Criminal Clusters: State and Organised Crime in a Globalised World

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Research note

Criminal Clusters: State and Organised Crime in a Globalised World

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Abstract: "Organised crime" is the label given to self-perpetuating, structured groups of individuals who use violence to gain profit through criminal activities (OCGs). OCGs erode state power and penetrate legitimate businesses more effectively than any other non-state actor such as terrorists and private military corporations. This research note explores the evolution of OCGs in the globalised world and calls for fresh research into the state's relationship with OCGs. The first section of this paper studies how globalisation has induced a process of state deconstruction that offers OCGs new and unexpected opportunities. The second section provides more detail about OCGs' power structure, highlighting the features that make them a privileged partner of capitalism. The last section represents an attempt to elaborate a model for analysing OCGs based on two variables drawn from the literature on industrial clusters: the degree of structuralisation and life cycles. This contribution concludes by proposing a road map for future research by combining the two variables in a matrix-like table.

Keywords: Organised Crime Groups; Globalisation; State Power Erosion; Power Structures; Structuralisation; Life Cycles

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Introduction

This research note explores the evolution of organised crime groups (OCGs) in a globalised world. It does not seek to engage with the current literature on mafia mobility (Varese, 2011; Sciarrone, 2009, 2014); nor does it present new empirical evidence on transnational illegal trafficking (Albanese and Reichel, 2013). Instead it proposes a model that attempts to advance our understanding of OCGs as a major international actor.

The hypotheses to this paper are the following. The first claims that, in the post-bipolar world, the state is no longer the centre of the political universe (Sassen, 2007). The spread of globalisation has produced a spatial revolution and a rescaling of authority (Brenner, 2004). On the one hand, globalisation incentivises the development of supranational organisations which claim the legitimate authority to produce norms and make them effective (the subsidiarity principle of the European Union is a proper example), or which presume to enforce models of social and economic development (this is the case for the International Monetary Fund or the World Bank). At the same time, however, globalisation also revitalises local authorities, both at regional and urban levels, who assert growing powers of tax collection and the use of force, and claim to be the best spokesmen for the rights and privileges of their citizens.

The second hypothesis suggests that the dispersion of state prerogatives induced by globalisation is further advanced or encouraged by the same states, which seek to externalise the growing and unsustainable costs of their apparatus—from welfare to security, both domestic and foreign. In particular, the privatisation of the use of force has reinstalled "naked violence" as the main instrument for the allocation of resources. Especially since the end of the Cold War, internecine wars have redrawn the geography of political groups, multiplying the number of those who successfully gain violent control of specific territories at the sub-state level. In other words, the state is not the involuntary, sacrificial victim of this growing fragmentation of power, which has produced a plethora of old and new non-state actors— such as gangs and mafia clans, terrorists, and mercenaries (Davis, 2010). On the contrary, even democratic regimes now deliberately sub-contract increasingly significant portions of their own monopoly on force to private corporations (Avant, 2005; Singer, 2003). And governments' attitude towards non-state actors is ever more frequently that of an informal devolution of authority or even the development of relationships of a collusive nature.

The third and final hypothesis contends that OCGs are eroding the state's power and penetrating legitimate businesses more than terrorists and private military corporations (Armao, 2003; Finckenauer, 2005). OCGs can easily employ violence (and

the threat of violence) to fight their enemies, secure their organisation, protect their illegal enterprises, and curtail free competition in the market. And, at the same time, they can count on their dirty money to feed corruption at every level and to fuel international financial circuits. OCGs represents a risk for society, but also a resource, in that they respond to the demand for illicit goods and services from politicians, entrepreneurs, and mere consumers.

One additional preliminary observation should be made, which concerns the working definition of OCGs adopted in this paper. As part of a broader category of violent non-state actors, OCGs are defined as a structured and permanent group of individuals who use violence to gain profit through criminal activities. In this way—at least theoretically— OCGs distinguish themselves both from terrorist groups that use violence to gain power and from contractors of the modern military corporations for whom violence is a (mostly legal) source of revenue. As with most academic classifications, these groups, so clear-cut on paper, show some blurring of the edges in real-life contexts. Mafia organisations, for example, actively seek and pursue power; just as many terrorist groups do not shy from financing their activities through illicit enterprises (such as drug trafficking) that are traditionally associated with OCGs; and just as, on the other hand, many private military corporations end up assuming, either directly or indirectly, a leading political role in the conflicts in which they find themselves involved. The fact remains, however, that OCGs are distinguished by their characteristic desire to intervene directly in the economic sphere in a criminal manner, and through the threat or use of violence. In this way, OCGs assume an explicit role in the dynamics of globalisation. This role offers OCGs a competitive advantage over the state—from violence and corruption to the systematic infiltration of public administration and legitimate economy. In other words, OCGs incessantly reproduce the violent accumulation of resources at local levels, and then invest their profits in the global market. In this sense, they combine local and global dimensions (power and market) much better than the state. Indeed, it is true that globalisation may also encourage the expansion of domestic and international control efforts, as well as of cross-border police collaboration (Friman and Andreas, 1999). But states still cannot ignore the prerogatives of state sovereignty and the constraints imposed by democratic procedures, whereas OCGs can.

This research note describes a three-step process. The first section analyses how globalisation has promoted the process of state deconstruction that has offered OCGs new opportunities. The second section provides more detail about the power structure of OCGs, highlighting the aspects which make these groups the privileged partners of capitalism. The last section represents an initial attempt at elaborating a model for analysing OCGs based on two variables drawn from the literature on industrial clusters:

the degree of structuralisation and life cycles. The conclusion proposes a road map for future research by combining the two variables in a matrix-like table.

Globalisation and deconstruction of the state

The historical-social genesis of the modern state has been analysed from a variety of perspectives by a number of scholars. Many have pointed out the different patterns (and timing) that the processes of state formation have followed in different territorial contexts. State-building did take different forms and followed diverging (and in some ways revealing) patterns according to whether the burgeoning state in question was a great power or one without particular hegemonic ambitions; a continental or an insular power; an agricultural society or one open to innovation and industrialisation. Despite all of these variants, it is useful to sketch out the trend lines of development; the constants, so to say, of the evolution of the modern state. The first common element is the so-called process of monopolisation: the construction of a centralised military, judicial, and administrative apparatus (Elias, 1993). In the various territorial contexts, what changes is the mixture of coercion and co-opting that the sovereign adopts in order to successfully absorb the diverse and numerous pre-existing political units which, until that moment, have been able to exercise their own sovereignty independently: city, dioceses, principate, and so on (Tilly, 1990).

The second essential element common to different experiences of state-building—and the one far less studied by scholars—is the gradual passage from a relatively "private" monopoly to one that is "public" (Elias, 1993). The more resources the sovereign accumulates, the more dependent he becomes on the services and functions of those who materially contribute to the procurement of these resources; and the more he finds himself forced to redistribute revenues among the social forces that sustain him. At first, the sovereign needs to only concern himself with his functionaries and other court nobles, but as soon the middle class begins to represent the country's main source of wealth, he must grant its sons access to the court as well. This is accomplished, for instance, through the sale of noble titles which allow the sovereign to profit from the middle class's legitimate aspirations for social advancement. It is this unique form of economic exchange what marks the beginning of the historical collaboration between the state and capitalism.

In short, state-building may be expressed as a four-phase process. The first phase is that of the political, economic, and cultural unification of the upper class. The second phase sees the incorporation of the masses thanks to such factors as the universalisation of military service, compulsory education, and the emergence of new forms of mass

communication. The third phase is characterised by the active participation of the masses in the political system through increased enfranchisement and the birth of modern political parties. And, finally, the fourth phase witnesses the construction of public welfare made possible by progressive taxation and the reallocation of resources to disadvantaged social classes and the least developed regions (Rokkan, 1999).

The process of globalisation, reinforced in the end of the Cold War induced an inversion of this state-building process and a reformulation of the four phases. The first phase witnesses the deconstruction of the centralised state and the rebirth of autonomous centres of coercive power into forms that, depending on the context, range from simple administrative decentralisation to the assertion of functions such as military recruitment, tax collection, the management of basic services, as well as the right to represent the interests, privileges (and even the values) of those who fall under their dominion. The second phase is defined by the expulsion from the socio-political system of ever-greater sectors of the masses; people who are denied all access to essential services and cut off from the new mechanisms of representation, and, as a consequence, are no longer capable of asserting their rights and thereby continuing to identify with the culture and symbols of the state. In the third phase, those same disenfranchised masses are destined to reconsider parasitic forms of participation based on patron-client relationships, if not violent and sectarian forms of association. Finally, in the fourth phase, there is a return to violence-based private forms of resource accumulation and allocation.

It is worth noting that this kind of process is also destined to undermine the traditional relationships between the centre and the periphery of the international system. In contrast to the past, in which great powers and centres tended to coincide, today the proliferation of non-state actors—both legal (multinational corporations) and illegal (OCGs and terrorist groups)—who are in a position to exercise significant powers and make decisions that are relevant to the rest of the world, tends to create new galaxies and new centre-periphery constellations (Hall and Biersteker, 2002; Josselin and Wallace, 2001). Also, even the directionality tends to become variable; and the peripheries, which are no longer completely controlled by, nor dependent on, the centres, take their revenge. An example is the current dependence of developed countries on the energy resources possessed by peripheral nations that are no longer in any way bound by the loyalty at one time imposed by the Cold War. Or, to cite an example more in line with the present discussion, the threat exercised by terrorist networks and OCGs, which move in the direction of the greater centres of power and global capitalism from economically and politically marginal areas. Above all, these groups become carriers of cultures—whether of the religious fundamentalism of

terrorists or the honour codes of criminals—that are in clear contrast with the declared values of the democratic regimes which govern in the countries of the canter.

Long before the 1989 fall of the Berlin Wall, OCGs had existed in a considerable number of states and enjoyed enormous profits from illicit trafficking. However, the process of globalisation and the end of the Cold War have created a particularly advantageous context that explains the exponential and truly global expansion of criminal power over the last twenty years. On the one hand, the deregulation of the financial markets and their privatisation offers OCGs almost unlimited opportunities for recycling and reinvesting the proceeds from illegal trafficking. On the other hand, this occurs during a phase of unprecedented growth in the demand for illicit goods and services. The transition of the former communist countries such as republics of the Soviet Union and China to a market economy has benefited all business and financial sectors that function within the law, but for OCGs this opening represented a new market for illicit goods (mainly, though not only, drugs) as well as a boundless source of human and material recourses (Volkov, 2002).

If these aspects give OCGs an advantage as a global player, the deconstruction of the state magnifies OCGs' potential on a local level. First, the deconstruction of the state means the possibility of the appropriation of territorial resources for OCGs. Second, it offers a new identity and a sense of belonging, as well as a form of welfare to those who accept to join, or simply collaborate with criminal organisations. It is upon this second aspect— OCGs as a local player—that the next section of the paper concentrates on.

The crime-building process

OCGs' competitiveness is based on its ability to imitate and adapt premodern models to the demand of a new reality. In fact, the original basis of OCGs is to be found in a type of organisation that is far older than the state: the clan (Weiner, 2013). Clans are defined as social units, whose members are bound by a form of solidarity grounded on the recognition of common ties. It is certainly not a coincidence that mafia organisations—the example of OCGs which mainly and most explicitly draw from this model—came into being in contexts, where the extended family is still a necessary, but not sufficient condition (Armao, 2000). Consanguinity or blood relationship is not an indispensable element in today's criminal organisations, however. In some cases, kinship can act as an element of group cohesion or as a stabilising factor in moments of crisis. Moreover, the fact that mafia bosses might adopt strategies typical of the old monarchies and make use

of endogamic or exogamic marriages as a means of reinforcing control of the clan or widening its sphere of influence, should not come as a surprise.

Another aspect that OCGs draw from their past historical experience is the structure of their own "administrative apparatus". The clan organisation, in fact, emulates that of secret or pseudo-initiatory societies (Guénon, 2001). The control of access to the organisation during the recruitment phase and the relative lack of permeability between different clans are the factors that help guarantee the survival of OCGs: a clan must be able to defend itself from eventual infiltration by enemies. The secretive character of pseudo-initiatory societies produces two main consequences: one purely internal, and another related to interaction with the surrounding environment. The first consequence refers to the distinction between the hierarchy of roles (chain of command) and the hierarchy of knowledge (levels of awareness or understanding) or access to organisational secrets. While a role with the organisation might be temporary and appear to be determined by a certain degree of randomness (any number of events may influence whether a position in the hierarchy is won or lost), the level of knowledge is a permanent acquirement and is far more significant (Guénon, 2001). This is especially true for the external relationship, from which OCGs cannot exclude themselves, neither during the brutally predatory phases of pillage and plunder of the territory, nor when they respond to the demand for illicit goods and services.

The second consequence is that the nature of secret societies makes interactions with non-members possible only within a "grey zone" of collusion, corruption, or direct intimidation (Armao, 2000). Difficult though it may be to define—and, for this reason, under-investigated by the social sciences—the existence of the grey zone is not only empirically observable in any investigation on OCGs, but also raises two issues which merit more attention. The first is that the presence of OCGs in a specific territory tends to alter the normal dynamics of the political and economic systems by fuelling unfair competition practices—i.e., by offering politicians the possibility of guaranteed victory in elections through the purchasing of votes, and businessmen the possibility of operating in a controlled and non-competitive market. The second issue is of a juridical nature, and it is linked to the objective difficulty of building criminal cases for offences of an associative character and for which, far too often, it is impossible to find evidence that will stand up to scrutiny in a court of law. It is well-known that OCGs may very easily intimidate witnesses. But more relevant is the fact that coping with these kinds of crimes within a legal framework means calling into question the true cornerstones of democracy: the principle of individual criminal responsibility and the principle, according to which punishment should be proportional to the crime committed. How to evaluate the role played by an individual in a crime perpetrated by a clan, and how to

make provisions for punishment in the absence of *corpus delecti* remain open to debate (Ferrajoli, 1989).

The increased competitiveness of OCGs (as opposed to the state) in the context of capitalism appears quite evident. It has already been observed that the unique nature of OCGs resides in their ability to unite the idea of local dominion with the globalising logic of the colonisation of new domains beyond the borders of their home territories. This model of development translates into a process characterised by alternating phases of entrenchment and expansion: the clan takes form in a specific territorial context, but once its power has been consolidated, it looks to establish new settlements. First perhaps in adjacent regions, and then in different countries or even on other continents. Both these phases might be further subdivided into two stages:

1. *entrenchment (territorial conquest):*

a. legitimisation through violence: clans install themselves in a determined area, delimiting the borders through the use of force in a process that recalls the old practice of enclosure;

b. legitimisation through consensus: the mere use of extortionist violence leaves space for the creation of patron-client networks, and even an ample social base which shares the aims and spirit (if not exactly the methods) of the clan;

2. *expansion (projection of power):*

a. commercial colonisation: clans essentially plan their movements on the basis of "investment" opportunities created by market dynamics, entrusting to a few associates the management of their "representations" abroad;

b. settlement colonisation: clans establish themselves in a determined territory, blending in with members of their same ethnic group, with the intent of reproducing in this new place the mechanisms of intensive exploitation developed in the motherland.

There are two basic advantages associated with the particular mode of development used by clans. The first is the ability to guarantee the uninterrupted and intensive extraction of resources from the territory. Especially when faced with economic crisis and a lack of liquidity, clans seem to be better placed than the state to guarantee the "original accumulation" of resources due to the fact that they control small territories and have no scruples about the use of violence. The second advantage, linked to clans'

ability to travel and continually create new settlements is the ability to facilitate the circulation of goods and money even across vast distances.

Organised crime clusters

Alternating processes of entrenchment and expansion describe the trend (and the general) lines of the development of OCGs. It is worth repeating, however, that the ability of clans to adapt to the territorial context in which they operate as well as to the different contingencies of the market explains why the capitalist system may perceive them as more competitive players than the state. In fact, there are at least four factors that positively impact OCGs' competitiveness: a) *invisibility*, or the ability to conceal both clan members and clan business (as well as clan profits); b) *dynamism*, or the existence of a growing number of "variable geometry" organisations able to offer a wide variety of highly specialised services, as well as adapt rapidly to new market demands (an example is OCGs' entrance into the market of toxic waste disposal); c) *profitability*, that is the involvement in sectors (mainly, though not exclusively, illegal) which guarantee ample profit margins even in low technology sectors (the production and traffic of drugs or diamonds, for example); and d) *social irresponsibility*, that is the fact that the clans do not have to answer to anyone for their own entrepreneurial choices, nor for the methods they use to implement them.

The hypothesis put forth here is that OCGs increasingly tend to function like a business operating within a cluster. That is a group of integrated and geographically proximate companies and associated institutions, interconnected by a variety of externalities (Porter, 1990 and 2003; Fujita at al., 1999). A corollary to this hypothesis suggests that criminal clusters develop systemic relationships with other players present in the same area of settlement in the same way as industrial clusters. In the case of OCGs, this may mean not only clans belonging to other criminal clusters but also businesses that operate in the legitimate market, as well as political representatives with whom the clans develop relationships. The second corollary is that, just as some industrial clusters tend to branch out beyond their national borders, some clans create transnational networks and agreements with other OCGs in other countries for better fulfil their aims (Wixted, 2009; Pitelis et al., 2006).

Organised crime clusters may be classified according to two criteria: 1) their degree of structuralisation; and 2) their life cycle. On the basis of the degree of structuralisation displayed, it is possible to distinguish between pure agglomerations, social networks, and political complexes. Pure agglomerations are characterised by a relatively fragmented and unstable structure. They do not present any particular

obstacles (beyond the minimal requirements necessary to guarantee group security) to new members; nor do they waste much time investigating admission requisites. Social networks emphasise trust and group values as the discriminating criteria for membership (rejecting, therefore, any form of opportunism), requesting only that their members make their relationships and competencies available to the group. In this way they strengthen the barriers to admission and reinforce the organisation while avoiding the adoption of rigidly hierarchical models which could limit their expansion. Finally, political complexes tend to assume a stable, strong, and institutionalised pyramidal structure. This type of cluster imposes exclusive membership on its associates, narrowing both the criteria for entrance into the group, and the opportunities for exit from it (Gordon and McCann, 2000).

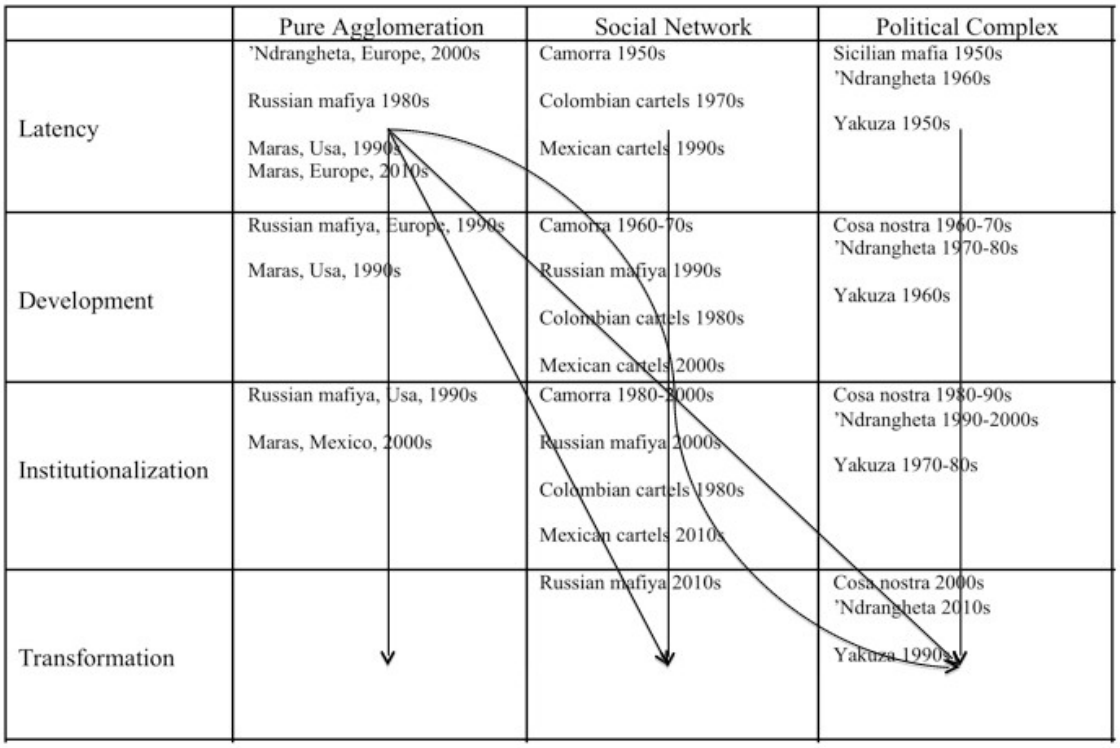
The second criteria to consider in the analysis of criminal clusters is a life cycle. Many OCGs demonstrate a strong propensity for institutionalisation, while others suffer a regressive process of decline at times accelerated by the appearance of new, more aggressive and dynamic players. In general, we may assume that criminal clusters, like industrial clusters, are subject to a development model which comprises four phases (Wolfe and Lucas, 2005: 6-8). The first phase, *latency*, is distinguished by the presence in a determined territory of conditions favourable to the birth of a particular kind of organised violence (a large recruitment reservoir from which new members may be enlisted); social groups which can supply the necessary basis for consent; and political and economic players eager to take advantage of the opportunities created by the new cluster. The second phase, *development*, may be described as the moment in which a given group asserts itself through its initiative, resourcefulness, and audacity. Under these circumstances, the use of direct violence legitimises the cluster's claim to power and governance in the settlement area. The third phase, *institutionalisation*, foresees the gradual reduction of conflict made possible by the consolidation of relationships with other political and economic players present in the area, and through the accumulation of financial resources sufficient enough to ensure the survival of the organisation. The fourth phase, *transformation*, highlights the cluster's ability to adapt to market exigencies, modifying and renovating its organisation and governing strategies, if necessary, or, conversely, evidencing the cluster's tendency toward immobility and deterioration.

Like all classifications, this categorisation of organised crime clusters tends to identify ideal model types. In real life, of course, we may find cases that combine elements from different ideal types; or we may witness a cluster in transition with regard to its degree of structuralisation or life cycle. Also, it must be noted that no classification category should be considered superior to any other. It would be a mistake, for example, to always presume to attribute a greater degree of market efficiency and

functionality to a criminal cluster that has reached the level of a highly institutionalised political complex. The winning strategy in this game is the one that, case-by-case, reveals itself to be most compatible with input received from the surrounding environment, in an endless game of action and reaction, and reciprocal influence (Wendt, 1999). For instance, there is no doubt that in the urban context of a city like Palermo (in the homeland of Sicilian mafia), the totalitarian control of the territory guaranteed by a political complex like Cosa Nostra has historically shown itself to be the best solution (from the point of view of the criminals, obviously). But in the slums of the developing world's modern megacities, it is plausible that a criminal cluster which takes the form of a social network may reveal itself to be more effective, especially if it demonstrates the ability to adapt to changes imposed by an environment in constant transformation. On the other hand, in the rural and widely dispersed zones of cocaine or heroin production a pure criminal agglomeration (perhaps one that is still in the latency phase of development) can be enough to guarantee the coordination necessary for the violent expropriation of territorial resources. On the basis of the last consideration, we must expect that OCGs can utilise different cluster models in their home territory and in areas of new settlement. The radical differences (political, economic, and even cultural) which may exist between these two kinds of territory fully justify the adoption of entrenchment and expansionist strategies that change on a case-by-case basis—a fact confirmed by the first studies in the field (Sciarrone, 2009; Varese, 2011).

Conclusion: a road map for future research

By combining the variables of structuralisation and life cycle we obtain a matrix-like table in which the examples of different OCGs can be inserted.



This table may be put to static use to capture, for example, the situation of several different organisations at a specific moment in history; or to dynamic use, for instance to trace the evolution of single groups over time. This figure does not pretend to be exhaustive; rather, it should be understood as a conceptual map. OCGs examples are presented purely for illustrative purposes, while the arrows are meant to suggest some possible research hypotheses: for example, the possibility that a criminal cluster may begin as a pure agglomerate and subsequently follow an evolution along that same axis; or, instead, undergo the kind of structural development that pushes it in the direction of a social network or even a political complex. The progress might be even more discontinuous, represented graphically by a sinusoidal shape. But one fact is fairly sure: as we can infer from the direction of the arrows, once the clan has reached a certain degree of structuralisation, it is rare to see it undergo an inversion of the process that would threaten all of the advantages it has gained (for example, in terms of its ability to influence state political activity or infiltrate the legal economy). Instead, it may be

possible to witness a group's decline, caused by its inability to adapt to the changes demanded by the market or by the appearance of more aggressive and competitive clans.

The table also suggests the importance of avoiding all of the different forms of reductionism and determinism that have characterised the study of OCGs for too long. From this point of view, further research should use the analysis of one specific cluster in its territory of origin as its point of departure, as occurs in empirical studies of industrial clusters. Furthermore, cluster organisations might be observed both in between clans of the same OCGs, and in between clans of different OCGs. Consequently, the proposed model elaborated in this research note might be used to explain the structure and evolution of different groups such as Cosa Nostra, the Sinaloa Cartel, and Mara Salvatrucha (MS-13), as well as the synergies and conflicts that can develop between different "firms" which operate in the same sector and in the same area. Furthermore, following OCGs through their processes of entrenchment and expansion means, on a practical level, drawing on contributions from all areas of the social sciences: from history and sociology to anthropology and social psychology for an understanding of OCGs emergence and development in their territory of origin; and from economics to geography and area studies for an explanation of the dynamics of globalisation.

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