f you get caught lying, you know, or trying to dodge, dodge that kind of shit, you're going to get into some serious shit."⁴⁰ Failure to pay taxes results in being assaulted or robbed.

Typically, a single Mexican Mafia member controls taxation in a particular region. For instance, in San Diego, a federal indictment explained, defendant Espudo "is a validated member of the Mexican Mafia who oversees Mexican Mafia activities throughout much of northern San Diego County."⁴¹ He has "the right to sanction the murder and/or assaults of associates of the Mexican Mafia, and others, including Hispanic gang members both in and out of the prison system."⁴² Moreover, he is "entitled to receive a portion of 'taxes' collected under the authority of the Mexican Mafia, as well as proceeds from the sale of narcotics within the geographic areas."⁴³ Because Espudo is now incarcerated, his wife is an important representative for him. According to court documents, "as far as Mexican Mafia associates and facilitators are concerned, [his wife]... speaks for Espudo and her directions are considered as if he were speaking them. [She] collects tax money and drugs on their behalf and passes both information between Espudo and his associates as well as orders Espudo may direct."⁴⁴

There are no data available that systematically track the total amount that street gangs pay the Mexican Mafia, but a few anecdotal examples suggest that it is quite a lucrative amount. Former Mafia member Rene Enriquez regularly earned \$40,000 to \$60,000 a year while incarcerated.⁴⁵ In 2004, institutional gang investigators at Pelican Bay looked into the previously unmonitored inmate accounts and found that some inmates had sizeable holdings. They froze the accounts of 14 Mexican Mafia members, 2 of whom had more than \$20,000 in their trust account and 2 others had more than \$10,000.⁴⁶ Gang experts argue that the Mexican Mafia has laundered "millions of dollars" through their prison trust accounts.⁴⁷ Federal prosecutors contend that one member received \$40,000 a month in gang taxes while at Pelican Bay.⁴⁸ One Mexican Mafia member received \$4,000 per week from a single drug dealer.⁴⁹ In one instance, Mexican Mafia members kidnapped a drug dealer because he failed to pay the \$85,000 in taxes that he owed, which he eventually paid as ransom, along with four kilograms of cocaine.⁴⁰ Drug dealers had to pay \$15,000 to sell drugs in a two-block area near the Westlake district of

downtown L.A.⁴¹ The shot caller overseeing the Lil' Cycos drug operation brought in \$250,000 a month in taxes.⁴² Rene Enriquez explained that in addition to the money, taxation brought him power: "I know I can say any time that I need \$5,000, a car, or gifts for my family. Boom! It will be done. I need that guy killed. And it was done efficiently."⁴³

The Mexican Mafia organization is much smaller than the combined size of the gangs that it taxes. Estimates of Mexican Mafia membership range from 150 to 400. Compared with the estimated 22,000 Hispanic street gang members in L.A., the Mexican Mafia is less than one percent of their size. Despite this, the prison gang is capable of extorting gang taxes from them, and what's more impressive, they are able to do so while many of their members are incarcerated in county, state, and federal facilities. An appellate court ruling on a Mexican Mafia case noted, "Overwhelming evidence in the record shows that Appellants conspired to extort money and firearms from various street gangs."⁴⁴ Rene Enriquez claimed that "tens of thousands of gang members adhered to what we said. . . . And it was then that we realized the true potential of the Mexican Mafia . . . because of the finances generated by taxation: taxation, extortion, protection—they all fall under the same umbrella."⁴⁵

The Role of the County Jail System

Cowards and weaklings do not run street gangs. Gangs have often fought wars to win drug territory. They assault, stab, and kill rival gang members. How then can a small group of incarcerated prison gang members force them to pay taxes? The evidence presented here identifies three mechanisms. First, the Mexican Mafia can extort street gangs because they have a credible threat to hurt people in the county jail, and street gang members rationally anticipate spending time there. Second, they can use incarcerated street gang members as hostages to force non-incarcerated gang members to pay. Third, they can encourage street gangs to assault and steal from other, non-taxpaying street gangs.⁴⁶

Regardless of how dangerous a drug dealer is on the street, he is in a fundamentally different position once incarcerated. When a street gang member is arrested, he will typically enter the county jail alone. During the intake process, officials will physically examine and strip-search him, making it difficult to smuggle in weapons. Sometimes a gang member can schedule to turn himself over to jail authorities at a particular time, but incarceration often occurs unexpectedly. For some gang members, entering jail will be a new experience. The routines, requirements, and residents are unknown. He may live in one of

several different areas, so even if he has served time in the past, he might not know the layout of the building, the daily schedule, or his privileges as an inmate.

Compared with inmates who have resided there for a longer time, he is at a disadvantage in protecting himself. The experienced inmates know where the blind spots are, if deputies are willing to ignore violence, and when deputies are least likely to observe assaults. They know the other inmates and the current state of prison politics. They have had an opportunity to make weapons. In January 2010, roughly a quarter of the male inmate population was incarcerated for charges of murder, attempted murder, and assault with a deadly weapon.⁴⁷ New inmates entering the L.A. County Jail system—even a hardened street gang member—can be at a substantial disadvantage in violent confrontations. As a former L.A. gang member noted about Men's Central Jail, "if you aren't in a gang when you go in, you will be when you get out."⁴⁸ The only way to survive is to group up.

While in this vulnerable position, a street gang member may have to intermingle with the Mexican Mafia. Prison gang members often spend time at the county jail because of pending court cases. Commentators have described the L.A. County Jail as the gang's home base and headquarters.⁴⁹ Some prison gang members have even intentionally remained in jail to profit from the drug trade. One Aryan Brotherhood shot caller allegedly managed to spend six years at the county jail instead of transferring to a state prison because he was earning \$5,000 a week selling drugs.⁵⁰ A Mexican Mafia member assaulted and murdered other inmates just to generate new criminal charges so that he could continue selling drugs in the jail.⁵¹ Prison gang members may also represent themselves in court. This gives them the ability to have inmates who are housed in prisons across the state transported to the county jail, under the auspices of testifying in court. In reality, they conduct gang business.⁵²

There is a second important reason why the Mexican Mafia has substantial influence within the county jail system. Inmates who either would like to join the Mexican Mafia or who simply want to increase their status in the gang's eyes will follow their orders. One federal indictment describes the relationship between the Avenues street gang and the Mexican Mafia's green light lists. The prison gang can "issue directions and orders, including orders to kill rival gang members, members of law enforcement, and members of the public.... Those orders are to be executed by Avenues gang members and are understood by Avenues gang members as opportunities to gain elevated status with the organization or to potentially become a 'made' member of the

organization."³³ In addition, the Mexican Mafia can force inmates who owe them money or drugs to assault others in lieu of payment. Even if a particular Mexican Mafia member in the county jail cannot physically assault another inmate, he can order others to do so—and many inmates will. That means that it only takes a few Mexican Mafia members to control a large portion of the inmate population.

Several additional factors make jail even worse for a drug dealer who is delinquent in paying his taxes. First, inmates in the county jail are segregated by both formal and informal mechanisms. Inmates choose to congregate with members of the same race and ethnicity. For example, a Southern Hispanic inmate would not be welcomed to congregate with black inmates. This makes it difficult to avoid other Hispanics—the people who the Mexican Mafia has the most control over. Officials also frequently segregate inmate housing by race and gang status. This means that they will house a Hispanic drug dealer in the same cells as other Hispanics from Southern California. A street gang member who hasn't paid the Mexican Mafia will be housed among the people he would most like to avoid. Moreover, the Men's Central Jail has specific modules for gang members. Officials may house a delinquent taxpayer in this gang module. As discussed previously, a shot caller is in charge of identifying new inmates and telling them the rules of the tier. In doing so, an inmate's gang affiliation will be discovered. If there's a green light on him or his gang, he's in trouble.

Wire-tapped phone conversations reveal prison gangs' power. Phone intercepts captured a conversation between a non-incarcerated Mexican Mafia member and an associate in the L.A. County Jail. During their talk, they coordinated assaults on street gang members who hadn't paid taxes. A federal indictment explains that the Mexican Mafia member asked another "to contact the A and B rows in the Los Angeles County Jail to determine if there were any prisoners capable of carrying out an assault" against someone who hadn't paid his taxes.³⁴ On October 25, 1994, a Mexican Mafia member spoke with an associate in the L.A. County Jail, and according to the indictment, "advised the unindicted co-conspirator of the gangs against which the Mexican Mafia had authorized assaults."³⁵ In a 9th Circuit Court of Appeals ruling, the judges found that "gang members who did not cooperate with the Eme when they were outside could be dealt with if they ever landed in jail—and many of them did. An Eme member or an associate could place an individual or even a whole gang on the 'green light' list, which meant that the individual or gang was targeted for any form of assault up to and including murder."³⁶

Drug dealers anticipate spending time in the county lock-up. The California Department of Corrections and Rehabilitation conducted a study to measure recidivism of inmates released from state prisons in 2004. Within three years, approximately 59 percent of inmates were reincarcerated in a state prison. After only one year, nearly 40 percent of inmates were reincarcerated. The study examined 17,139 inmates who had been released after serving time on a drug offense. The two most frequent offenses were possession of a controlled substance and possession of a controlled substance with the intent to sell. After one year, 29 percent of inmates released for possessing a controlled substance with intent to sell and 45 percent for possession of a controlled substance were reincarcerated. After three years, these recidivism rates increased to 46 percent and 66 percent. Only five crimes had higher recidivism rates than those for which people served time for possession of a controlled substance. A national study of recidivism found that after three years, 64.6 percent of Hispanic inmates and 66.7 percent of inmates for whom their most serious offense was drug related were rearrested.⁵⁷

The California recidivism data may also underestimate a street gang member's anticipation of incarceration. First, the study only looks at people who return to a state prison, so it does not account for those street gang members who may spend time in the county jail but never go back to state prison. For example, if a gang member is incarcerated in the county jail for being drunk in public, then he hasn't been counted as having recidivated. Second, these data look at recidivism for all inmates released from the state prison, but gang members have higher recidivism rates than those of non-gang inmates. In Illinois, 75 percent of gang members are rearrested within 750 days of release. The average time from being released from prison and rearrest is less than eight months.⁵⁸ The recidivism rate for gang members is six percentage points higher than that for non-gang members.⁵⁹ This means that the overall recidivism data, which do not control for gang membership, underestimate the recidivism rates of gang members.

Street gang members recognize the likelihood of arrest. Many of them speak about their first incarceration experience as a badge of honor. It demonstrates one's toughness and machismo. Social networking takes place, and young gang members often enjoy interacting with the "big homies" in the county jail. In fact, serving a relatively short sentence at a young age can be a "career maker" because of the people one meets.⁶⁰ Rene Enriquez explained that prison "was kind of like going to college. Once you get there, you're just considered a homeboy who's been to the joint. Homeboys who go to prison are considered *veteranos*. They're well respected in the neighborhood."⁶¹

On the streets, drug dealers are well armed, organized, and mobile. The county jail system means that any drug dealer, with some probability, will end up in one of only a few county jail facilities. Taylor Morehead, Chief of Custody Operations, describes the filtering of the county jail reception area, noting, "everybody that comes in, comes through the funnel."⁶² Sergeant Roger Ross, a gang investigator in the jail, explains, "Los Angeles County Jail is unique in the fact that every gang in Los Angeles County ends up coming here. It doesn't matter if they're a black gang, Asian gang, a Hispanic gang, or a white gang. If they're active in Los Angeles County and they get arrested, they end up coming to the Los Angeles County Jail system."⁶³ In 2002, an estimated 52 percent of inmates in the L.A. County Jail system had been involved in inmate gangs.

A second way that the Mexican Mafia can extort street gangs is by holding their incarcerated gang members hostage. If the members on the street don't pay taxes, the gang harms their incarcerated members. Officials investigating the Mexican Mafia in the early 1990s described the contents of a monitored telephone conversation in October 1994 in which one member told another "the gangs against which the Mexican Mafia had authorized assaults."⁶⁴ Later in November, two members discussed which gangs had a green light due to failure to pay gang taxes, including the Clanton, Hang Out Boys, and Flats street gangs.⁶⁵ In one indictment, a Mexican Mafia associate told a street gang member that someone "was going to be assaulted because of a 'green light' on the West Side gang," because "he was still short money for the West Side gang's 'fuckin' two thousand dollar 'tax payment to' " the Mexican Mafia shot caller.⁶⁶ The indictment also describes how a Mexican mafia member announced "that all West Side gang members arrested from December 25, 2010 onward would be assaulted for the gang's failure to make a full tax payment on time," and an associate planned to smuggle drugs into the facility to fulfill the gang's tax payment.⁶⁷ The green light on the West Side gang was lifted about two weeks later. Two individuals discussed the green light, with one explaining that "they say everything is okay; they send their hello to yourself and the camarada and to send all our love to those from the West Side."⁶⁸ The indictment explains that this means "the 'green light' had been lifted from the West Side gang because the gang had fulfilled its Mexican Mafia tax obligation."⁶⁹

A street gang member might try to conceal his gang affiliation so that he can't be held hostage. A problem with this strategy is that a tier's shot caller identifies newly arrived inmates and their gang affiliation. However, even if the shot caller did not conduct an intake interview, inmates can usually identify a street gang member by his tattoos. Gang members usually place tattoos

in prominent locations. Given the communal living and showering situation, a gang member cannot conceal his tattoos for his entire jail stay. In fact, often the purpose of getting tattoos is to provide information about one's history and status to strangers. For gang members, tattoos communicate "their membership, rank, specializations, and personal accomplishments.... Just as academic vitae announce the prestige of institutional affiliation."⁷⁰ Given the importance in the underworld associated with these claims, "information concerning identity can literally be a matter of life and death."⁷¹ Because tattoos are intended to provide important information to strangers, not surprisingly, strangers can often easily see them.

Just as in prison, drug consumers on the street cannot rely on formal governance mechanisms to ensure the quality and safety of the drugs they buy. Consequently, drug dealers in street gangs establish a reputation—both for the quality of their product and their danger to potential thieves. Like prison gangs, street gangs have an advantage in illicit markets and an incentive to invest in long-term reputation mechanisms to provide assurance. This branding only works, however, if consumers can identify which drug dealers are in reputable gangs. This is where tattoos play a crucial role. Precisely because tattoos are permanent and placed in prominent positions, they are a credible signal of gang affiliation.⁷² It would be costly for a non-gang member to get a large gang tattoo on his neck because someone in the gang might see it. Gangs maintain their reputation by monitoring who claims to be a member. The reputation of the gang is greatest where the gang is most active. For an imposter to benefit from a gang tattoo, he would have to spend time in the location where he is most likely to be exposed. These costs make it clear that whoever gets a gang tattoo actually is a member of that gang. However, precisely because gang members use these permanent, prominent signals to engage in drug dealing on the street, they cannot easily hide them when in jail. The result is that prison gangs can use these individuals as hostages.

The third way that the Eme controls street gangs is by encouraging street gangs to prey on gangs that don't pay taxes. The Mexican Mafia protects gangs that pay taxes, and they stop protecting those that don't. A defense counsel in court explained, "The Mexican Mafia will issue what is called green lights.... A green light is essentially the okay to assault or kill somebody. That could be in prison, but it can also be on the streets. In the West Myrtle neighborhood, for many years West Myrtle had been the target of green lights. What that meant was that other gangs could come into the neighborhood and commit acts of violence, shootings, assaults, with impunity, without being disciplined by the Mexican Mafia. The Mexican Mafia gave its blessing."⁷³ One Southern

California gang proudly refused the Mexican Mafia taxation demands and started calling itself "the Green Light Gang." The result was that many of them were murdered in subsequent years.⁷⁴ After refusing to pay taxes, members of the Vineland Boys Gang abandoned many of the outward signs of gang membership to avoid detection.⁷⁵ They have since become compliant. The street gangs that don't pay taxes are outlaws—literally outside of the law created by the Mexican Mafia in the streets of Southern California.

Criminal Governance for the Drug Trade

The illicit nature of the drug trade means that street gangs cannot rely on the police to protect their property or on courts of law to uphold their agreements with consumers, intermediaries, employees, and suppliers. Conflict can arise for a variety of reasons. There might be a dispute between rival gangs about who can sell drugs in an area. A drug dealer might find himself in conflict with a supplier. Disputes might arise over nonpayment, late payment, receiving poor-quality drugs, late delivery of an item, or disagreement or renegotiation over the price. Conflicts might arise with his customers for the same reasons. A drug dealer's property might not be safe from theft and robbery. In the absence of effective governance institutions, market failures arise and firms must rely on less efficient forms of governance.

In lieu of mainstream governance institutions, criminals often use violence to adjudicate disputes.⁷⁶ Evidence suggests that the illegality of the drug trade per se contributes to violence. Historically, the murder rate in the United States has increased when officials increased enforcement of drug and alcohol prohibitions. Greater market prohibition increases reliance on extralegal governance mechanisms like violence. This pushes illicit business into arenas with fewer methods of nonviolent dispute resolution. This result holds even after controlling for other factors that might explain changes in the murder rate, such as the age of the population, incarceration rate, economic conditions, the availability of guns, and the death penalty.⁷⁷ If this association is interpreted as being causal, such that enforcement causes an increase in violence, then drug prohibition increases the murder rate between 25 and 75 percent. In a cross-country study of the effect of drug prohibition and gun laws on the murder rate, drug prohibition is also associated with an increase in the murder rate.⁷⁸

A study of a gang's accounting books shows that gang wars adversely affect earnings.⁷⁹ Violence drives consumers away because of the possibility of harm amidst inter-gang violence. Wars increase the presence of, and the pressure

applied by, law enforcement officials. Residents in the community become less tolerant of the drug trade.⁸⁰ Gangs spend money to recruit and arm new members. Of special importance to the Mexican Mafia, gang tribute paid to higher-ranking gang members declines. The prison gang has an incentive to enforce property rights and adjudicate disputes for tax-paying drug dealers. The Mexican Mafia's self-interest leads them to provide governance, which they do in three ways.

First, the Mexican Mafia protects tax-paying Sureños when they are incarcerated. County jails can be dangerous places, and a large number of inmates are from rival gangs. As an L.A. jail official explains, "Almost half of our jail population is street gang members, and they are probably responsible for 70 to 80 percent of the crime that occurs in our jail, and nearly all of our murders have been gang related in one way or another."⁸¹ Gang rivals or other inmate predators might assault a gang member.

The Mexican Mafia might prefer not to protect taxpayers once they arrive, because they have already received the taxes and providing protection takes effort. But for the taxation to persist, the Mexican Mafia must provide protection. Extortion has an unusual feature. To be effective, the extortionist must have monopoly control over violence against the victim. Extortion is only effective when the extortionist can credibly tell the victim that he has the decisive choice to harm him or not. If a taxpayer anticipated being assaulted by other inmates, then there is little benefit to paying in the first place. To incentivize payment, therefore, the Mexican Mafia must both credibly threaten to hurt those who don't pay and effectively protect those who do.⁸²

One indictment explains, "the Mexican Mafia provides protection to all MS-13 members incarcerated in county, state, and federal prisons and jails in California."⁸³ Another reports that by paying taxes, members of the Varrio Hawaiian Gardens gang "assure protection for VHG Gang members once they enter California state or federal penal institutions."⁸⁴ In 2011, another indictment noted that members of the 38th Street gang guarantee their protection once entering the penal system by paying taxes.⁸⁵ The Mafia provides a similar protective role for the Azusa 13, Eastside Riva, Florencia 13, Lennox 13, 18th Street gang, and many others.⁸⁶

Second, the Mexican Mafia protects drug dealers on the street. One indictment explains how this works: "These tax payments entitle the soldier to conduct illegal activities such as the distribution of drugs under the authority of a given Mexican Mafia member. Having the member's authority protects the soldier from interference from the given member and from other gang members. The soldier who pays the taxes can also rely on the given member—or an

associate of the member—for assistance (e.g. collection of outstanding drug debts).⁸⁷ An Eme associate testified about his role in protecting drug dealers, explaining that it was his job to give dealers “a safe haven from other dealers and gangs. It was easier for them to pay than get bothered. We protected them from other thieves.”⁸⁸ In another instance, a group was shaking down a female drug dealer at a local bar who received protection from the Mexican Mafia. When the Mexican Mafia found out, they sent people to the culprit’s house and assaulted and robbed him.⁸⁹ Likewise, law enforcement officials report that the “Mexican Mafia ensures that no other gang operates in MS-13’s territory or otherwise interferes with the criminal activities of MS-13.”⁹⁰

To be an effective deterrent, drug dealers must develop credible signals of their affiliation with the Mexican Mafia. When gangs begin paying taxes to the Mexican Mafia, they often add the number 13 to their gang name. This explains why so many gangs in Southern California have this attribute, including MS-13, Toonerville 13, Puente 13, and Florencia 13.⁹¹ The letter *M* is the thirteenth letter of the alphabet, so it stands for the Mexican Mafia and signals a drug gang’s affiliation. Attaching 13 to one’s gang name tells potential thieves that if they steal from the gang, the Mexican Mafia will exact retribution.

A third, and perhaps the most important, form of governance that the Mexican Mafia provides is adjudication of disputes between tax-paying gangs.⁹² A federal indictment notes that “the criminal activity of the Mexican Mafia also includes the resolution of disputes between the street gangs and the authorization of one street gang to assault members of another street gang.”⁹³ For example, in early 1994, an 18th Street gang member killed a member of the Mara Salvatrucha. On February 5, law enforcement officials reported that a Mexican Mafia member met with “representatives of the 18th Street gang and the Mara Salvatrucha gang to discuss the dispute between the gangs over the murder of Mara Salvatrucha member ‘Sal,’ by 18th Street member ‘Deffer.’”⁹⁴ In another instance, on January 19, 1995, one drug dealer complained to the Mexican Mafia that two people were selling drugs from his driveway, and as the indictment summarizes, this was “making it impossible for the unindicted co-conspirator to sell drugs.”⁹⁵ In response, on January 19, the Mexican Mafia “negotiated a territory dispute between drug dealers.”⁹⁶ In May 2006, the Mexican Mafia helped resolve disputes among cliques within the 18th Street gang. Law enforcement officials reported that “Mexican Mafia Member 1 would back him up as long as [defendant] paid taxes to Mexican Mafia member 1, and to assemble a meeting of shot callers for the cliques of the 18th Street Gang under Mexican Mafia Member 1’s control in order to stop infighting and to unite their efforts on behalf of the 18th Street Gang and

the Mexican Mafia."⁹⁷ Later that month, the gang member on the street wrote to the incarcerated Mexican Mafia member and assured him that the cliques of the 18th Street gang were "now working in concert."⁹⁸ Rather than letting gangs go to war, the Mexican Mafia provides governance. As one appellate court judgment summarizes, the prison gang "actually strove to minimize inter-gang violence so each gang would be more efficient in its drug-selling activities and would pay more taxes to the Eme."⁹⁹

A related type of governance that the Mexican Mafia provides is to constrain negative externalities. In the summer of 1992, Mexican Mafia members began promoting a sort of quasi-peace treaty among Hispanic gangs.¹⁰⁰ The most well-known part of this process occurred when the Mexican Mafia made an announcement—the Eme Edict—that forbade street gangs from doing drive-by shootings and required that all Sureños swear allegiance to La Eme. When a gang does a drive-by shooting, many parties are affected. Innocent victims and neighbors may be killed, if not only frightened. The shootings generate media and police attention that negatively affects the ability of all neighboring gangs to sell drugs.¹⁰¹ These negative externalities mean that each gang does not bear all of the costs of its actions, so each will do too many drive-by shootings.¹⁰² The Mexican Mafia sought to regulate drive-by shootings by requiring that a person have at least one foot on the ground when shooting at someone, the so-called "one foot policy."¹⁰³ In late 1993, a Mexican Mafia member recorded by Federal Bureau of Investigation surveillance reportedly said, "If you gotta down somebody, down 'em. All we're saying is don't drive-by."¹⁰⁴

Rene Enriquez, who takes credit for helping to devise the edict, began sending notes throughout the prison system and gang neighborhoods to notify people of the ban.¹⁰⁵ One highly respected Mexican Mafia member passed around a document that explained that anyone who violated the rule would be treated "as a child molester, a rat, a rapist, which all means coward."¹⁰⁶ According to one source, there were 20 Mexican Mafia members and associates holding meetings with gangs in public parks to lay out the rules.¹⁰⁷ A note confiscated from a teenage gang member in the county jail (dated November 24, 1993) provides some perspective on how people responded to the edict:

So the homeboy Johnny got the green light by the Eme. Man, that fool is fuckin' stupid.... They out there blasting on fools or what? That shit makes the varrio look real bad. They're gonna fuck around and throw the varrio on a green light pretty soon.... I say this is what you should

do: talk to a couple of the homeboys and see if you vatos can throw a meeting between the varrio. Talk about what's going on with the Eme and about the "Peace Treaty." Those vatos do mean business. Man, you need to get the homeboys on the right track. It's about making money nowadays, not shooting' your own Raza up. If you guys wanna shoot somebody go shoot up those niggers from Westside 357 or Ghost town. You don't need to blast up your own kind no more. That shit's dead.¹⁰⁸

In the weeks and months following the Edict, drive-by shootings declined. Hispanic gang-related homicides declined 15 percent in all of Los Angeles County, and it declined by as much as 50 percent in other areas.¹⁰⁹ Al Valdez, former supervisor of the Gang Unit in the Orange County District Attorney's Office writes, "between April and September of 1992, after the edict was announced, there were no drive-by shootings in the East Los Angeles area, a part of L.A. that was traditionally very active with gang violence and notoriously deadly."¹¹⁰ A study of drive-by gang homicides found a 28 percent decline for all ethnicities between 1992 and 1994, but only a 5 percent decline in gang homicides overall. This suggests that gang members were changing the way that they killed rather than stopping the killing altogether. Los Angeles County Sherriff Sherman Block confirmed that "drive-by shootings have gone down, but street killings have not."¹¹¹

We do not have the data available to measure how much, if any, of the change in drive-by shootings can be attributed directly to the edict.¹¹² However, the edict itself is well documented and is consistent with our understanding of why and how the prison gang provides governance. According to the *Los Angeles Times*, law enforcement officials say the "Mexican Mafia's true motive was to reduce the publicity caused by death of innocent lives caught in the cross-fire so it could organize with little outside scrutiny."¹¹³ One source suggests that the prison gang believed "the killing of innocents energized law enforcement and politicians to launch extraordinary measures."¹¹⁴

In general, the Mexican Mafia imposes rules on drug-dealing street gangs that limit violence, promote order, and stimulate market activity. One indictment explains, "The Mexican Mafia has established rules to govern acts of violence committed by local street gang members, including Avenues gang members. The Mexican Mafia thus requires Avenues gang members to adhere to protocols for the conduct of violent attacks, narcotics trafficking, and murders, including the issuance of 'green light' authorizations for murder. Failure to adhere to Mexican Mafia rules can lead to the issuance of a 'green light,' directing an attack on the offending member, or the requirement that money be paid."¹¹⁵

The logic of the incarcerated bandit explains why some drug dealers pay taxes and receive extralegal governance. It also predicts who won't pay taxes to the Mexican Mafia and who won't have access to the benefits of their governance institutions. First, the Mexican Mafia cannot extort taxes from drug dealers who they cannot harm in jail. Members of other races are less susceptible to Mexican Mafia threats behind bars. They are often held in different cells and housing areas. They also rely on their own prison gangs for protection. Second, the Mexican Mafia doesn't extort taxes from people who don't anticipate incarceration. The threat of harming someone when he goes to jail is not salient if the person doesn't expect to go to jail. Moreover, law-abiding citizens can rely on the police to defend themselves from extortion. There is no evidence of the Mexican Mafia extorting legitimate businesses in this systematic, wide-scale fashion. A letter confiscated by officials that was sent from a Mexican Mafia leader in Pelican Bay's Secure Housing Unit to an affiliate on the street explains, "all legit businesses are to be left alone in our district, no taxing—this includes bars, etc."¹¹⁶

Furthermore, the Eme cannot extort all criminals with the same ease.¹¹⁷ Some crimes, by their very nature, are difficult to observe. A skilled thief is unseen. A drug dealer must make his presence known to entice customers. In attracting customers, he must at the same time risk attracting the attention of the Mexican Mafia. Successful drug dealers also have cash on hand. People who commit violent crimes, like murder, aggravated assault, and rape, don't receive money that the prison gang can extort. The nature of the crime is therefore more resistant to extortion. The Mexican Mafia also needs criminals to be relatively immobile. Because rival drug dealers defend their turf with violence, drug dealers cannot easily move to a new region to avoid taxation. In fact, the Mexican Mafia tried to tax prostitutes, but when they did, the prostitutes simply worked elsewhere.¹¹⁸ Finally, it's easier for an extortionist to tax someone who earns money on a regular basis. If a burglar gets a big score every several months, then the extortionist doesn't know when he can come to collect. A drug dealer who gets paid every day is a more reliable victim.

Finally, the prison gang can only extort drug dealers who live within the jurisdiction that would lead to incarceration in a county jail controlled by the gang. The Mexican Mafia cannot intimidate a Hispanic drug dealer in Northern California by threatening to hurt him if incarcerated in the Los Angeles County Jail. It is unlikely that the drug dealer will be incarcerated in L.A., so it's an empty threat. Consistent with the claim about how jail-based extortion works, these people don't pay drug taxes to La Eme. Moreover, prison gangs in other county jails tax drug dealers on the street, too. Prison

gangs engage in jail-based extortion of drug dealers across the country. This provides further confirmation of the underlying logic for how prison gangs control the streets. In short, it is not from the benevolence of the Mexican Mafia that we expect them to govern the drug trade, but from their regard to their own interest.

There are two reasons to expect that the broad picture that these indictments and court documents paint is valid. First, correctional officers, police officers, lawyers, district attorneys, inmates, street gang members, and former prison gang members agree with the general structure described in these legal documents. The specific charges against particular people may be less reliable, but observers agree in the overall depiction that these documents present. Another way to determine the reliability of federal criminal allegations is to look at what relatively neutral observers think about the evidence. For instance, Judges Fletcher, Canby, and Rawlinson, in an appellate court ruling, assessed the weight and magnitude of the evidence used to convict a number of Mexican Mafia members in earlier cases. They found that "any rational trier of fact could have found the essential elements of the crime beyond a reasonable doubt."¹¹⁹ This includes evidence presented that "the key to the Eme's power was its ability to threaten the members of smaller gangs as well as others with assault and even death if they did not comply with the Eme's demands. In particular, the Eme's power within the prison system gave it leverage even over gang members outside of prison."¹²⁰ Several Mexican Mafia members have been indicted in major cases based on multi-year investigations, with evidence coming from "hundreds of taped conversations which corroborated the appellants' efforts to organize and tax the drug distribution of street gangs."¹²¹ The appellate judges wrote, "the evidence at trial clearly established that the drug taxing and drug trafficking conspiracies were undertaken by individuals on behalf of the enterprise, and were in fact an integral part of the conduct of the Eme's affairs."¹²²

In the opening statement of a trial involving associates and members of the Mexican Mafia, even the defense lawyer admitted the prison gang's influence: "Well, in California, the California prisons are run by a prison gang known as the Mexican Mafia. You heard this from Mr. Staples [an Assistant U.S. Attorney], and it's well-known. Law enforcement knows it. People who have been to prison know it. They control the prisons through violence. They control the drug trading in prisons, but they also exercise control on the streets by virtue of their control in the prisons. By virtue of their ability to commit acts of violence in the prison, they can control the behavior of people on the streets."¹²³ What happens behind bars is often of substantial importance in the free world.