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New Frontiers in Economic Sociology

Economic Sociology and Opportunities for Organized Crime Research

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Introduction

In the immediate aftermath of the Cold War, organized crime was branded as the major threat to human security in the twenty-first century. As politicians, “securocrats” and practitioners geared up to deal with the newly identified threat to world peace, the events of 9/11 turned the world’s attention to terrorism. While terrorism in its various permutations continues to dominate security agendas, the harmful effects of organized crime on human security, economic development and political governance are equally concerning. In fact, organized crime and illegal markets are an absorbing area of study for economic sociologists. But why should economic sociologists research a phenomenon that has been clearly identified as a security issue? What are the weaknesses in current theoretical thinking about organized crime and how can economic sociology contribute theory as well as policy to current debates? The following article touches on recent conceptual work done in the Illegal Markets research group of the Max Planck Institute for the Study of Societies (MPIfG) and provides ideas for nuanced research that tackles *organized crime* as an actor in both legal and illegal supply markets.

What is organized crime?

Organized crime has become a ubiquitous term, signaling different meanings to different people. Popular mythologies relegate the phenomenon to the criminal underworld, mafia-type organizations or *Godfather*-like depictions in Hollywood blockbusters. Criminologists, sociologists and practitioners have dedicated a body of literature to organized crime. The concept is used interchangeably to describe a group of actors, a type of criminal activity or an organizational format, suggesting confusion as regards the applicable unit of analysis (von Lampe 2012: 9). Empirical observations and theoretical models often dovetail with the policy objectives of law enforcement agencies (Aber-

crombie/Hill/Turner [1984] 2006: 88). A significant portion of the literature, for example, deals with prohibition – based systems such as the “War on Drugs” or the period of alcohol prohibition in the United States (Boaz 1990; Fels 1998; Gottlieb 2013), suggesting a clear distinction between *good* and *bad* actors, sanctioned and non-sanctioned economic behavior, and between legal and illegal markets.

The state and its law enforcement agencies are supposed to protect citizens from *organized crime* through criminal justice interventions. Disrupting organized crime has become a problem of cooperation and coordination to national police bodies whose reach stops at the national border, while organized crime networks operate beyond the physical boundaries of the nation-state and increasingly on the internet. A further impediment is the frequent cooperation with or co-option of agents of state by organized crime. The international enforcement community has thus dedicated a multilateral treaty – the so-called United Nations Convention against Transnational Organized Crime and three supplementary protocols – to address these shortcomings. While the definition of organized crime remains contested (Standing 2003; von Lampe 2001; Woodiwiss 2001), state actors involved in the Palermo negotiations² leading to the final text of the Convention agreed that four characteristics were essential to meet the criteria of organized crime. Organized crime in this definition thus involves a group of two or more persons acting in concert to perpetrate a “‘serious’” crime repeatedly for financial or material gain (United Nations General Assembly 15 November 2000). While scholars have criticized the Convention on many accounts (see for example: Beare 2003), the profit motif for economic action should be of particular interest to economic sociologists. The question they might ask is: Does the notion of organized crime present a collective form of *homo oeconomicus*? In borrowing from economic theory, organized crime literature thus tends to portray organized crime as a rational actor reacting to the vagaries of cost–benefit calculations. Theoretical constructs seldom acknowledge cultural frames, imperfect information or the fact that economic actions are socially embedded. Organized crime actors thus work towards fixed goals or maintain specified preferences (Dewey 2014a: 6–7). While the so-called *modus operandi* (method) might change, the goalposts remain the same.

Criminologists have looked at the structure and composition of organized crime to provide answers to the question of why this group of actors is resilient and difficult to disrupt. Four models of organized crime have been suggested: the bureaucratic, network, clan and business. Cressey's bureaucratic model (1969) of organized crime tallies with Max Weber's understanding of a rational bureaucracy. Social order is achieved through rules and planning, a hierarchical award structure, strict membership and specialization. Probably the most influential model – the network model – suggests a *flat*, flexible and informal approach to coordinating criminal activities (Chambliss 1988; Kenney 2007; Williams 1998). Actors realize shared objectives through relationships based on trust, while mutual dependency operates as the central coordinating mechanism (Standing 2006: 72-73). Networks are formed through introductions and connections, which complements Granovetter's theory on the strength of weak ties (Granovetter 1983).³ Paoli (2001) offers the *clan* or *mafia* model of organized crime. Family and kinship ties determine membership of this group and loyalty revolves around the old axiom of *blood is thicker than water*. According to the *business* or *enterprise* model (Reuter 1985; Schelling 1978), rational economic actors coordinate criminal activities on the basis of cost–benefit calculations. Reuter (1985) argues that both economic forces (such as economies of scale) and peculiarities of illegal markets (such as unenforceable legal contracts or the inability to openly advertise goods and services) prevent the emergence of monopoly control, which contradicts other models where monopolistic or oligopolistic control of illegal markets is enforced by way of violence. While these models provide partial explananda with regard to why organized crime is resilient and why some illegal markets are difficult to disrupt, economic sociology may offer further insights by exploring the social embeddedness of economic action, as well as cultural explanations of the resilience of illegal markets. For example: Does the heterogeneous or homogeneous composition of a town, community or society explain the emergence, resilience or failure of illegal markets? When and why does organized crime enter the scene? How can we explain the differing levels of acceptance (social legitimacy) of the trade and consumption for certain illegal commodities and services? How do suppliers, transporters and consumers locate one another in illegal markets?

Illegal markets and the role of organized crime

Apart from research into the informal sector (Portes/Haller 2005), economic sociologists have largely focused on the structure and functioning of legal or formal markets. Keith Hart (1973) initially coined the concept *informal economy*, which refers to actors who rely upon self-employment as opposed to wage labour, typical of employment in the formal economy. Arlacchi (1987) defines an illegal market as “a place or situation in which there is constant exchange of goods and services, whose production, marketing and consumption are legally forbidden or severely restricted by the majority of states.” In the study of illegal markets, *organized crime* presents a possible group of actors. Its role and functions could be juxtaposed to those of *legal* actors, consumers, the state and myriad other actors who influence market processes and structures. Of interest is how actors interact with one another in different market segments and across the entire market structure. Scholars have found that organized crime is not necessarily the dominant actor in all illegal markets; depending on the operational definition, organized crime may not feature at all (Engwicht 2015; Dewey 2014b). While organized crime networks might play an important role in illegal supply markets for drugs (Kenney 2007), human beings (Zhang/Chin 2008), guns (Williams 1999) and cigarettes (Zabyelina 2013), actors from the legal sector, the state and consumers are key to ensuring the continued flow of other illegal supply chains. In other words, organized crime may play an auxiliary or intermediary function in the overall structure of some illegal markets or none at all. Organized crime, for example, has acted as transport intermediary and enforcer in grey markets for antiquities and cultural goods from source countries to art collectors and museums (Mackenzie 2015). Grey markets refer to economic exchanges that occur at the interface between legality and illegality, capitalizing on legal or enforcement loopholes. These observations show that organized crime and illegal markets are not necessarily intertwined. When organized crime is involved in illegal markets, its functions extend to the supply and transit or trafficking side of the market. My own research into illegal wildlife markets has revealed that, while organized crime networks are involved in the hunting, harvesting and trafficking of wildlife contraband, wildlife industry professionals, government officials and wildlife custodians are pulling the strings, notwithstanding the role of consumers who are willing to pay a premium for the contraband. The involvement of organized crime in logistics and distribution provides a limited explanation of why

supply chains are resilient, omitting the role of consumers who choose to buy illegal goods or services, their cognitive frames, preferences and tastes. In addition, scholars have in recent years pointed to the role of organized crime in the formal economy, such as the involvement of mafia groups in the construction and garments industries in Europe.

How, then, can economic sociology enrich our understanding of illegal markets? Different explanatory mechanisms of markets as networks, fields or institutions offer nuanced insights concerning the role and functions of organized crime within and outside illegal markets. While actors are likely to face coordination problems similar to those in the legal realm – such as cooperation, valuation and competition (Beckert/Wehinger 2013) – additional hurdles or opportunities may ensue due to the legal status of the economic exchange. An economic exchange might be deemed illegal in some national jurisdictions, but legitimate or undetermined in other places (Mayntz 2015). The poaching of endangered wildlife is illegal in range countries, whereas its consumption hovers in a grey zone between legality and illegality and is socially legitimate in consumer countries. Organized crime often operates at the transnational level, which presents further operational concerns including issues around security, efficiency of the supply chain, reliability of intermediaries and communication with diverse and heterogeneous trade partners. Relationships built on trust, secrecy and the use of modern technologies or bribery and corruption may assist the unhindered passage of illegal contraband. Economic sociologists can also study how relationships of trust are built and cultivated in adverse conditions amongst illegal market actors from heterogeneous backgrounds.

While economic sociologists have kept their distance from organized crime research (for a notable exception see Gambetta (1988)) recent interest in the study of illegal markets has opened up new frontiers for scientific inquiry and policy formulation. Traditional approaches fall short of the richness and multi-dimensional toolbox that economic sociology has to offer. There are many lacunas worthy of exploration: How is organized crime structuring the formal economy? Is organized crime driven by the profit motif only? How does organized crime coordinate activities in the formal, grey and illegal economies? Are different protocols used to navigate through these different types of markets? How does organized crime cooperate with the state and actors from the formal economy? Future research by economic sociologists could offer answers to these intriguing questions.

Annette Hübschle was a doctoral researcher at the Max Planck Institute for the Study of Societies between October 2011 and April 2015. She has since joined the University of Cape Town to set up the Environmental Security Observatory and is attached to the Global Initiative against Transnational Organized Crime. Her doctoral dissertation deals with the illegal market in rhinoceros horn. Of particular interest was the interface between legal and illegal flows of rhino horn. As a seasoned criminologist and applied policy researcher, her exposure to economic sociology has enriched future and ongoing research projects that look into organized crime.

Endnotes

- 1The author would like to thank Asaf Darr and Matías Dewey for their thoughtful comments on earlier drafts of this contribution.
- 2Issues of national sovereignty, corruption and the complicity of state actors and multinational corporations remain contentious issues.
- 3Scholars have applied social network theory to analyze criminal (2002) and terrorist organizations (Kennedy/Weimann 2011).

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