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Smokin' Crime Wave

New taxes breed violence

FOR years, New Yorkers associated the hushed, rhythmic call of "Smoke, smoke" with hustlers peddling pot and worse in the city's streets and parks. But while the Giuliani war on crime thinned the dealers' ranks, Mayor Bloomberg has opened the door to a new generation of hustlers who have taken up the cry to hawk Marlboros and Newport.

And these new smoke peddlers are fast proving far more ambitious and, in many cases, violent than their predecessors.

The motive? Exorbitant new local taxes created an opportunity for huge "butterflying" profits. With a 75 percent sales tax, cigarettes here are far more expensive than in other cities and states. Legal sales have plummeted and some vendors have taken to pocketing the \$3-a-pack of sales tax.

But there's little evidence New Yorkers have taken the mayor's patronizing suggestion to quit complaining about a tax that's good for them and kick the habit. Instead of frequenting local retailers, middle-class smokers have been buying cigarettes online and out of state.

But that requires a credit card and an Internet connection, or a car and time. So this regressive tax has had the biggest effect in poor and working-class neighborhoods — where \$300-plus a month to support a pack-and-a-half-a-day habit can hardly be dismissed as a marginal expense.

It has, though, created a fantastic business opportunity for those not too concerned with the fine points of tax law — a market with high demand, readily available low-cost supply, a low threshold for entry and easily circumvented government-imposed price controls that place legal competitors at a huge disadvantage.

And just before the New Year, New York Secretary of State Randy Daniels announced that only so-called "fire-safe" self-extin-

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guishing cigarettes can be sold in New York as of June 28. This will serve as yet another market-distorting sales incentive for reselling out-of-state cigarettes, since no one wants their smoke constantly going out on them.

In the short run, consumers in New York's less-well-off neighborhoods see the smugglers as providing a service. But these same areas bear the brunt of the crime these men bring with them. As The Post put it in an editorial last month, dealers "seldom limit themselves to fair business practices to eliminate the competition."

At about \$40 profit per carton, there's a real incentive for rough play: Just 50 cartons a week nets six figures tax-free annually.

This math has added up to some very nasty characters. The city is being divided into turf — Russians gangsters in Brighton Beach, the Flying Dragons and Ghost Shadows in the city's Chinatowns, Bloods in Harlem. They've all been competing with smaller gangs and self-employed entrepreneurs to cut out a piece of the action. (And a Michigan cigarette-smuggling ring is suspected of having funneled millions of dollars to Hezbollah.)

And even when caught, street-level dealers face little more than a summons for hawking what is, after all, a legal product.

Increasingly, they have resorted to public violence — including at least four homicides last year.

In November, Cody Knox was stabbed to death in Fulton Mall in the middle of the day by competitors, punishment for underselling them by about a dollar a pack. The same week, Sherwin Henry — who had been net-

ting over \$1,000 a week reselling packs purchased from a reservation — was shot in the head on a Brooklyn rooftop in what appears to have been a robbery. Two other men have been shot in separate incidents linked to buttlegging.

The New Prohibition has been a predictable disaster. As the new tax kicked in last July, the NYPD formed a new unit, the Cigarette Interdiction Group, to handle the expected upturn. Yet 146 arrests, and the seizure of \$250,000 and some 6 million cigarettes, seem to have had little deterrent effect. In the outer boroughs, upper Manhattan and Chinatown, it's easy to find \$5 packs.

Presumably, violence short of murder has not been reported to the police by the criminals involved — the old rob-the-drug-dealer syndrome.

One Prospect Heights-based man I spoke with switched from nickel bags to packs of Newports he carries in a plastic shopping bag. He claims to make about \$500 a week and to have developed a number of regular customers, a couple of whom came up and made small talk

while I followed him on his rounds. He's been stopped by the police once, he said, but got off with a summons.

He's trying to make what he can before getting pushed out by organized concerns, but doesn't plan on stopping just yet: "Think about crack, man, how raw that got back in the 1980s. This ain't that bad yet, but there's easy, almost make-believe money to be made hawking smokes, so it don't matter what the police do ... you're going to have crews setting up franchises, cutting up the city, and deading the competition."

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Daniels: New rule will boost black market.