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**Working Paper**

## Crisis and the emergence of illicit markets: A pragmatist view on economic action outside the law

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MPIfG Discussion Paper 14/6

**Crisis and the Emergence of Illicit Markets**  
A Pragmatist View on Economic Action  
outside the Law

Matías Dewey



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## Abstract

Although illicit exchange has also been an organized, silent, and ever-present response to harsh economic crisis, only protest and social movements have captured scholars' attention. In order to fill this void, this paper analyzes the emergence of illegal markets under situations of social breakdown. I claim that an illicit market emerging under socio-economic crisis conditions might be understood as the result of a constant valuation process and the intervention of what Herbert Mead called "generalized others." In the new arena of exchange, individuals are able to anticipate the reactions of others, inhibit undesirable impulses, and guide their conduct accordingly by visualizing their own line of action from a generalized standpoint. This approach to illicit markets is based on a critical reading of two other approaches: the anomie theory and the field of organized-crime studies. Both perspectives, according to the argument, operate with a model of action characterized by fixed ends and means, *a priori* assumptions that hinder the ability to perceive the gradual and transforming dynamics of a crisis situation. The paper also offers empirical evidence on the process of the emergence of an illicit market under a crisis situation. By referring to La Salada market, an arena of exchange which emerged during the 1990s in Argentina, I describe a process characterized by an intensification of communicative activities, the adjustment of mutual expectations, the search for definitions that legitimate expectations, and role-taking in the market.

## Zusammenfassung

Illegaler Markttausch ist oft die leise, aber organisierte und stets präsente Antwort auf ökonomische Krisen. Trotzdem waren bisher nur Protest- und soziale Bewegungen als Krisenreaktionen Gegenstand soziologischer Forschung. Diese Studie soll die Lücke füllen und analysiert das Aufkommen illegaler Märkte in Zeiten sozialen Zusammenbruchs. Der Autor argumentiert, illegaler Markttausch unter den Bedingungen einer sozioökonomischen Krise könne als Ergebnis eines konstanten Bewertungsprozesses und als die Intervention der von Herbert Mead so bezeichneten „generalized others“ verstanden werden. Die neu entstandene Marktarena versetzt Akteure in die Lage, Reaktionen anderer zu antizipieren, unerwünschte Impulse zu unterbinden und ihr Verhalten anzupassen, indem sie ihr Vorgehen von einem allgemeinen Standpunkt aus betrachten. Diese Herangehensweise an illegale Märkte beruht auf einer kritischen Lesart zweier bestehender Ansätze: der Anomietheorie und der Studien zu organisierter Kriminalität, die beide auf einem Akteurmodell mit vom Handlungsprozess losgelösten Zielen und Mitteln basieren. Solche vorweggenommenen Einschätzungen, so die Argumentation, schränken die Fähigkeit ein, graduelle und sich transformierende Dynamiken einer Krisensituation wahrzunehmen. Am Beispiel von La Salada, einer Marktarena, die während der 1990er-Jahre in Argentinien entstanden ist, beschreibt der Autor die Entstehung eines illegalen Marktes in einer Krisensituation. Er untersucht einen Prozess, der von einer Intensivierung kommunikativer Aktivitäten, von der Korrektur gegenseitiger Erwartungen und der Suche nach legitimierenden Definitionen sowie dem *role-taking* im Markt geprägt ist.

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## Crisis and the Emergence of Illicit Markets: A Pragmatist View on Economic Action outside the Law

Men tend to live in routine and customary ways until something out of the ordinary occurs to necessitate some modification of their habitual modes of action. It is only when the 'cake of custom' has been broken, as Bagehot puts it, that men become susceptible to unfamiliar ideas. Crisis situations, then, are significant objects of sociological inquiry in that they constitute crucibles out of which innovations develop. (Shibutani 1966: 176)

### 1 Introduction

The purpose of this article is to analyze the emergence of illegal markets under situations of social breakdown. The most common organized response to economic crises that has captured scholars' attention is collective action. Protest and social movements have been commonly perceived as the only spontaneously organized way people react to high levels of uncertainty or discontent. However, a wide range of cataclysmic situations, such as bankruptcy, hyperinflation, and war, shows that growing illicit exchanges are also an organized, silent, and ever-present response to crises. As has been seen in countries that have suffered harsh economic breakdowns, such as post-Second World War Germany and Japan or in Argentina and Zimbabwe, the sudden abundance of exchanges outside the law is more the rule than the exception.

Compared with research about collective behavior as a response to economic breakdown or catastrophe (Snow et al. 1998; Borland/Sutton 2007; Roy 2008; Auyero 2007), the lack of sociological research on the rise of illegal markets after similar situations is striking.<sup>1</sup> From an economic sociological perspective, the mechanisms that promote the emergence of economic order outside the law are unknown, as are the reasons that lead to its extinction, its consolidation, or its transformation through time.

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I would like to profusely thank Jens Beckert, Hans-Joachim Schubert, Arne Dressler, and Bernardo Dewey for their helpful comments on previous versions of this paper.

- 1 Although some sociologists hold that *a priori* distinctions among terms like informal, parallel, alternative, or illegal "appear somewhat arbitrary and ad hoc" (Venkatesh 2006: 11), I would like to stress that the analytic distinction between the informal and the illegal is indeed possible and useful. Possible because, as Portes maintains, "illegal enterprise involves the production and commercialization of goods that are defined in a particular place and time as illicit, while informal enterprise deals, for the most part, with licit goods" (2010: 134). In the same vein, Beckert and Wehinger state that "markets are illegal if the product itself or the exchange of it violates legal stipulations" (2013: 7). All this means that illegality usually pertains to products and informality to the avoidance of formal obligations. The distinction is also useful because state authorities are often interested in selectively enforcing laws in order to negotiate illegality

In view of this void, two bodies of literature compete as a model for analysis. The first concerns the theory of anomie in either the version of Durkheim (1933, 1951) or Merton (1963), which is concerned with crises and the appearance of deviant behavior. The second concerns organized-crime studies, which focus on different types of illegal governance as well as on the actors, commodities, and activities related to it.<sup>2</sup> Without questioning the ability of these approaches to explain what they intended to explain, I emphasize two general criticisms of them that are relevant for the purpose of this article.

In the first place, I will argue that, in particular, Merton's anomie theory (1963) and its derivatives such as strain theory (Agnew 1992) fail to assume exogenous sources of values as causal factors of actions and the foundation of preferences. Individuals are innovative or anomic depending on their previous internalization of penetrating cultural values and beliefs. This depiction of individuals, each of whom carries a near static set of values along their trajectories, contrasts with the depiction of individuals who are immersed in a crisis and thus revisit their beliefs according to the opportunities and needs they face. In fact, the formation of an illegal market during a crisis implies a qualitative change consisting of a shift from a legitimized sphere of action to one in which actions – selling or buying – might be morally rejected.<sup>3</sup> Thus, what is distinctive for actors immersed in far-reaching economic crises is precisely the host of problems they face in everyday life and the need to overcome them by creating and testing possible solutions (see, for example, Porter 2012). These new courses of action and the values attached to them were not present before the crisis situation but do stem from it.

In the second place, I assert that organized-crime studies only imperfectly capture the dynamics of economic breakdown characterized by actors who constantly re-specify their ends and possibilities according to the situation. Cataclysmic economic crises tend to massively shorten future horizons and enact new scenarios that exacerbate the weight of actual experience as a guideline for specifying potential ends. In contrast, organized-crime studies, as inspired by rational choice theory, use a model that assigns specific roles (such as supporter, offender, law enforcer, and so forth) to actors, who are assumed to have stable motives (Lampe 2011: 154). However, by imputing fixed goals or prefer-

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(and not to impose legality). Through the systematic taking of bribes, illegal detentions, and other illegal actions within underground settings, authorities remind individuals day by day that they are on the side of illegality and, therefore, that there is a clear distinction between legal and illegal goods. (For examples of spaces of negotiation created by state officials, see Dewey 2012, Anjaria 2011, and Auyero 2007.)

- 2 By referring to “organized-crime studies” I do not allude to a specific definition of organized crime since this mosaic of research is characterized by just the opposite, i.e., a myriad of definitions of the subject matter. Nevertheless, as I will show, I do refer to a specifically defined model of actor that might be observed, implicitly or explicitly, as a common factor among studies in this field (see: Lampe 2011: 148).
- 3 The lack of moral rejection does not refute the argument that crises imply a moral change, but it poses the even more striking sociological question about the mechanisms that enabled a neutralization of officially sanctioned norms.

ences as the only sources of valuation of criminal opportunities, this approach underestimates the actor's present situation and the process of assessing options (Reuter 1980: 12).

In this article I assert that both approaches operate, though in different ways, with a model of action based on fixed motives that also serves as an explanation of actions. These are two varieties of what Barry Hindess has called "a portfolio model of action" (1988). Either actors are assumed to act according to the requirements of an overarching social entity, such as the "cultural goals" described by Merton, or actors' choices and intentions are the product of preprogramed ends of action. Whereas the anomie approach begins by emphasizing the dominating power of cultural and structural features and then later moves closer to actors in order to grant them agency, the organized-crime approach, based on rational choice theory, moves in the opposite direction. It begins by postulating an actor's ability to make rational decisions, only later to move closer to cultural or structural features to explain decisions. The point to be highlighted is the remarkable theoretical rigidity exhibited here, one that is incompatible with an actor's unknown course of action in response to socio-economic breakdowns. In these approaches, the crisis itself and its transforming dynamic only appear as a variable constraining or enabling actors' choices, usually as a lack of information whose outcome is a bounded rationality (Pontell 2009; Arsovska/Kostakos 2008). In that sense, the possibility is overlooked that the new appraisals and courses of action might imply a qualitative shift across time. Therefore, studies in this field or the new version of strain theory are obliged to constantly add institutional, psychological, or environmental factors that might serve as causal explanation of values and choices.

In this article, I suggest a model for analyzing the emergence of illegal markets under crisis conditions.<sup>4</sup> Using arguments derived from American pragmatism, especially those by John Dewey and Georg H. Mead, and from recent studies in the same tradition, I contend that this approach is especially fruitful in capturing the main features of a crisis: it poses several problems for everyday action and forces actors to find creative solutions. Furthermore, this dynamic is a source of values, legitimations, and arguments that guide behavior. Along these lines, I will argue that an illegal market represents a path of action that serves, at least temporarily, as a solution to the obstacles actors face in their everyday routines. However, the possibility of buying or selling illicit goods during a crisis situation becomes a fixed solution, so the argument, once a third party (in terms of Mead's "generalized other") enters the scene and stabilizes expectations (Mead [1937]1983: 155).<sup>5</sup> These generalized others, as I will show using empirical evidence

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4 Since I am referring to an illicit *market*, I only consider motivations and behaviors associated to the production or trade of illicit products. Activities that are not framed in specific exchange relations, such as hired killers or looting, are not taken into account.

5 The problem of the emergence of normative frames has its roots in Durkheim's sociology of religion. In that sense, it is not surprising that scholars like Jeffrey C. Alexander and Niklas Luhmann, both good representatives of sociological functionalism after Parsons, have suggested ways of tackling the problem of emerging normative frames after crisis situations. The former



later on, are definitions of the situation, which stem from sudden widespread rumors about resources or even the behavior of state authorities. Though always provisional, these definitions legitimize courses of action by providing justifications. This emergent arena of exchanges outside the law is, then, sociologically relevant not because of the legal definition itself, which has been haphazardly introduced by the scholar. Rather, its relevance stems from the gradual deployment of justifications along with the behaviors evoked to deal with legal institutions. In the long run, if actors do not notice the “illegality problem” and naturalize it, the sociological task will be to answer how this naturalization is produced, specifically, why legal definitions no longer interfere in actors’ courses of action.<sup>6</sup>

I attempt to contribute to the discovery of the mechanisms that make the emergence of illegal markets possible. Since the approach I am proposing is distant from theories commonly used for analyzing crises and illegality, I also attempt, in a more general perspective, to lay the foundations for a theory of economic action capable of accounting for actors’ participation in illegal markets. Since economic sociology is mainly concerned with the supply side of markets (Beckert 2012: 11), this approach also contributes to this field by taking into account the formation process on the demand side.

In Sections 2 and 3 and 4, I assess critically the portfolio model of action present in both the anomie and organized-crime approaches. A theoretical framework based on the broad theory developed by the pragmatist tradition is presented in the second part of the paper. In Section 5, I show how an illicit market emerges as a creative alternative that serves to reshape altered routines. In Section 6, I allude to the process of searching for definitions within a blurred crisis situation and to the experience of shared definitions of the situation. In Section 7, I address the topic of the paper by providing empirical data about La Salada, a market whose emergence is closely related to the harsh Argentinean economic crisis of 2001.

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has delineated a theory on “cultural pragmatics” and analyzed the Watergate Affair through these lenses (Alexander 1990, 2004), whereas the latter has developed the theory of legitimization of new “binding decisions” through procedures (Luhmann 1983). What makes these approaches less appealing for the purposes of my argumentation is the set of mechanisms that allow the emergence of norms. When it comes to the ways through which norms start to take shape, both approaches soon recognize the importance of institutionalized frames that rule crisis management. Although actors experience a crisis, the situation is managed by a set of pre-established rules that do not influence the content of the outcome but control the evolution, step by step, of this social climate. The nature of crises situations produced by hyperinflations, wars, or bankruptcies implies that institutional frameworks are no longer able to exert influence on behavior; therefore, they cannot control the evolution of the crisis.

- 6 This perspective draws upon the basic idea that any legal definition produces sociologically relevant behaviors and communication, such as specific justifications, hiding objects, or the search for sources of alternative financing. This starting point differs also from those that blur the illegality question because actors involved “do not think or ask themselves whether they behave illegally.” As mentioned above, the sociological task lies rather in identifying the mechanisms – discourses and practices – shielding the market sphere.

## 2 Anomie theory and markets after crisis

Illicit markets evoke consequences typically associated with crises: disorder, disintegration, and the rise of crime. In this picture, there is no chance to establish stability and order in the world of informal and illegal transactions.<sup>7</sup> The historian Paul Steege, however, partially contradicts this all too quick assumption by describing a vital Berlin black market that emerged after the Second World War for the trade of food, cigarettes, and ration cards, which was made possible by growing personal connections that “mattered much more for individuals’ efforts to locate themselves in postwar Germany’s ambiguous moral terrain.” Living with daily shop break-ins, murders, and plundered trains arriving in Berlin, “these efforts were relational ... not just about individual ‘morality’” (Steege 2007: 60). These emerging understandings, reached among desperate people who felt compelled to find, offer, and sell different types of goods, shaped a space with blurred boundaries that put into question the classical sociological explanation of crises and deviant behavior, the anomie thesis.

Although their understanding of anomie differs significantly (Hilbert 1989), an anomic state of society for Durkheim and Merton is the result of the interplay between rapid social change and regulative institutions. From Durkheim’s perspective, nevertheless, the making of a market would not coincide with widespread states of disorientation. The emergence of illegal markets shows affinity with Durkheim’s diagnosis of the contemporary crisis only if it implies emerging shared justifications or values, understood as moral reintegration of society (Beckert 2002: 82; Lukes 1985: 266–267). As a consequence, illegal markets cannot be described in terms of anomie since their distinctive feature is not conflict and disorientation but a more or less peaceful exchange and order. Expressed in other terms, an anomic state of society would take place *before* new exchanges emerge.

Merton’s understanding of anomie raises other kinds of questions. Revolving on Durkheim’s observations about social states of disorganization and disorientation, he asserted that anomie comes from the discrepancy between extended cultural goals and the available means to achieve them. In this fashion, Merton claims that “aberrant behavior may be regarded sociologically as a symptom of dissociation between culturally prescribed aspirations and socially structured avenues for realizing these aspirations” (1957: 123). This approach has led to an extensive literature on conceptual refinement and empirical research, chiefly concerned with “deviant behavior” in all its forms (Adler/Laufer 1995). Following Merton’s thesis, it could be possible to describe illegal markets as an anomic arena for the exchange of goods and services, as most of this body of literature until the 1970s did. Nevertheless, the claim that the formation of an illicit market is a case of anomie makes two implicit assumptions whose adequacy we need to assess. The first regards the cultural goals or ends, and the second is related to the structural opportunities or means.

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7 Exceptions to this common assumption are Venkatesh (2006), Davis (2009), and Kupatadze (2012).

1. Against the background of the American dream, Merton saw anomie stemming from fixed and extended cultural goals in which individuals are socialized. However, the very central elements are the structural opportunities that reveal the available means for achieving such goals. When the pressure of these aspirations increases and there is no institutional way for channeling it, then deviant behavior appears. Although different from the rational choice model of action, this dissociation between goals and means recall the aforementioned portfolio; a model in which individuals hold values and beliefs more or less *stable across the time continuum*. It is assumed that behaviors are shaped by penetrating cultural values, even in the case of conforming behavior. Moreover, the conditions of action in Merton's approach do not serve as a source for explaining how values, beliefs, or aspirations change over time but for determining the kind of means that are available.

2. Merton's theory of anomie assigns fixed preferences to the actors, which are derived from or are in accordance with general cultural goals. In this fashion, the motives of action should be sought outside individuals whose only given leeway is to choose the means for attaining the goals. Whereas the causation of anomie is to be placed in the social structure of opportunities, the cultural goals remain as a pole of attraction for actors. From my perspective, the major difficulty with Merton's approach and with literature about strain theory and deviant behavior seems to be an underestimation of the means, as a distinctive source of meaning, for the constant valuation of goals. Two related issues should be highlighted. Firstly, economic breakdowns force actors to appraise the new situation, and institutional means become meaningful because of such changing conditions. During harsh economic crises, institutional channels and rules are re-valuated, and the new lines of action will be based on it. According to this observation, an examination of this re-valuation process of institutional means seems of the utmost importance, especially because this analysis may reveal the justifications, desires, and new values that emerge in the making. Rather than assuming a given set of values held during the crises and observing whether rules are being broken, the task would be to ask how actors appraise institutional rules in dramatic situations in a way that leads to the participation in illegal markets. Secondly, by highlighting the importance of means, we should consider actors' previous experience with state rules. In other words, Merton's reference to institutions appears, at least, as a neutral element that might serve as orientation for behavior or as a barrier to be broken down. However, there is enough evidence confirming that, from the actors' perspective, state-related institutions do not represent trusted instances.<sup>8</sup> Experiences with the state, including authoritarianism, confiscation, police misbehavior, and so forth, delegitimize official regulations that, in turn, do not play any role as an influence on behavior (O'Donnell 1996; Brinks 2008;

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8 A clear indicator of the non-neutrality of state norms is the widespread distrust in institutions such as the police or the judiciary that is present in several societies and depicted in victimization surveys. Low levels of reporting by citizens on criminal activities show that the attainment of certain cultural goals such as "justice" or even the protection of private property does not exclusively hinge upon available means but also upon the individuals' previous experience with institutions.

Méndez 1999). If one takes this assumption seriously, rather than assert a generalized state of anomie, the task should be to examine what kind of informal norms are regulating concrete situations.

In sum, Durkheim's observation on moral reconstitution following structural socio-economic changes sheds light on a similar process, namely the emergence of an arena of illicit exchanges. Since participation within the illicit sphere may imply a new experience for newcomers seeking solutions for everyday problems, that is, since a qualitative change takes place, the beliefs, values, and aspirations that come into being for actors need to be explained and not simply assumed. This "qualitative update" means that the emergence of an illicit market should be understood not only as the rise of new socio-economic relations but also as a re-signification of practices. In this fashion, desires, values, and expectations resulting from the constant valuation would progressively bring stability to daily routines, an essential feature for economic exchange. Hence, contrary to the Mertonian approach of anomie, which attributes *a priori* a set of more or less stable desires or cultural goals to actors, it seems very important to employ a theory of action that emphasizes the context of action. Such context is characterized by a constant change in which actors are forced to reassess goals and means continually. Instead of attaching a "portfolio" of values to actors in advance, it is necessary to emphasize the process of constituting the portfolio.

### 3 Illegal markets and the rational actor

Rational choice theory, the paradigmatic model of action in the literature on organized crime, offers predictive explanations of crime that stress an actor's ability to make rational decisions. In this model, actors appear as independent players, capable of reasoning and controlling their fates by defining their self-interests. According to the economic theory of crime, actors' decisions in illegal markets are motivated by future utilities, mostly economic, and by the attempt to avoid potential dangers such as imprisonment or physical injury. Thus, the motivations of drug traffickers, Mafiosi, or gang members are predominantly hedonist and self-seeking. In this regard, Clarke and Cornish assert "that it is useful to see criminal behavior not as the result of psychologically and socially determined dispositions to offend, but as the outcome of the offender's broadly based rational choices and decisions" (1983: 147; see also van Duyne 1996: 203).<sup>9</sup>

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9 By assuming that actors have clearly formulated goals, evaluate possible courses of action, and apply rational criteria for selecting certain means to obtain ultimate goals, organized-crime studies are also assuming, according to classical theories of crime, the free will of individuals. In this regard, since legal systems need and are based on the same assumption about individuals for processing criminal actions, such studies provide suitable inputs for justice and enforcement agencies (see Einstadter/Henry 2006: 53; Arsovska/Kostakos 2008: 253).

From an influential, now mainstream perspective of organized crime, Fiorentini and Peltzman (1997) held years ago that the elements determining illegal actors' decisions are precisely the same as those influencing legal ones. Despite obvious differences between legal and illegal markets, their basic assumption is that an actor's choices are determined by a calculation of "the costs and benefits of the different options, the degree of uncertainty surrounding costs and benefits, the long-term consequences of increasing or decreasing one's reputation and so on" (Fiorentini/Peltzman 1997: 2–3). In general terms, this rational-choice-based approach postulates that criminal actors possess the following:<sup>10</sup>

1. *Knowledge of alternatives.* These are situationally defined and unambiguous. The classic situational limitation for criminal actors is that conflicts are not supported by law.
2. *Knowledge of the consequences of the different courses of action.* This knowledge is dependent upon the available information, an issue particularly relevant due to the remarkable informational asymmetries.
3. *A ranking of preferences – desires – over possible outcomes.*
4. *A decision rule that guides choices.* Commonly, the decision rule is the maximization of something. As Whitford (2002: 327) points out, both the ranking of preferences and the decision rule might be merged in only one element that assigns utility and is usually known as "payoff."

The model of the criminal as a rational actor underlying the aforementioned studies on organized crime combines these four elements in different ways. These inform *a priori* decisions made by traffickers, Mafiosi, foot soldiers, or gang leaders and tell us, also the *a priori* intentions that they carry from one situation to another. Serving as a foundation and explanation for all decisions, this set of beliefs and desires is another version of the "portfolio model of action."

On the one hand, elements 1 and 2 indicate that beliefs and their variation are often dependent upon the information available and the levels of uncertainty. Element 3, on the other hand, refers to desires or preferences. From a narrow perspective, these preferences allude to economic utilities. From a broader point of view, the maximization might comprise cultural features or values such as manliness, spurn for the law, or honor.<sup>11</sup> Element 4, the decision rule, is usually merged with the third element and represents the criteria by which actors will select one alternative or course of action. Generally, the criteria are decisive because they assign payoffs to each preference (Whitford 2002: 327; Hollis 1987: 67). Interpreted in terms of choices, actions will be, in the end, "a relation

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10 I adapt the formulations made by March (1982) and Whitford (2002).

11 The inclusion of cultural features does not interfere in the rational calculation since utility, as Hechter pointed out, "is a substantively empty concept: although rational choice theory has nothing to say about their existence, immanent values can easily be incorporated into rational choice models by adding them to assumptions about agents' utility schedules" (Hechter 1994: 320).

between preferences [desires or even immanent noninstrumental values], action and consequences [knowledge based on available information].” In this view, “action is a function of desire plus beliefs” (Hollis 1987: 16).

There are significant explanatory advantages to using the model of an actor whose final intentions are dictated by a portfolio of beliefs and desires. In an inscrutable economic world, marked by significant informational asymmetry and the impossibility of turning to the justice system in case of conflict, this portfolio transforms an actor’s uncertainty and distrust into certain decisions. In this fashion, organized-crime studies based upon rational choice models aim to explain a hard-to-study, blurred sphere of action by modifying the structure of preferences, that is, the mechanisms of decision making (the portfolio). This modelling strategy, therefore, consists of what Whitford has called “tinkering the portfolio model of action” (2002).<sup>12</sup>

This tinkering strategy takes researchers down one of two paths. The first is to manipulate actors’ cognitive capabilities (elements 1 and 2), for example, by introducing components that increase or diminish actors’ knowledge at the point when they must make a decision. The perceived probability of being cheated, characteristic of environments where agreements are not supported by law, is presented as a typical resource that constrains or enables actors’ knowledge. Several studies, mainly those concerned with mafia groups, take the interpersonal distrust in society as a starting point in order to identify, in a second step, feasible sources of preferences. Trust and distrust, as features that prevent or facilitate social contacts, are also the first base for a chain of deductive reasoning aimed at modelling actors’ expectations: once the sources of protection against fraud have been identified, the deductive chain goes on to assume that protectors are highly interested in building up a good reputation. Simultaneously, this reputation is dependent upon the ability to use violence as much as the ability to signal the quality of protection rackets and the costs of certain courses of action that potential buyers might take. This brief account of a common deductive chain aims to show that the actions of several actors are constantly altered with the help of *a priori* assumptions: trust and distrust, a good or bad reputation, a trustworthy or untrustworthy emission of signals, the ability or inability to use violence – all these elements explain the final choices. From one scenario to the other, actors carry these features as a part of their portfolio.

The second avenue of tinkering the portfolio or structure of preferences is mainly centered on specific roles and the normative expectations attached to them (elements 3 and 4). These kinds of adjustments are the direct consequence of equalizing illegal and legal markets, which consists of analyzing the former according to the features of the latter. While the first tinkering strategy is focused on *beliefs*, adjustments in role expect-

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12 Hollis explains this tinkering strategy using the idea that rational choice models have “plug in” points, places in a theory “where technical supporting theories can be added as some of the more restrictive assumptions are relaxed” (Hollis 1987: 18). For an exhaustive account about complementary theories and influences in the field of organized crime, see Lampe (2006).



tations are made upon *desires* or preferences. In other words, the first refers basically to the informational problem faced by actors (they do or do not trust, they do or do not understand signals) and the second alludes to the problem of what should be expected from actors, whether it be utility maximization or other goals.

According to Arlacchi, there is little room for doubt that, behind thieves, gangsters, and Mafiosi, there are “buyers and sellers, wholesalers and retailers, go-betweens, importers and distributors, priced structures, balance sheets, profits and, though less frequently, losses” (2002: 207).<sup>13</sup> Therefore, as in legal markets, each role represents a position built on normative expectations: we know *a priori* that a person who holds a position has to respond to specific demands and perform well-defined duties. On the criminals’ side, such role expectations, as expressed in terms of desires, preferences, or even values, are thought to benefit maximization. On the side of state authorities, the people assuming roles such as that of policeman or other law enforcement agents are supposed to orientate their own behavior to prescribed rules other than maximizing profits. Accordingly, policemen’s *desires* are duties. Meanwhile, when corruption occurs, it transforms the portfolio once again by modifying normative expectations associated to values (public goods or security) into expectations orientated to the maximization of utilities. Policemen are no longer characterized by their loyalty to the state but are motivated by economic profit. Nevertheless, the portfolio of action might include not only the maximization of profits or obedience to norms originating in official duties. The literature about organized crime based on rational choice assumptions also offers *ad hoc* explanations that attach values or cultural features to the roles. Hence, for instance, homophile or the rejection of official norms might embed in economic action and introduce distinctive cultural features into markets, say, for weapons or drugs (Arsovska/Kostakos 2008; Thoumi 2003).

The model of the actor that soon evolves from tinkering with desires associated to particular roles is none other than the actors’ obedience to demands that are built in these roles, whether they are utility-seekers (businessmen) or rule-followers (public servants). These are actors who follow preprogramed courses of action due to a portfolio with more or less fixed ends.<sup>14</sup> However, to spotlight the manipulation of preferences is by no means to deny the fact that individuals often behave according to expectations prompted by roles. For instance, ethnographies that depict the shadowy side of the economy and politics but also criticize rational choice approaches show that utility or value maximizations are common sources of actors’ motivations (Venkatesh 2006, 2009; Levitt/Venkatesh 2000; Auyero 2001; Dewey 2012). In this sense, the weaknesses of the rational model of actors, as applied to organized crime, do not lie in the as-

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13 For this reason, the difference between legal and illegal markets seems to lie not in the agents’ roles in markets but in elements such as uncertainty, trust, reputation, and the ways of communicating it.

14 The *a priori* imputation of normative expectations is closely related to the attempt to make predictions about criminal behaviors. As previously stated in quotation 9, this attempt meets the requirements of policy making and law enforcement agencies.

sumption that the bargain hunter is motivated by built-in preferences. Rather, as some scholars concerned with other spheres of life have pointed out, criticism of the rational actor model point in another direction. The problem with the model is not really the self-oriented preferences or their maximization; it is that these preferences are assumed *a priori* and, accordingly, rule out any possibility of an actor's assessment of alternatives (Archer/Tritter 2002: 53).

Granting actors an assessment ability means shedding some light on the process of creating preferences and avoiding the pitfalls presented by simply postulating them *a priori* and abstracting them from the concrete situation. If we consider the case of illegal markets, the likely problems of value conflict in being part of these markets, or at least the justifications people are compelled to provide, highlight even more the importance of this *process*. By presenting the participation in illegal markets as a simple utility calculation, scholars evade a much more interesting sociological point: that choice implies a qualitative leap, a reconstitution process, through justifications, of social expectations.

Moreover, if we avoid *a priori* preferences linked to specific roles, it becomes possible to observe not only such a process of role formation but also the circumstances of its emergence. Contrary to what happens in legal markets, where roles are mostly defined by legal regulations, the lack of definitions that describe roles in illegal markets emphasizes the significance of dodging *a priori* imputations.<sup>15</sup> In this fashion, the emergence of roles, even if the final motivation is utility or profit maximization, is the outcome of actors who appraise their objectives according to the surrounding situation. At the end of this journey, emergent roles in illegal markets will be the result of profit expectations and specific functional requirements but, equally important, of cultural templates and actual social networks.

#### 4 From a portfolio to a problem-solving model of action outside the law

As the critical remarks made on the two most common approaches to illegality show, the question of the *emergence* of an illegal market, especially in a context of socio-economic breakdown, firstly, imposes limits to the manipulation of the preference structure and, secondly, compels analysis to pay greater attention to the emergence process of preferences. Moreover, the latter means it is necessary to weigh carefully the particular situations where actions take place. The process of emergence implies more than a change in the order of preferences as enabled by low transaction costs, penetrating cultural goals, or weakened law enforcement.<sup>16</sup> Therefore, the emergence of illegal exchanges alludes

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15 Moreover, the lack of legal definitions that contour specific roles could lead to a role “dedifferentiation” that might be not captured by the homology of markets.

16 For example, Paoli's account of the rise of the drug market in Russia after 1989 is based on an



mainly to a qualitative leap that arises from a process of valuation forced by a looming crisis. Simplifying this phenomenon to a matter of preferences that are conceived as ultimate ends implies unawareness that crisis situations constantly modify the ends of action; ends are being valued continually according to the available means and the results already achieved. So, only opaque, provisional futures will be specified during the courses of action, in accordance with the tools and stimulus offered by the concrete situation (Joas 1992: 193). In other words, there is not a strict boundary between ends and means; instead an end “becomes a means, or cause, for what follows” (Whitford 2002: 337). Even the final ends, expressed in role expectations such as those of law enforcement agents, become opaque and cannot be specified *a priori*. Again, this does not contradict the fact that people pursue and put into practice abstract ideas of reputation or wealth, even during serious crisis situations. But this “is the outcome of a great number of definite, empirical inquiries, not an *a priori* preconditioning “standard” ... for carrying on inquiries” (Dewey 2008: 232). The study of the emergence of an illegal market under crisis conditions is, therefore, the study of valuation processes made by actors and not an *a priori* imputation of ends and cognitive states.

## 5 The illegal market as a successful end-in-view

The key to understanding how distinct illegal economic exchanges may develop in the course of an economic breakdown lies in understanding how individuals cope with an extremely complex and uncertain environment. As dictated by this path, the starting point will be the social action framed in the quotidian, the everyday life with its routines and a “natural attitude” (Schütz 1945: 552) and how this gets distorted. From the point of view of daily activities, consumption is seen as interwoven with routine: workers buy cigarettes before arriving at work, children buy candies during a school break, friends go to the cinema at the weekend, or families rent a blockbuster video. As these examples show, the primary focus is not on conspicuous consumption but on consumption that supports everyday trajectories of action and the social relations associated with them (Warde 1994). The sedimented experience of these quotidian activities is expected to result in what Schütz calls “natural attitude,” a suspension of doubt characterized by a taken-for-granted world (1945: 552). From the point of view adopted here, the pragmatist idea becomes crucial whereby solutions to unsettling events faced by individuals become routinized activities. These habituated, unreflective actions are, however, always exposed to renewed shocks that, in turn, force new creative outcomes (Joas 1992: 191). The consumption integrated into everyday routines might be seen both as an accustomed, unreflective action and as a solution to a specific need. Far from being two dif-

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external factor as the source of motivation, namely failures in law enforcement agencies, and on an internal factor, the desire of profits. In this context, crises are only addressed as a matter of unemployment.

ferent types of consumption, these are part of the same continuum: when expectations and actions associated with consumption routines cannot be fulfilled or accomplished because reality hinders them, they must be reshaped. So, new consumption routines arise as a specific response to problems of action. Once new courses of action have been sedimented, they will be subject to a new, unexpected upheaval that restarts the cycle.

Economic crises arise and abruptly distort routines and taken-for-granted attitudes. Actors are confronted with severe problems concerning their very subsistence, and these difficulties force them, in turn, to seek solutions. Some scholars have pointed out the effects of crisis, such as the loss of “futuraity” or ontological instability (Giddens 1984: 61). However, all that needs to be emphasized for the purpose of this paper is that crisis places actors in the situation of constant valuation or appraisal. Once scripts, frames, and conventions guiding actors’ general expectations are broken, actors are obliged, from a pragmatic perspective, to appraise the new situation in order to put forward renewed hypotheses of action. If actors should appraise the situation and consider new lines of action, we can see a fundamental difference between the problem-solving approach and the anomie approach mentioned above: courses of action are influenced by the context of the action and not by fixed preferences. Accordingly, if the ends cannot be decided *a priori*, and they are constantly re-shaped by the situation, we should only consider *ends-in-view* or undetermined ends specified during the selection of means (Joas 1992: 292). This means that there is not a strict scission between ends and means; actors’ ends mature and change continuously according to the means available in a particular situation. Thus, in a context of crisis, “personal selves are forced, unless they are merely to drift, to consider their own action with respect to social changes” (Dewey 1978: 318).

The creative solutions to problems arising in the context of crisis are diverse. In this way, social protest, barter clubs, as well as informal or illegal markets become a real possibility, possible *ends-in-view*. According to a pragmatic view, the participation in an illegal market, whether as seller or buyer, also represents an *end-in-view*, a possible line of action stabilized through time. In other words, participation in the market means a temporary solution to the problems provoked by an acute crisis. Selling or buying products should be seen as a possibility for reshaping the quotidian, that is, for establishing old routines and recovering stable albeit modified everyday activities. From this point of view, the market is the result of the searching for options; it is a particular extension of everyday routines. Using pragmatic terms, the illegal market becomes a creative solution to a problem confronting experience.

Nevertheless, the question remains open about differences between an illegal market and, for instance, a protest or a barter club. Thus, the following question should be tackled: Which kinds of elements enter in the valuation process and lead actors to leave the sphere of legality? Since the main interest here lies on the emergence of an illegal market, it becomes essential to search for the elements that are capable of neutralizing legality.

## 6 Crisis, appraisals, and exchanges

### Searching for definitions

The notion of crisis used here designates any break in established everyday routine. More specifically, a crisis “is any situation in which the previously established social machinery breaks down, a point in which some kind of readjustment is required” (Shibutani 1966: 172). Crisis situations block accustomed everyday courses of action and impose restrictions on individuals who are suddenly caught in dilemmas. Moreover, harsh socio-economic crises provoked by bankruptcy, war, or hyperinflation are characterized by the vast number of people they involve. The change or even destruction of everyday routines, along with the rise of tension and the loss of “futuraity,” stop being an individual problem.

Viewed from an economic perspective, crisis begins when the coordination among different market actors turns into an improbable event, when discrepancies appear among actors’ expectations about the future.<sup>17</sup> Prior expectations that have been motivating certain actions are no longer the basis for future decisions. Thus, if the purchase of some goods or services was motivated in the past by a particular attachment of value, a crisis renders such a purchase difficult or even impossible. Those who offer their labor or a specific good or service will try, if they are able, to adapt to the purchaser’s requirements.<sup>18</sup>

In this context, cooperation, meaning a specific kind of trust in the future, turns also into an improbable, increasingly difficult event. The paradox is that the trust allowing cooperation among market actors is dominated by the past and not by the current events or by the future (Luhmann 2000: 20), and precisely this anchorage in past experiences leads us to suppose that the future will look similar. The crisis calls into question the idea that the past could serve as a basis for the future and thus demands guarantees for all current activities. In the middle of a hyperinflation, the lack of trust encourages employees to demand a constant salary increase and an adaptation of contracts to the new situation. Studies about black markets during postwar times show also that prior rules are no longer able to guarantee the same levels of cooperation. Continuous regulations should assure the rationing of food, the supply of basic services, or the avoidance of lootings (Mörchen 2011: ch. 1.3; Zierenberg 2008). The increasing experience of the contingency brought about by a clash of future expectations is what overshadows a successful cooperation or even eliminates it.

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17 The idea of discrepancies among actors’ expectations draws on Beckert’s suggestion about the three coordination problems – value, competition, and cooperation – that “can only be resolved if market actors are able to form stable expectations with regard to the actions of other market actors and future events relevant for their decisions, and if they consider the expected outcomes to be sufficiently in their material interest and normatively acceptable” (Beckert 2009: 247).

18 Such changes are expressed, for example, in buyers’ behavior and drastic readjustments in household portfolios, provoked by a sweeping economic crisis (see Agarwal/Chomsisengphet/Hassler 2005; McKenzie/Schargrodsky 2005).

Although wars, hyperinflations, or bankruptcies undermine or directly block any possibility of coordination among market actors and this seriously affects the supply of goods and services, individuals' basic needs remain. At this moment, the crisis sets in motion a process of what Shibutani has termed "collective adjustment," whose main feature is the redefinition of the current situation and the expectations associated to the routines prior to the crisis:

The procedure is one of trial and error, which often produces pain, loss, and disappointment; nevertheless, it is a method of rude and unconscious experimentation and selection. Activity is groping and exploratory. Some efforts, whether by accident or by intelligent design, work better than others and are pursued further. Trials are usually performed by many persons, and activity is guided by the results of these trials. Tentative changes occur in perspectives and are tested in action; abortive attempts affect developing perspectives by their failure. New openings occur that could not have been anticipated; possibilities that had almost been overlooked rise in stature and render others obsolete. ... Throughout this exploratory process accurate information is of crucial importance. (Shibutani 1966: 172–173)

A gradual adjustment of mutual expectations and the attempts to reconstruct routines turn information into an essential resource. In this sense, it is not incidental that sweeping economic crises provoked by war, hyperinflation, or bankruptcy are characterized by an exponential growth of rumors and other kind of informal communications "as a part of the efforts of men to cope with a problematic situation" (Shibutani 1966: 131). Far from being distorted forms of communication, these are hypotheses about the current situation that are subjected to continuous verification; in other words, these are communicative forms whose purpose is to deal with a new, still blurred scenario.

Examples of widespread rumors about products and services during desperate times are many, especially those associated with war or bankruptcy. The scarcity of food, coal, cigarettes, ration cards, and other highly valued products in postwar Germany was often blamed in the public discourse on some scapegoat like a "responsible" person or "enemies" of society. As Hilton shows, these scapegoats – be they "displaced persons," "Berufsverbrecher," "Schieber," "usurious farmers," or the occupation forces – were the subject of rumors continuously present in individuals' everyday lives (Hilton 2009: 9). Rumors about the locations of sales for products, about possible lootings, or about the authorities responsible for the shortages became collective day-to-day explanations about situations that had become problematic and disturbing. The breakup of established routines, the impossibility of visualizing the future, and, above all, the necessity to keep going even with modified life conditions, make the words of an official related to the British aid in postwar Germany understandable: "Rumours [sic] spring up out of nothing and are rife in Germany as you know and spread all over the country as authentic facts" (Hilton 2009: 3).<sup>19</sup>

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19 Examples of rumors arising in crises situations are multiple. See, for instance, Auyero (2007), Shibutani (1966), and Griffiths (2002).

This intensification of communicative activities becomes a relevant means with which an attempt is made to define the crisis situation. It is a search for consent, which is precarious and modest but essential for the coordination of actions. It is the role of this intensification of communication in seeking common definitions of situations that makes the approach I am suggesting different from Per-Olof H. Wikström's situational action theory of crime (2006, 2007, 2010). Although Wikström's theory smartly avoids the criticism leveled against the anomie and organized-crime approaches, its focus on the decision-making process leading to the involvement in crime neglects to address the intersubjective elements that allow the emergence of new shared frames. Although this theory tries to show the steps of the individual's moral engagement with a certain moral setting, I suggest here that the moral setting itself is created through an intersubjective work arranged by individuals experiencing a crisis situation. Unlike Wikström's theory, which is based on the assumption that a moral setting exists in which individuals apply their moral values, the problem I attempt to tackle is precisely the emergence of a new orientation frame for action. In this regard, it is not incidental that scholars interested in crises and collective action viewed rumors as a mechanism that makes possible both a reconstruction of meanings and an initial coordination of intentions (Rosnow 1988, 1991; Auyero 2007). However, coordination among actors participating in an arena that is oriented to the exchange of goods and services, a phenomenon markedly different from riots or lootings, poses the question about the kind of emerging definitions or interpretations and its sources. I claim that the stabilization of ends-in-view is possible because of the intervention of what Herbert Mead termed the "generalized other" (1983: 155).

### Experiencing generalized others

I contend that the process of stabilizing expectations takes place because individuals start experiencing generalized attitudes that justify the participation in black markets. These perceived generalized attitudes, the generalized others, appear as a common, temporary definition of the situation. As the crisis unfolds, several interpretations arise and are constantly tested for their plausibility and concrete effects. Under these circumstances, the perception of generalized others unleashes a reflexive process which is also a discursive one in so far as the discovery of "explanations" and "interpretations" of the crisis becomes a shared task, a common search of plausible answers. Thus some of these interpretations, which may express unrealistic needs or interests, are suppressed, which paves the way for other interpretations or ends-in-view. In this fashion, generalized others express a definition of the situation whose relevance lies in the fact that generalized others allow individuals to "visualize their own proposed line of action from this generalized standpoint, anticipate the reactions of others, inhibit undesirable impulses, and guide their conduct accordingly" (Shibutani 1966: 168). In other words, generalized others become a stable frame of reference for individual's reflection.<sup>20</sup> They encourage

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20 The "generalized other" is considered as a modified version of what is known in social theory as

an interactive reflection that, through discursive practices, produces justifications for entering the illicit market. In the end, such justifications are nothing more than provisional solutions to the problems posed by the crisis. As emergent products from ongoing tested reflections, they can be easily understood as the aforementioned stabilization of expectations oriented to the market. However, the increasing coordination among actors within the market is subjected to subsequent stabilization that is, in turn, the result of problems having arisen from the market activity itself.

## 7 A great opportunity: Emerging frames in La Salada

The sequence “crisis – appraisals – mutual adjustment – emerging generalized other” described above could be traced in the case of La Salada market of Buenos Aires. This space of informal and illegal economic exchange emerged at the end of the 1980s, in the immediate wake of the rampant hyperinflation in Argentina, and during the 1990s as the neoliberal economic model fostered a radical, structural economic change.<sup>21</sup> These two economic crises harshly hit the lives of the residents of Ingeniero Budge and other neighboring areas and marked a milestone in their lives. Both crises only aggravated a prior situation, one characterized by the lack of employment opportunities and infrastructural neglect. However, La Salada turned into a market of considerable magnitude after 2002, once the course of the economy changed, in the sense that the import of garments and supplies was discouraged, thus revitalizing the garment industry and promoting domestic consumption through conditional cash transfers to working-class sectors. As a result, a 15-hectare arena and its surrounding neighborhoods turned progressively into the epicenter of informal garment production and wholesale. In a rather small area, producers meet buyers, who travel there from different Argentine regions and from neighboring countries. The emergence of this market is of particular relevance since both the generalized other’s formation process and expected ways of behavior include a previous phase of adjustment. Such adjustment means that individuals search for explanations about “what is going on” and assume certain roles on a provisional basis that are fundamental for the institutionalization of networks of exchange.<sup>22</sup>

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“the Third.” Third parties are a frequent topic in social theory, especially in the sociology of law (Luhmann 1987: 71). For a recent study on different dimensions and theories of “third” parties, see Esslinger (2010).

- 21 From the beginning until now, La Salada’s commercial activity has been characterized by its informality and illegality. It is informal due to tax evasion and the inobservance of official regulations during the production or commercialization stages. It is illegal because of the counterfeited brands and the smuggling and exploitation of workers. However, due to the marginalization and the lack of opportunities among residents in that area, La Salada’s commercial activity became a real and legitimized source of job opportunities.
- 22 The empirical data I provide is based on an uninterrupted six-month period of ethnographical fieldwork at La Salada market. I conducted 48 in-depth interviews, covering all the functions and roles currently present at the market. I also actually did different types of jobs (pulling carts



The sharp change in the political economy that took place after 2001 signified a deep metamorphosis of La Salada's structure. The discouragement of imports strengthened the tendency towards the establishment of small private workshops and this gave relevance to the role of textile entrepreneurs. Nevertheless, the consolidation of this path, whose main feature is textile production by means that are outside formal regulations, at the same time promoted the emergence of secondary markets which had been unknown until then. Means of transport based on organized cart pullers as well as a network of storage facilities to service stallholders quickly developed. Furthermore, in the middle of the crisis, around 2001, people started to squat permanently on public streets and to subdivide the space in order to rent wire-mesh stalls to stallholders. This was the birth of the open-air markets. The growth of sweatshops, new transport systems, a storage network, and an informal real estate market also implied the expansion of a huge informal labor market (sellers, street vendors, sweatshop workers, assistants, middlemen, cart pullers, collectors, and private security personnel). All these secondary markets emerged around the main market, the market for clothing.

### Mutual adjustment, definitions, and role-taking

From the point of view of those who entered in the market during the years of the crises, La Salada meant a great opportunity in their lives, a possible end-in-view. This common definition – La Salada as an opportunity – arose in relation to 1) the perception of a larger influx of people into the market (buying or selling) and 2) an adjustment of mutual expectations that led to role-taking. In other words, once individuals started to perceive a significant increase in demand and “to see a greater movement,” they intensified communicative activities and started to take positions within the market. Some of these positions or roles already existed, such as the street vendors or the entrepreneur, but others did not. The novel roles emerged because of an ongoing transformation process, a dynamic based on the flow of informal communication and geared toward turning goods and needs into products and services. For example, the need to avoid robberies and save transport costs led to the transformation of houses into storage units; the need for space led to a squatting process and to a new actor, the small illegal landlord; the need for transport led to the organization of networks of cart pullers; and the need for labor led to an informal market of sweatshop workers. These three steps – the perception of change, the adjustment of mutual expectations, and the taking on of new roles – is illustrated in the following specific cases.

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and selling fake “Adidas” jackets at a stall). La Salada is a wholesaler market open three days a week with varying hours. I spent the majority of a 5-month period at the market on the three days a week it was open, speaking with the stallholders and taking notes.

Ángel was living in Bolivia and having problems getting work when he noticed that his friends and relatives were migrating to Argentina because of the market. Then he and his wife Silvia decided to do the same. They began working in small workshops but were always thinking about having their own enterprise. He describes the change:

I came first to Argentina, she [pointing to his wife] and I. We came with a backpack and a piece of luggage, didn't we Silvia? We had nothing! And ... we all talked with those who went [migrated] to the fair and then we decided to come here, too. I started working at a place, in a sewing workshop that was very big. I went to work with someone from my home country [paisano] but I didn't learn well. Where I learned was in Mataderos.

Jorge also told us about his experience of turning into an informal owner and starting to make a living by renting a piece of a squatted public street around the year 2001:

At the beginning my strong point was the sale of tortillas. At that time nobody stood there, or people stood there but nobody charged for it, even I didn't charge with money. Then, when people started to come, to crowd, I said myself and to Maria [his neighbor in the fair], "ok, I take this place and this place." I had it for rent from here to there [making gestures], three stalls on this side and five on the other side. I said that the middle remains for me, to continue to sell tortillas.

Finally, Roberto told us about how the secondary market for storage expanded, a secondary market that now is a fundamental pillar of La Salada:

Son [speaking to the interviewer], before 2001 this place was a ghost village. Who set up all that? The fair [silence]. In this place things didn't have any worth but now a house here gives you money. I will explain to you why. You buy a house here, on the other side of the road, around the corner, or two blocks away from here and the only thing you leave is the façade and the entrance. And inside you demolish everything, every room, everything, you leave only the square [of the house] and you start building lockers so that stallholders can keep their stuff safe. Every locker costs 600 pesos per month, to keep the goods safe, you [stallholders] don't need to go and come back with goods, because by doing that you get robbed. What happens? You build 100 lockers. It means, each house gives you 60,000 per month.

To "see" or "perceive" a greater quantity of people or just more economic activity is a micro-level phenomenon correlated with the aforementioned sharp changes in the political economy, that is, at the macro-level. Perception implied also spreading information and communicative activities (with other migrants, with neighbors) that served as grounds for decisions: to migrate from Bolivia, to occupy a sector of the street and to rent it, or to transform a house into storage. All these were processes that appeared as opportunities and required role-taking: workshop workers, small landlords, and storage owners.



### The emergence of a generalized other: The market is a chain

A shared experience among actors within the market that was expressed and repeated several times during the interviews was the perceived fact that there is a “chain” or “interdependence” between the different roles. In other words, the role-taking process and the experience of La Salada as an opportunity with positive consequences for everyday life led to a widely shared definition of the situation, namely that the market was a great opportunity arising from a chain of actors.<sup>23</sup> This emerging metaphor reveals a second moment in which actors reflect on identifying roles – emergent or already established – within the market and make links among them. In that way, Ángel tried to explain the dynamics of work:

Then there is a great deal of work here, even for the fixed-fare taxi drivers [remiseros]. The drivers work carrying 5 or 6 rolls of fabric. This is a chain Mati, you cannot imagine the activity that takes place here! He then continues to explain the chain of production: We, for example, we work and not only for our workshop; because we buy from other workshops or sometimes from importers, we also make a lot of people get work. This is an enormous chain, do you see it?

However, the acknowledgement that there is a sort of “chain” does not always emphasize the roles but an “existential interdependence” among actors. Liliana, for example, stated:

La Salada feeds a lot of people, a lot. As a seller, as a stallholder, as a food street vendor, as a soft-drink street vendor, everybody. Everyone depends on everyone.

In the same vein, Graciela tried to explain why the market’s opening hours change continuously:

They [opening hours] change because of the seasons. If you think and connect things, it’s because of this. For example, in winter, people get work because of the weather: coffee vendors, “cartoneros,”<sup>24</sup> coal vendors; as you may see, this is a chain: This is really a chain if you think about it. In summer time, what do they do? They work during the day. For example, when working under the sun, then people buy soft drinks, ice. They [fair’s managers] change the opening times so that people get jobs. Everything is a chain if you think about it.

What do these descriptions – in which different actors acknowledge the existence of defined roles and their mutual interdependence – mean? Both the “creative” role-taking as well as the acknowledgment of a chain connecting people are two closely related phases of the same phenomenon. Both are moments of the generalized other’s formation process. The generalized perception that opportunity can be found in La Salada is associated with the role-taking and the acknowledgment that these opportunities are the result of actors’ interdependence. Thus, the definition of La Salada in terms of a place of

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23 The idea of opportunity refers here to the achievement of a greater stability of everyday routines and the possibility of having a regular income.

24 These are people whose job it is to collect paper and cardboard discarded by stores and households in urban centers for sale and recycling.

opportunities (together with its roles and interdependences) generates an anticipation of responses during interactions, an inhibition of impulses, and behavioral guidelines following accepted patterns. The shared definition of La Salada, according to which the market offers opportunities for individuals and especially for material progress, arises precisely from the fact that actors are able to see their own plans and projects from the perspective of well-established and functioning roles.

### Generalized others' specifics and the role of the state

Although both the generalized perception of La Salada as a place of opportunity and the perception of interdependence among actors or roles shape the aforementioned "generalized other," this by no means implies that we are in the presence of a moral-fostering solidarity. In fact, with the exception of social ties among migrants, the best evidence for this lack of generalized solidarity is the complete absence of sectorial associations or groups defending or claiming their rights.<sup>25</sup> On the contrary, what prevails is an enormous atomization among the actors that, following the argument presented above, means that opportunities are understood as an isolated, individual, or family enterprise. The accustomed respect of informal agreements should be understood in the light of the acknowledgment that one's own existence depends on others and that the current opportunity – for many residents probably the only one – should not be missed. The lack of solidarity does not stem only from informality or illegality, situations that in and of themselves deny actors the access to justice, but also from the ambiguous role played by the state and its two powerful faces at La Salada: the police force and political parties. A sociability characterized by ambiguity is the outcome of the way these actors intervene in this social space.

As many interviewees stated, the main form of state intervention is the "releasing of zones" from police enforcement, meaning that authorities suspend law enforcement in cases of counterfeiting, human smuggling, informal employment, authorizations of workshops, robberies, frauds, and so forth, in exchange for money.<sup>26</sup> Putting the law into brackets in return for money does not happen at random. The bulk of revenue in La Salada is collected from stallholders, foremost those who sell counterfeit-brand clothing, and by imposing a certain informal taxation, featuring the same characteristics of formal taxes. Such an informal tax system has collectors, books, lists of debtors, different amounts according to sectors, and so forth.<sup>27</sup> From the stallholders' point of view, there is no way to avoid such taxes; however, there is a reasonable certainty that the police will not confiscate the production of counterfeit-brand clothing.

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25 The only exception is the group of 145 cart pullers who work within the closed fair Urkupiña.

26 On corrupt police structures and protection rackets in the greater Buenos Aires area, see Dewey (2012).

27 There are different types of "contributions" within the market, but the most important in terms

While the “released zone” creates a particular social space and provides a general frame for the constant development of textile enterprises, the immediate consequence is that individuals are left without protection. Individuals who are robbed or swindled, for instance, are left without any chance to have previous normative expectations fulfilled. The latter means not only that individuals working in La Salada may adapt to the extreme circumstances by developing their own protective strategies in order “to be in the market,” but also that distrust pervades the kind of sociability present in everyday life. In other words, actors working in La Salada are left without third parties who might intervene during problematic situations. The novelty of this does not lie in the well-known fact, evident in other illicit markets, that actors cannot reinforce their expectations by turning to the justice system, but in the fact that state agencies create a sociability marked by distrust and ambiguity. From the actors’ perspective, this particular everyday sociability and the taxes constitute the price they have to pay for such an opportunity.

Interestingly, the presence of ambiguity is a shared feature among illicit markets that emerge after cataclysmic situations (Mörchen 2011; Zierenberg/Black 2008; Steege 2007) and other closely related situations (Auyero 2007). Atomization and the lack of cooperation in social relationships impose a heavy burden on actors’ everyday lives, but this is not enough to change the perception that it is still possible to achieve stability or material progress in La Salada. Opportunities are seen only in terms of a personal trajectory. Even when they exclude cooperative strategies and enormously increase transaction costs, they are still the expression of possible futures. What confirms and reinforces the experience of being in a place where opportunity abounds is a well-established informal tax system promoted by the state. As far as the aforementioned informal taxation system provides a frame for action, the generalized other expressed in both the role-taking and the acknowledgement of interdependences will be possible. Even when it is not a special kind of morality capable of introducing trust among actors, it is still a frame for reshaping routines and, in doing so, it helps stabilize expectations temporarily. Confidence and the experience of being responsible for one’s own protection, seemingly two contradictory elements, are the result of the aforementioned state intervention.

In the end, the emerging generalized other will affect and change the valuation process of the situation. La Salada market, as an opportunity stabilized in time, thus increasingly stabilizes the daily lives of Ingeniero Budge’s residents. Role-taking and the experience of material progress, even when it might be modest, shape mutual expectations and duties, yet also provide the possibility of valuating the market in a very distinctive form, as an opportunity. In terms of Gross’s suggestion about social mechanisms, whereby one mechanism (S) consists of A+P+H+R, that is A (actors), P (problem), H (habit) and R (response), the “generalized others” arising during the crisis should be placed in the H position (Gross 2009). Therefore, the growth of illegal markets during the breakdown is

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of its quantity and organization is “*marca*” (brand).

*promoted by a new frame – a generalized other – that introduces the possibility of valuating the exchange of illegal goods as fair.* On this point, this approach coincides with the economic sociology of conventions, which asserts that “justifications allow people to move forward without actively calculating and defending each action, feeling psychologically affirmed” (Biggart/Beamish 2003: 456; Thévenot 2007: 410). At the end of the day, we see that a crisis sets in motion a process that might result in a market because of the time that has passed and an ongoing reflection process. If these two mechanisms effectively produce a legitimization of actions, it could be argued from a market perspective that the market does not begin with the “marketplace” or when people exchange goods but with the appearance of the generalized other. Illegal markets, therefore, will emerge as long as this impartial third justifies the new ends-in-view.

## 8 Conclusion

In sum, I claim here that an illicit market emerging under socio-economic crisis conditions might be understood as the result of a constant valuation process and the intervention of mechanisms, called the generalized others, which legitimate expectations. I started from the assumption that individuals who experience a harsh socio-economic breakdown constantly draft renewed plans for action in order to recreate their routines. Based on this assumption, I argued that illicit markets will emerge when these budding plans associated to selling or buying forbidden products find a legitimization from a generalized standpoint. Rumors and other types of informal communication promote the consolidation of shared experiences, such as an “emergency” and the dissemination of definitions of the situation provided by recognized social leaders. Thus the generalized perception that “everyone is in the same situation or behaves in the same way” and that “social leaders would allow or protect certain practices” legitimizes ends-in-view and stabilizes expectations associated with black-market trading. This approach to illicit markets is based on a critical reading of two other approaches concerned with deviant behavior, crime, and illicit markets, namely the anomie theory and the field of organized-crime studies. Both perspectives, according to the argument, operate with a model of actors characterized by fixed ends and means, *a priori* assumptions that hinder the ability to perceive the gradual and transforming dynamics of a crisis situation. While both approaches view the emergence of an illicit market as the result of scholars tinkering *a priori* with actors’ choices and preferences, in this paper I argue that these choices and preferences stem from a reflexive process and legitimization instances.

The emergence of a generalized other, as presented by Mead, is also evident in La Salada market, an arena of exchange that emerged during the 1990s in Argentina. The findings of this study have concentrated on the process that enabled the market’s creation: the intensification of communicative activities, the adjustment of mutual expectations, the search for definitions and role-taking. Unfortunately, I was unable to determine from

this data – a common problem in this shadow field of research – an accurate chronology of such a process of creation and could only partially show the reversibility of courses of action as I argued in the first section. Notwithstanding its limitations, this study does offer some novel insight into the relationship between a harsh economic crisis and the emergence of an illegal market.

This article also suggests a line of enquiry for further research on the emergence of illegal markets. Drawing mainly on arguments from sociological pragmatism, I suggest that research on economic action in illegality might accurately capture formation processes of actors' preferences and motives by taking into account the relevant generalized others. In fact, by focusing on the actors' valuation process of situations, as well as on the study of emerging roles, a more detailed picture could be expected on how market expectations are stabilized and what kind of justifications are provided by actors in illicit markets.

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