

A large, dark silhouette of a handgun is positioned diagonally across the upper half of the page, pointing towards the top right. It serves as a background element for the title and authors.

POLICY BRIEF

Curbing the Illicit Market

*Enhancing Firearm Regulations
to Reduce Gun Violence*

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SYNOPSIS

Almost all of the firearms that end up on the streets are first sold through legally appointed federally licensed firearm dealers (FFLs) following manufacture or import. Given the unique ease of access to firearms in the US, there is a growing sense of urgency to better understand how crime guns are acquired and from where they originate to support much stronger supply-side efforts to address gun violence. Prior research has focused extensively on the large “secondary market” for firearms, where guns are transferred between unlicensed persons or to those legally prohibited from buying a firearm. In contrast, the focus of this policy brief is on the “primary market,” which includes the legal retail sale of firearms from federally licensed firearm dealers (FFLs) to private consumers.

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CURBING THE ILLICIT MARKET

Enhancing Firearm Regulations to Reduce Gun Violence

America is entrenched in an ongoing epidemic of gun violence. During the COVID-19 pandemic, homicides and nonfatal shootings spiked, reaching unprecedented levels in many US cities.¹ Gun violence remains exceptionally high around the country, although there is evidence that homicides are beginning to decrease in cities like Atlanta, Los Angeles, and Minneapolis.² Generally, the US has a homicide rate roughly 25 times higher than most peer industrialized countries and contains about 40 percent of the global stock of civilian firearms.³ Almost all of the firearms that end up on the streets are first sold through legally appointed federally licensed firearm dealers (FFLs) following manufacture or import. Given the unique ease of access to firearms in the US, there is a growing sense of urgency to better understand how crime guns are acquired and from where they originate to support much stronger supply-side efforts to address gun violence.

Prior research has focused extensively on the large “secondary market” for firearms, where guns are transferred between unlicensed persons or to those legally prohibited from buying a firearm.^{4, 5, 6} Most guns used in a crime are illegally acquired through secondary market channels via small-scale purchases, middlemen, and “fences” that supply weapons to local illicit markets.^{7, 8, 9} In contrast, the focus of our recent work has been on the “primary market,” which includes the legal retail sale of firearms from federally licensed firearm dealers (FFLs) to private consumers. The primary market directly feeds the illicit secondary market for firearms.

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According to the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF), private transactions, straw purchases (i.e., purchasing a gun for someone prohibited by law from possessing one), and theft from dealers or private citizens are the main pathways for firearms that move from FFLs (primary market) into the illicit market (secondary market; [see chart below](#)).¹⁰ When guns are recovered at the scene of a crime, they are often traced back to original purchases from FFLs within the state. Guns are also traced to dealers from out-of-state,¹¹ though in-state versus out-of-state numbers depend in large part on the stringency of firearm regulations in the origin and neighboring state.^{12, 13, 14, 15}

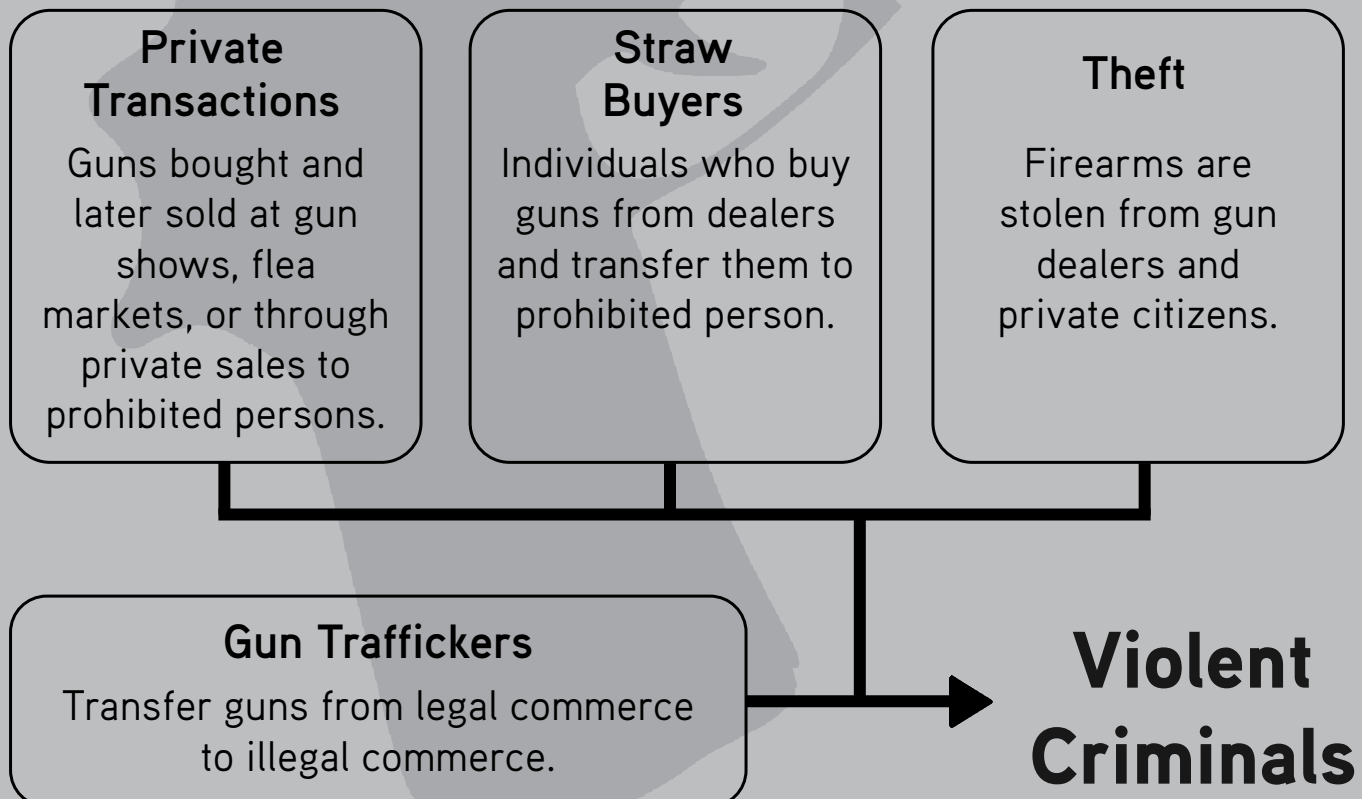
For instance, most crime guns recovered in Northeastern states with strict firearm regulations, like New York¹⁶ and New Jersey,¹⁷ were originally purchased in Southern states with less restrictive gun laws. Firearms are frequently trafficked up the I-95 corridor (the “Iron Pipeline”) from these Southern states to supply the black market for firearms in the Northeast. On the other hand, crime guns in states with fewer restrictions and regulations, like Alabama¹⁸ and Montana,¹⁹ are heavily traced to dealers within the same state. Recent data from Pennsylvania shows that a small number of corrupt or negligent firearm dealers can have an outsized impact on gun violence by supplying firearms to secondary markets and providing access to weapons for those looking to do harm.²⁰

How Guns Flow from Legal to Illegal Commerce

Legal Trade in Guns



How Guns Enter Illegal Commerce



SOURCE: "How Guns Flow from Legal to Illegal Commerce," US Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), accessed May 13, 2023, <https://www.atf.gov/resource-center/infographics/how-guns-flow-legal-illegal-commerce>.

Emerging Research on the Role of FFLs in Gun Violence

In two recent articles, our research team focused on primary firearm markets, exploring the idea that neighborhoods in closer proximity to gun dealers may also experience higher gun violence. In Atlanta, Georgia, we found that firearm dealers and shootings between 2016 and 2018 were spatially related to one another, particularly in neighborhoods suffering from concentrated disadvantage.²¹ In neighborhoods characterized by high rates of poverty, unemployment, single-parent households, and renter-occupied housing, shootings were more likely to happen closer to licensed firearm dealers. In a recently published study in the journal *Criminology and Public Policy*, this finding was replicated in Columbus, Ohio.²² The combination of FFLs and neighborhood disadvantage was associated with a higher incidence of local homicide. The link between the prevalence of licensed firearm dealers and violence found in both Atlanta and Columbus confirms findings established in several prior studies. For example, economists David Johnson and Joshua Robinson found that increased county-level dealer density between 2003 and 2019 was associated with more homicides in subsequent years, especially in predominantly Black counties.²³

Our study in Columbus dives deeper into firearm licensee business practices, taking advantage of the Gun Dealer Transparency Project by Brady United.²⁴ This data collection project provides the most comprehensive set of gun store inspection records available publicly. We measured the prevalence of gun dealers with ATF inspection reports detailing serious violations, including failures to require identification, failure to record multiple handgun sales, and sales to prohibited buyers. We found that broader community exposure to noncompliant dealers is especially consequential for homicide. The neighborhood incidence of homicide nearly doubles for each additional noncompliant dealer nearby. In a related spatial analysis, we found that firearm dealers with serious violations attract homicides within 2,000 feet of their establishments. Taken together, these analyses confirm that FFLs attract homicides in disadvantaged neighborhoods, but that noncompliant FFLs are especially problematic in attracting lethal violence. This is important because delinquent dealers play an outsized role in helping to funnel firearms into local secondary markets. While some may be inclined

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to downplay the salience of the primary market for gun violence, we argue that plays a critical role in the pathway between manufacture and use in a crime.

A Coordinated Policy Effort to Improve Firearm Dealer Oversight

Taken within the broader scope of research on this issue, our findings offer support for a supply-side policy approach to better regulating firearm dealers. Firearms can be useful tools for self-protection and hunting, but they are still deadly weapons that enable tremendous harm. As a country, we should take this harm seriously and require significant oversight for all federally licensed dealers. The primary market for firearms supplies the illicit secondary market, acting as an upstream spigot that moves weapons into the hands of those who may do harm. Enhanced firearm dealer oversight can help choke off the supply of firearms that move into secondary channels to potentially reduce gun violence in local communities.

This is not a radical notion; we strictly regulate scores of industries, products, and sellers to ensure public safety. For instance, we consider certain pharmaceuticals to be harmful if misused and we regulate the industry accordingly through the Food and Drug Administration (FDA) alongside regular audits for manufacturers and providers and oversight from the Drug Enforcement Administration (DEA).²⁵ We similarly regulate motor vehicle manufacturers and dealers through the National Highway Traffic Safety Administration (NHTSA) to ensure automobiles are built and sold to the highest safety standards possible to reduce the risk of accidents, injuries, and deaths.²⁶

It is imperative that the government apply this same approach to firearm sales and those that deal firearms to the public. Greater access to firearms through dealers, particularly those who are negligent, heightens risks for gun violence in local communities. Further, this increases the chance that firearms will move into secondary illicit markets that move throughout states and across state lines. Ultimately, a coordinated effort between federal, state, and local agencies to regulate firearm dealers can be instrumental in reducing gun violence.

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Federal

Any supply-side strategy to reducing gun violence through improved firearm dealer oversight must include consistent audits of all firearm dealers and strict sanctions for noncompliance. More than half of all federal licensees are located at residential addresses (rather than commercially zoned locations).²⁷ Inspections and audits are imperative because they ensure that gun dealers are taking all of the necessary steps to prevent firearms from being diverted into secondary markets and ending up used in a crime. The problem is that inspections are not happening frequently enough and current efforts do not even come close to including all dealers.

The ATF is the federal agency responsible for inspecting firearm dealers across the country. The agency's stated goal is to audit one-third of license holders each year. There are nearly 80,000 firearm dealers in the US and almost all Americans live within 10 miles of a dealer.²⁸ Yet, in 2022, the ATF only inspected 7,300 dealers, or less than 9 percent of all dealers nationwide. In a given five-year period, only between 12 percent and 40 percent of all dealers, on average, are inspected.²⁹ Even when dealers are found to be breaking federal regulations, only about 3 percent of these delinquent dealers have their licenses revoked by the ATF, despite reported ATF investigator recommendations for far more revocations.

In 2022, the ATF had \$1.5 billion in funding to support more than 5,000 employees.³⁰ Of these employees, there are an estimated 800 industry operations investigators (IOIs) responsible for regulating all 80,000 dealers across the country.³¹ A significantly higher budget is needed to support hiring more IOIs and provide them with the resources to conduct timely and comprehensive audits that lead to appropriate regulations.

It is clear that the ATF requires additional funding and regulatory manpower to enable regular auditing for all firearm dealers. A wider net is needed to catch those dealers who are noncompliant and contributing to unlawful practices that divert guns into illicit markets. The gun dealers who are audited and found to be noncompliant must be properly sanctioned. In cases of serious infractions and persistent negligence, firearm dealers should be shut down. A majority of guns involved in crimes are sold by a minority of bad dealers.^{32, 33} Strong enforcement and proper sanctions can hold these dealers accountable, while sending clear signals to other dealers that violations will not be tolerated.



State

States that enact additional dealer regulations on top of federal laws have lower rates of gun homicide than those without additional laws.³⁴ Supplemental state policies can include recordkeeping and store security requirements, enhanced licensing, and additional inspection policies. States can also require dealers to acquire an additional state license and necessitate that all sales are reported to law enforcement officials. States like New Jersey³⁵ and New York³⁶ require the additional licenses on top of compliance with all federal regulations. Not coincidentally, these two states have some of the lowest rates of gun violence in the country.

Beyond certain reporting and zoning requirements, additional state licenses often include mandates for follow-up audits for negligent dealers within a year of an infraction to crack down on persistently problematic dealers and make it clear that harmful dealers will be dealt with appropriately. These kinds of measures are minimally invasive for most compliant FFLs but can be especially effective in reducing negligent behavior among the small number of dealers most responsible for bleeding firearms into secondary markets.

Local

Individual municipalities often have the capacity to introduce additional policies for firearm dealer regulation. For instance, many local zoning requirements necessitate FFLs operate in commercial rather than residential zones. In Columbus, Ohio, the site of our second study, council members proposed additional local restrictions,³⁷ including a ban on straw purchases, although these proposals have been challenged by Ohio's attorney general, citing the need for uniformity in law across the state.³⁸ In the absence of additional local ordinances, law enforcement agencies can assist with oversight of local dealers. Greater tracing data transparency from ATF to local agencies can help provide resources to pursue noncompliant dealers and assist with ongoing investigations. Local law enforcement can also encourage dealers to implement security measures to prevent diversion of firearms into secondary markets.

Beyond law enforcement efforts, a standardized training curriculum for all FFL licensees and their employees can help local dealers ensure they are in proper compliance. Most low-level violations among FFLs include failing to run a background check, transferring guns without properly recording the results of a background check, or not waiting for the background check to finish. These are most likely the result of improper training rather than malicious noncompliance, so improving training to reduce these violations could help free up more resources to focus on truly negligent dealers. While the ATF does not have the resources to provide this kind of training for every dealer, states could provide this training using federally-established curricula as part of additional licensing requirements.

Conclusion

The thousands killed and many more injured every year by firearms are evidence enough that we are failing to protect our citizens from gun violence. Most Americans are dissatisfied with the country's current gun laws, suggesting a politically viable opportunity to improve how we regulate firearms at the point of legal sale.³⁹ There is increasing public support among both gun owners and nonowners for gun dealer accountability and data access.⁴⁰ A supply-side approach to reduce the burden of gun violence requires coordinated efforts at federal, state, and local levels. Increasing evidence shows that enhanced firearm dealer oversight is an important upstream tool in this effort alongside community-based preventive efforts and evidence-based law enforcement strategies. Ultimately, it is imperative to employ all these tools together if we want to meaningfully reduce gun violence in America.



"The famous gun shop, New York City" by Britta Frahm is licensed under CC BY 2.0, https://commons.wikimedia.org/wiki/File:The_famous_gun_shop,_New_York_City.jpg.

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ABOUT THE REGIONAL GUN VIOLENCE RESEARCH CONSORTIUM

The Regional Gun Violence Research Consortium is dedicated to the reduction of gun violence involving firearms through interdisciplinary research and analysis.

With the combined expertise of public health, social welfare, public policy, and criminal justice experts, the consortium informs the public and provides evidence-based, data-driven policy recommendations to disrupt the cycle of firearm-involved mass shootings, homicides, suicides, and accidents.

The consortium is part of States for Gun Safety, a multistate coalition that aims to reduce gun violence. Previous analyses include:

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- + Tracking and intercepting guns that are used in crimes as well as guns transported across state borders.
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