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The Origins of Organized Crime

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Abstract

This paper will illustrate the correlation between democratic and market economy transitions and the increase of organized crime. This correlation exists despite the differences in political system prior to the democratic transition. What matters the most is that these transitions either occur at the same time or within a short window of time. Organized criminal groups thrive in unstable and failed states because of the lack of government and law enforcement interference in their illegal activities. However, these groups can also make a home in countries that have relatively short periods of transition between political and economic systems, despite the stability of the resulting State. This is because countries undergoing political and economic transformations often host new economic incentives for criminal groups to conduct activities that have not yet been regulated by the government or activities that have already been made illegal, but the weakened capacity of the state makes it difficult to punish these crimes. I will employ a case study of organized crime in Italy, Russia and Japan to show the commonalities in the conditions surrounding the development of these groups from small criminal gangs to more organized criminal enterprises. I have found that the increase of organized crime in these countries led to an increase in corruption of the government and business elite which undermined the rule of law and created inefficiencies in the democratic system and the economy. These inefficiencies were then exploited by organized crime groups for their own economic benefits.

Introduction

The word “mafia” has come to represent an array of complex relationships between the state and entrepreneurs operating in the shadow economy. It is used as a synonym for criminal groups that have achieved enough sophistication in their operations to be deemed ‘organized’. This paper will attempt to discern the origins of the phenomenon of organized crime as it exists in countries around the world and assess the effects of organized crime on the government and the economy of host countries. This study is important since these groups have been known to operate in almost every corner of the globe and are involved in many different types of legal and illegal commercial activities. Yet for some reason, these criminal organizations are not indigenous to all countries. Rather they tend form in the presence of specific mix of political and economic conditions which combine to weaken the capacity of the state to govern. Over time, these criminal groups build up a reputation with citizens as a dependable means by which to procure a good or service that may be heavily restricted or nonexistent in a society. By filling this need, these groups manage to intertwine themselves with legitimate political and commercial entities until they are an inextricable and indivisible part of the systems they inhabit. Because these criminal groups are wholly self interested and completely unregulated, their efforts to distort the rule of law can undermine a government’s legitimacy and create uncertainty in an economy.

The “mafia” as we know understand it is not quite the single, monolithic, evil entity that the media has presented it to be in popular culture. Despite some similarities in organizational structure, many modern criminal organizations bear little to no resemblance to the Corleones from The Godfather Trilogy. Their criminal activities are also known as “enterprise crime” which is crime driven by the desire to make a profit and structured much like legitimate companies.¹ These groups favor countries in which the government is undergoing a period of political transition or modernization. Often these newly forming civil societies are “undergoing economic expansion but lack a legal structure that reliably protects property rights or settles business disputes.”² This makes it easier for organized criminal groups to step in to sell protection and contract enforcement services to citizens who would otherwise be unable to provide it for themselves. Furthermore, these governments typically lack the resources to police black market and other criminal activities, thus reducing the consequences of illegal actions. The second condition is that a country has undergone an economic transition to a capitalist market economy. This economic transition gives criminal organizations increased economic incentives to expand their operations and to diversify their criminal activities.³ These economic incentives for criminal activity often outpace government efforts to regulate new crimes and to expand legal enforcement services to eliminate the legal grey areas that attract the attention of criminal organizations. Enterprise crime thrives in countries that are in a state of political and economic

¹ (Carter 1997)

² (Varese 2006, 412)

³ (Carter 1997)

transition, because they often lack the capacity to track and punish the groups responsible for these crimes.

Three countries that have experienced this particular set of conditions are Japan, Italy and Russia. These three countries are useful cases from which to consider the rise of organized crime groups because each country experienced rise in organized crime despite being economically, socially, and culturally very different places. The key similarities among the respective countries is that each underwent a political transformation during which criminal organizations benefitted from new economic incentives introduced by the market economy and the lack of the government's ability to adequately regulate these new capitalist impulses.⁴ Japan, Italy and Russia all similarly possess very modern, industrial economies that have tolerated, and at times benefitted from, the presence of the same illicit markets that generate revenue for criminal organizations. For example, in Italy, organized crime has successfully used their illegal profits to exploit pervasive local political corruption and absence of effective law enforcement arms in efforts to consolidate their power. The Sicilian mafia in particular has been so successful at operating abroad that assumptions based on studies of Italian-American criminal networks in the United States and Western Europe have shaped the framework that all other organized criminal groups are viewed through.⁵ In Russia, the major rise of organized crime came when the fall of the Soviet Union unleashed rampant speculation and asset raiding of the most profitable corporations in Russia. The already sizable black market economy was boosted by a huge influx

⁴ (Varese 2006)

⁵ (Sokolov 2004)

of Western goods and money while government regulation of the economy was incoherent, inconsistent and stifled economic competition. While many of the organized criminal groups operating in Post-Soviet Russia were offshoots of Soviet era criminal enterprises, others of them were new organizations that formed in response to the new economic pressures of capitalism. In Japan, the aftermath of World War II created economic and political pressures that formed organized crime groups in response to the need to provide protection and law enforcement.⁶ Continuing pervasive corruption in the higher levels of government and the close ties between the government and corporations has sustained organized crime groups like the *Yakuza*.

Research on these groups is important because once an organized crime syndicate has embedded itself deep enough in a host country to operate transnationally it can no longer be considered a domestic problem. These groups can have a devastating effect on the government of a host country, but more importantly, they can make life difficult for citizens in both the host and the target countries. By making a host country unsuitable for legitimate businesses and foreign investment, these groups can force cause an entire economy to stagnate or contract. This robs individuals of economic opportunities and can reinforce the cycle of organized crime in many countries. Furthermore, these groups do not reinvest their earnings into the host country thereby making it impossible for a government to fund public goods such as healthcare and education. Ultimately, this bleak scenario could lead to a failed state which is not only a magnet for other organized crime groups. The goal of this research project is to identify the conditions that give

⁶ (Adelstein 2012)

rise to transitional organized crime groups so that they can be addressed before these groups have a chance to exploit them for their own benefit and at the expense of everyone else.

Literature Review

Organized crime groups have “combined the advantages of family solidarity with the membership flexibility of a voluntary association.”⁷ Each individual group is headed by a male in the “father” role and is hierarchical in nature making the head of the group the supreme leader and the rest of the group his followers.⁸ Every member is admitted to a “family” that acted as a self-contained unit and carried out criminal activities designed to make it wealthier. While crime families can include actual kinship ties by blood or by marriage, these relations are not necessary to form this peculiar type of brotherhood.⁹ Although kinship ties form especially tight bonds between members of individual criminal units, these bonds are not unbreakable. That is why most organized criminal groups achieve basic discipline with adherence to five cardinal rules which have remained unchanged for centuries.

These rules include “commandments” such as do not disobey or cause a nuisance to your superiors, do not betray your gang or your fellow gang members, do not fight with fellow members or disrupt the harmony of the gang, do not embezzle gang funds, and do not touch the woman of a fellow gang member.¹⁰ Compliance with these rules is encouraged by a system of rewards and punishments that bestows money and upward mobility on an individual for good

⁷ (Anderson 1965, 305)

⁸ (Anderson 1965, Gambetta 1993, Lintner 2002)

⁹ (Varese 2006, 424)

¹⁰ (Hill 2003, 72-72)

deeds and promises pain and potential loss of life for individuals who break the rules.¹¹ For a criminal enterprise, keeping its members in line is essential to organizational stability and effectiveness.

Each “family” has its own type of initiation rite or ritual that it performs when a new member joins the group that range from simple to more complex depending on the group. These rules and traditions developed as a way to identify members of the group and to prevent outsiders from infiltration.¹² One example is the tattoo which was traditionally used by law enforcement officials to easily identify criminals and later used by organized criminal groups to signal their affiliation with a specific group.¹³ Tattoos are popular amongst members of organized criminal groups because they are “ostentatious” and “any ostentatious act by definition suggests that the actor wishes to give some message and therefore can be studied as a signaling device.”¹⁴ In Russia, traditional organized criminal groups used tattoos to represent an individual’s life of crime while in Japan, tattoos function as a *yakuza* brand.¹⁵ The fact that tattoos have traditionally been stigmatized by many mainstream societies only adds to the myth of organized criminal groups as outsiders, outcasts and modern day outlaws of contemporary society.¹⁶ These groups prefer to recruit individuals who are considered on the “fringes” of society such as people with criminal records and members of minority groups. Long periods of economic transition and high

¹¹ (Hill 2003, 74)

¹² (Handelman 1995)

¹³ (Gambetta 1993, Handelman 1995, Hill 2003)

¹⁴ (Hill 2003)

¹⁵ (Handelman 1995, Hill 2003)

¹⁶ (Lintner 2002)

unemployment rates help to widen the pool of potential members as jobs in the traditional economy shrink. Some of these types of groups use ethnicity and language as natural barriers to outsiders and as signals to identify whom to trust. Furthermore, the formation of ethnic criminal groups may also occur in countries where certain ethnic groups are denied access to legitimate means to self-advancement, thus criminality may remain the only route by which these disadvantaged groups can attain their material goods.¹⁷

Occasionally, these individual gangs find it necessary and advantageous to band together to form alliances such as a cartel, which can have various functions. Some cartels form monopolies that allow them to set high prices for the goods and services that they provide and prevent the issue of competition between gangs.¹⁸ Other times, individual gangs form panels such as the “Commission” that was established in Sicily to coordinate criminal activities between the gangs operating in a given area.¹⁹ These syndicates don’t issue orders to their sub-groups; rather they regulate the use of violence in a given area and settle disputes between members of each family and their bosses.²⁰ These syndicates are funded by dues collected from each of the smaller criminal groups as a way to insulate the top bosses from the crimes of their underlings.²¹

The existence of organized crime groups and their criminal operations can undermine democratic political institutions and pose a real threat to a nation. These groups often bribe officials and corrupt important institutions like the judiciary and the bureaucracy. Since trade in

¹⁷ (Hill 2003, 80)

¹⁸ (Gambetta 1993, 100, Hill 2003, 70-71)

¹⁹ (Hill 2003, Gambetta 1993, 113)

²⁰ (Gambetta 1993)

²¹ (Hill 2003, 90)

illicit goods like drugs and arms generate enormous revenues for organized crime groups, these syndicates can become as wealthy and well-armed as many developing nations and pose a great threat to national and international security. Co-optation of a state can prevent effective “rule of law” in a nation and can undo any democratic principles that have taken hold.²²

However, if all of these organized criminal groups form as a response to a political transition that has left their national government unable to provide basic services such as protection and contract enforcement, what produces the variation in the activities of organized criminal groups and their relationships to their respective states that we see in the cases of Italy, Russia and Japan? And why do these criminal groups persist even though each country has a firmly established, fully functioning, representative government?

One reason for the variation in criminal activities of each group is the transformation of the legal system in each country. The activities that a government decides to make legal and illegal determines which types of businesses need and don't need protection services from criminal organizations. Another reason for variation in criminal activities is that the types of illegal commodities available to each organized criminal group differ based on the country the group is in. A third reason for variation in illegal activities conducted by criminal organizations is the nature of the relationship between organized criminal groups and the political institutions of its host country. This relationship depends heavily on the level of government penetration by organized crime groups. It can be argued that organized criminal groups with closer ties to high level politicians often have an easier time running their illegal operations without fear of

²² (Handelman 1995, Sokolov 2004)

prosecution than those without similar political connections. These variations have a fundamental impact on how and where these criminal organizations form and are covered in depth by the literature on organized criminal groups. I therefore posit that a deeper understanding of these variations in criminal activities between countries is integral to the full explanation of the phenomena of organized crime.

Theory

The basis of a true democracy is the principle of equality which is an important, yet easily eroded, social construct. For democratic institutions to be effective, the legal frameworks supporting them need to imbue the system with a certain level of legitimacy and respect in order for it to be taken seriously. The social contract between a democratic government and its citizens include expectations of authority which are subjective images of how power ought to be exercised and expectations of control which are subjective images of how power will in fact be exercised. The more congruent those two sets of expectations, the more effective the legal system in question.²³ In countries where these sets of expectations diverge, the legal system can potentially undermine an entire political institution. Western political elites have championed the concept of governance under “the rule of law” as the solution for legal systems that are facing such a crisis of legitimacy. The rule of law can be defined as a system in which the laws are public knowledge, are clear in meaning, and apply equally to everyone. They enshrine and uphold the political and civil liberties that have gained status as universal human rights over the last half-century.²⁴ The system should be regarded as impartial, competent, independent and efficient by citizens otherwise they will lose respect for the law. Democratic countries with true rule of law tend to have lower levels of government corruption and violent crime and are more likely to be politically stable and economically well developed. In the age of globalization,

²³ (Reisman 2014, 7)

²⁴ (Carothers 1998)

pressure has increased on countries to implement the rule of law in order to provide stability, transparency and accountability to attract the type of economic investments that fuels the creation of strong middle class societies in developing nations.

However, long-term institutional reform is difficult and slow as all individuals in the legal system need to be retrained and domestic legal institutions need to be restructured. The lengthy process requires major changes be made to update legal codes in order to expand the protection of basic rights in criminal statutes, codify the independence of the judicial system, increase government transparency and reorganize the bureaucracy.²⁵ The process is difficult, extremely costly in terms of financial and political capital and often cannot be completed without general counsel and legal assistance from other nations. Despite these setbacks, however, the primary obstacles to such reform are not technical or financial, but political and human.²⁶ Political leaders, bureaucrats and judges are often very reluctant to give up control of political and judicial institutions and to submit themselves to the same laws to which ordinary citizens are bound.²⁷ They will often resist or circumvent new laws in order to retain the rights and privileges to which they were accustomed in the previous, often corrupt, political system. Therefore it is no wonder that many of the countries that attempt these reforms have experienced the failure of their new democratic institutions, while others have slid back into more authoritarian forms of governance.

²⁵ (Carothers 1998)

²⁶ (Carothers, 96)

²⁷ (Fedorov 2000)

Based on this one can infer that countries that have experienced a partial or incomplete political transition to democracy during which they liberalized their economy while failing to complete the reforms necessary to implement true rule of law are more likely to exhibit conditions favorable to highly sophisticated criminal organizations. These conditions existed in Italy when the end of the feudal period and the freeing of land from the hands of the aristocracy was accompanied by a time of great social and economic upheaval. This lasted until the unification of the modern Italian state, which by that time had to fight to establish itself and its law as the legitimate authority, while competing with a rival, an entrenched, if nebulous, entity which had by then shaped the economic transactions as well as the skills, expectations, and norms of the native people.²⁸ By this time, organized criminal groups in Italy were thriving in cities and towns in which conflict over the management and appropriation of land and resources were resolved with the help of individuals linked to the mafia and not from the “untrustworthy” Italian judicial system.²⁹ This allowed the mafia to become an entrenched part of the political process from which it was unable to be extracted.

In Russia, a similar situation occurred with the transition to democracy and a capitalist economy. The previous communist system was characterized by single party governmental control and a state monopoly on the means of production.³⁰ The process begun with Mikhail Gorbachev perestroika reforms and completed by Boris Yeltsin prompted the transfer of government control over all state owned assets to private citizens. It was an embarrassingly

²⁸ (Gambetta, 87)

²⁹ (Gambetta 1993)

³⁰ (Brown 2004)

mismanaged process that was easily corrupted by both civilians and government officials alike. Criminals who used their black market profits to buy controlling shares of legitimate companies destroyed the racketeering monopolies of the old criminal gangs and cemented their achievements by moving into municipal and district government positions. As a result, the bureaucracy showed no interest in making things easier for ordinary entrepreneurs: a competitive marketplace would not only reduce their opportunities for private gain, but also challenge their power. Instead of laying the groundwork for a free market, perestroika merely reinforced the operating methods of the black market.³¹

After WWII, Japan found itself occupied by Allied forces with its former empire in ruins. The war had destroyed major cities, killed hundreds of thousands of people, and left citizens unable to seek help from state sponsored security forces.³² As ordinary civilians faced a lack of food and other necessary goods, they turned to the black market where organized crime groups were happy to provide these commodities. Emboldened by a lack of law enforcement and buoyed by a huge boost in black market revenue in post WWII Japan, these criminal groups called “the *yakuza*” were able swell their ranks and diversify their criminal activities to reap even more profits.

When the mafia arose in each of these countries, each was undergoing major political and economic transitions during which the laws regarding economic activities were profoundly altered creating new economic incentives faster than their legislative systems could create sound

³¹ (Handelman, 70)

³² (Hill, 43)

legislation. This discrepancy in time allowed criminal organizations time to find ways to circumvent or abuse the laws in order to gain a monopoly on some illegal or semi-legal goods or services. In some instances, these criminals were able to transition to careers in politics, thus allowing them to provide some legitimacy for the illegal gains for themselves and their criminal associates.

I posit that democratization may result in institutional failure and contribute to the institutionalization of corruption if the reform of the legal system is interrupted or hijacked by special interest groups. In this study, I compare democratic countries with modern economies that have suffered from the corruption of their government by organized criminal groups during their time of democratic and economic transition. I will attempt to explain how despite the similarity in systemic conditions that gave rise to organized crime in Italy, Japan, and Russia, the relationships between organized crime and the state look very different in each case.

To test this hypothesis, I will use case studies of organized crime in Italy, Russia and Japan to show how criminal enterprises in these countries responded to market forces by diversifying and expanding their criminal activities. In all three countries a deeply flawed transition to democracy crippled the establishment of the rule of law, creating uncertainty in the legal system and the economy that made it difficult for ordinary citizens to engage in free enterprise and may have incentivized criminal behavior while discouraging law-abiding behavior. This uncertainty was compounded by the post transition, democratic, multiparty electoral system in which politicians were forced to seek support from as many special interest

groups as possible in a civil society that was fractured by political, economic and social turmoil. I argue that this breakdown in law and order allowed organized criminal groups to cement their illegal commercial operations by supporting lawmakers who traded political favors for votes.

By looking at the cases of organized crime in Italy, Russia, and Japan, it is possible to identify common conditions that foster the development of organized crime while at the same time creating variations on how these groups operate. This study can provide a roadmap to other countries that struggle with these issues on how to take the first steps in successfully confronting and combating organized criminal groups on their own soil. Such actions will not only benefit individual countries, but also the global community as a whole.

Case Study: Italy

The entrenchment of organized crime in Italy is a well known phenomenon that has been studied from many different angles and was used to essentially create the framework from which we view the development of organized crime in other countries. Popular culture has all but ensured that the idea of a mafia will always be synonymous with Italian organized crime. Numerous scholars, government officials, and representatives of international organizations have written countless articles, books and other publications about evolution of the Italian model of organized crime and how it functions in an attempt to understand the phenomenon of organized crime itself.³³ The intense interest in Italy's indigenous criminal organizations is understandable when considering the fact that organized criminal syndicates in Sicily were so successful in creating their highly sophisticated criminal structure that they were able to export their model of criminal activity to countries like the United States where it thrived.

In Italy, the word 'mafia' was coined both as the description of a criminal organization and as a political weapon.³⁴ It referred to groups of individuals that acted as entrepreneurs of violence in protection markets that arose in Sicily in the absence of government penetration into the economy.³⁵ These groups were often small in size and operated in secrecy according an internal code of ethics that constrained individual behavior in order to prevent tensions from

³³ (Anderson 1965, Dickie 2004, Gambetta 1993, Varese 2006)

³⁴ (Dickie 2004, 158)

³⁵ (Gambetta 1993)

forming within the group.³⁶ These groups were male dominated and comprised of individuals that for one reason or another, found it difficult to work solely in the legitimate economy. At times, these groups found it beneficial to work together to

protect themselves through price cutting, extensive advertising, control over distribution channels, and the imposition of binding legal, financial, and technological standards. Firms regularly join forces in order to share markets, acquire a monopoly over customers or resources, keep prices high and quality low, secure restrictive access to public contracts, or steer government action in such a way as to manipulate customer choices.³⁷

Although they are primarily economic enterprises, organized criminal groups often formed in response to certain political conditions that provided new economic opportunities for them to satisfy demands for goods or services that were for one reason or another, unable to be provided by the government. Organized crime was first formally identified in Italy in the 19th century during a one of these times of political and social transition. It arose out of an environment

that comprised of three key components: the end of the feudal system of agricultural production, with a concomitant increase in the number of transactions within that society; the absence of efficient legal mechanisms for protecting the integrity of those transactions; a pool of men able and willing to provide extra-legal protection through their comparative advantage in the use of violence.³⁸

These conditions were exacerbated by the fact that Italy lacked a strong central government with a monopoly on the threat and use of force and the ability to implement this

³⁶ (Gambetta 1993, Hill 2003, Varese 2006)

³⁷ (Gambetta 1993, 195)

³⁸ (Hill 2003, 39)

threat on all areas under its jurisdiction. This high level of autonomy in Italy was the key element missing in other parts of the Mediterranean. Its absence prevented countries such as Greece from developing a mafia despite the widespread existence of armed gangs, bandits, and outlaws and the difficulty of imposing effective state control during the nineteenth century.³⁹ The high level of autonomy of each region of Italy combined with geographically specific variations in agricultural and industrial output contributed to the uneven development of the Italian economy which resulted in varying levels of regional based organized crime activity in Italy.

Despite the existence of multiple indigenous organized criminal groups operating in Italy, there were three major syndicates whose illegal activities both in Italy and abroad cemented their status as Italy's wealthiest and most notorious mafias. These groups were the Camorra from Campania, the 'Ndrangheta from Calabria, and infamous Cosa Nostra from Sicily.⁴⁰ These groups largely originated in southern Italy which historically had lower rates of industrial development than Northern Italy.⁴¹ After Italian unification, this economic inequality fueled the tensions between the Italian government, located in the north, and the more autonomous regions in the south.

The end of feudalism in Italy in the 19th century freed the land from the monopolistic ownership of the nobility and turned it into a commodity that could be bought and sold, thus laying the groundwork for the development of a capitalist society. However, the subsequent economic transactions that occurred did so in an environment that lacked state controlled

³⁹ (Gambetta 1993, 88)

⁴⁰ (Bacchi 2015)

⁴¹ (Aymard 1982)

mechanisms for protecting property rights.⁴² As the nascent economy grew in the absence of state protection, citizens needed to turn to alternative sources of protection, thus providing a clientele for certain groups that specialized in the use of force to settle disputes. These protection services were not always forms of extortion; instead many people willingly paid organized crime groups to provide protection for both their legitimate and illicit businesses.⁴³ As a result, organized crime in Sicily played an important part in providing a stable foundation for economic growth and development in Italy, a role that should have been filled by the Italian government. However, at the same time, the Italian state was undergoing a process of unification under a constitutional monarchy in 1861 which introduced new democratic institutions such as a parliamentary legislature, a constitutionally restricted monarchy and an electoral process. However, as a newly unified country, Italy faced a monumental challenge of “building a new state virtually from scratch while also dealing with a civil war on the southern Italian mainland, crippling debt, the prospect of attack from Austria, and a population of which over 95 per cent spoke a variety of dialects and languages other than Italian”.⁴⁴ The resulting governing capacity of the new Italian state was fairly low and suffered from a crisis of legitimacy.⁴⁵

In Sicily this failure of governing power was compounded by the lack of belief in the law on the part of Sicilians.⁴⁶ Such skepticism made it difficult for the government to enforce its laws in an area where the majority of the populace steered clear of government institutions. The

⁴² (Gambetta 1993)

⁴³ (Gambetta 1993, Dickie 2004)

⁴⁴ (Dickie 2004, 63)

⁴⁵ (Dickie 2004, 63)

⁴⁶ (Del Monte and Pennacchio 2011, 11)

immense level of distrust in the Italian government stemmed from a history of political power struggles between a long series of foreign monarchs and the feudal barons. As the monarchs tried to draw more power to the center, the feudal barons more fiercely resisted the monarchy's interference in the running of their estates. However, in this tug-of-war, it was the nobles who usually had the advantage.⁴⁷ This distrust of government institutions in Sicily was further fueled in the

decade and a half after the unification of Italy [during which] the [Italian] authorities repeatedly lurched towards a blindly repressive response to an unruly island, only to stagger back towards decent principles that they were unable to uphold, or to sink into complicity with shady local enforcers. This toing and froing helped them pull off an extraordinary feat of political image-making: the Italian state managed to look, brutal, naïve, hypocritical, incompetent, and sinister all at the same time.⁴⁸

This contradictory behavior by the Italian government turned ordinary Sicilian citizens to alternate sources of power and justice such as the mafia. It is therefore understandable that these 'men of honor' or 'mafiosi' developed large power bases that allowed them to enhance their societal status with positions of political power. In fact, by the 1880's, the Italian government was forced to accept that in the Sicilian political system, Mafiosi were gradually becoming part of a new political normality. The men of honor built up their extortion rackets and other business

⁴⁷ (Dickie 2004, 57)

⁴⁸ (Dickie 2004, 63)

interests, but they also learned that political friendships had become more important than ever to their survival.⁴⁹

This attempt to consolidate economic gains by manipulating the political process is not exclusive to the mafia, nor is it exclusive to Sicily. In fact, there are plenty of places in the world where there is political corruption, and not all of them produce mafia-like organizations.⁵⁰ However, this form of patronage works very well in a democratic system where voters expect their chosen political representatives to redistribute public goods in their favor.⁵¹ Unfortunately, the ruptures already present in the Italian political system meant that both the local and national governments were especially susceptible to corruption through this system of political patronage.⁵² Amid the political fragmentation, strategically placed minorities have been able to exert great leverage. In most cases, the mafia and its politicians have constituted a strategically placed minority.⁵³ These relationships were not based on any particular political ideologies since most criminal organizations are motivated primarily by economic considerations and are attracted to politicians that possess a substantial amount of political power. Therefore, rather than following a political agenda, these criminal groups merely adapt to circumstances by striking bargains with politicians of all colors.⁵⁴ This ambivalence to political ideology meant that criminal organizations in Sicily were able to work with both socialist and fascist politicians in order to secure their place in Italian society without any hesitation. Thus the mafia's lack of core

⁴⁹ (Dickie 2004)

⁵⁰ (Dickie 2004, 88)

⁵¹ (Dickie 2004)

⁵² (Dickie 2004)

⁵³ (Dickie 2004, 89)

⁵⁴ (Dickie 2004, 77)

political beliefs coupled with its ability to manipulate the political system helped keep in intact despite efforts on both the right and the left to eradicate organized crime in Sicily.⁵⁵

Organized crime's relationship with the state in Sicily is a good illustration of how the capitalist motivations for a criminal group to maximize their illegal profits can create incentives for these groups to establish connections with political elites and law enforcement. This unbridled capitalism is particularly dangerous during a time of democratic political transition for two reasons. This is because democracies are based on legislatures that are made of individuals who are held responsible for their actions by their electorate. The larger the electorate, the more competition there is between special interest groups for access to law making politicians. In these conditions it is the wealth and influence of a particular interest group that makes a difference in the amount of access granted to these the political elites. Since organized crime syndicates often generate a sizable amount of untaxed revenue from their illegal activities, and the state is the entity that determines which activities are legal and which are not, it is logical that criminals would attempt to influence the outcomes of these political decisions. Thus, by establishing political connections, criminal organizations are merely acting in their best financial interests. This pattern of government corruption established in Sicily therefore represents a best practice for guarding against government intrusion in a criminal organization's illegal activities; one that has since been successfully reproduced by many organized criminal groups operating around the world.

Case Study: Russia

⁵⁵ (Dickie 2004)

While the violence that had accompanied the steep rise in organized crime during the 1990's has largely subsided, organized crime is still a major problem for the Russian state. Organized crime is not new to Russia. It has existed in some form in Russia from the times of the Tsars all the way through to the modern Russian state. The predecessors to the modern day Russian "mafia" were the "vory v zakone" or "thieves-in-law" who "established a complex and self-regulating criminal society that, at its peak in the 1930s, monopolized organized criminal activities across almost the entire Russian territory" and had "its own code of behavior, courts, laws, leaders and initiation rites."⁵⁶ However, modern day organized crime in Russia bears little resemblance to the criminal underworld of the past. Today's mafia is more fragmented, forming alliances only when individual groups' interests converge.⁵⁷ These groups are more likely than their forefathers to work with the government, or in some cases, be part of the government. Finally, many of these groups came to power during the tumultuous period of the 1990's when the great communist experiment failed, giving way to a period of democratization that had unexpected consequences for the Russian state.⁵⁸

The end of the Soviet Union came as a surprise to most people in the world, but none were more surprised than the people actually living in the USSR. The West seized on the historic moment with an all out effort to convert the former "evil empire" to democracy, one republic at a time.⁵⁹ Russia, which was the largest of the republics and the political heir to the Soviet Union,

⁵⁶ (Sokolov 2004, 69)

⁵⁷ (Lintner 2002)

⁵⁸ (Fedorov 2000, 2, Evans 2011)

⁵⁹ (Fedorov 2000)

represented the big prize for Western scholars eager to prove the supremacy of democracy over communism. This was despite the fact that most Russians had little prior experience with democracy and democratic institutions and relied heavily on information about democracy that was largely distorted by Soviet officials.⁶⁰ Historically, Russian politics had been shaped by the paternalistic model of the relationship between the individual and the state, the idea of communalism, the prevailing spiritual values of the Orthodox Church over material ambition and an emphasis of state interests over the private interest of individuals.⁶¹ The totalitarian model of governing, best represented by the government under Joseph Stalin, added the struggle between communism (good) and imperialism (evil) to this mix as well as obedience to the “party-state” and to its leaders.⁶² Therefore, while Russian citizens welcomed greater personal freedoms that were promised by democratic reforms, they remained wary of the potential for democracy to negatively affect their culture, national identity and standard of living.

Scholars that studied the democratic transitions of Central and Eastern Europe found that the countries with the most successful democratic transitions were the countries that had some prior experience with democratic institutions and that implemented the most radical political and economic reforms.⁶³ These were also the countries that had the worst experiences with the communist system that was imposed on them and had the greatest support from their civil

⁶⁰ (Fedorov 2000)

⁶¹ (Fedorov 2000)

⁶² (Fedorov 2000)

⁶³ (Evans 2011)

societies to completely reconstruct their political systems.⁶⁴ That bottom up support from the citizenry was noticeably missing in Russia where the Soviets were more successful in suppressing civil society through a network of organizations that permeated the entire society. This network ensured that all upward social and economic mobility was tied to loyalty to the Communist Party of the Soviet Union and left a legacy of distrust among Russians of social organizations and the whole public sphere.⁶⁵ These “barriers to the development of civil society in Russia within the Soviet system and the conditions causing weakness in social organizations in post-communist Russia made it easier for members of the elite to subvert reform and guaranteed that there would be fewer restraints on the tendency toward more authoritarian control.”⁶⁶

In Russia, democratic reformers worked with members of the old ruling elite instead of purging them from the upper echelons of government. This was done partially out of convenience since newly elected politicians had to reassemble a civil service and administration, reorganize the armed forces, and secure the USSR’s nuclear weapons at the same time as reforming the political and economic systems.⁶⁷ Therefore, the first democratically elected President of Russia, Boris Yeltsin, decided to make “a series of compromises in practice that prevented his economic reforms from reaching some of their goals.”⁶⁸ The most surprising of these compromises was the fact that he allowed members of the old Soviet *nomenklatura* or

⁶⁴ (Evans 2011)

⁶⁵ (Evans 2011)

⁶⁶ (Evans 2011, 46)

⁶⁷ (Fischer 1992)

⁶⁸ (Evans 2011, 44)

bureaucracy, to assist in the sale and transfers of large government assets to private citizens during the era of privatization. The power of the *nomenklatura* came from their position on a Central Committee list from which top party officials were chosen. They formed a tight knit social group which they took care of its own and kept its ranks off limits to outsiders.⁶⁹ The *nomenklatura* felt threatened by the economic reforms of the post-Communist era because they unable to adjust to the changing social, political and economic conditions in Russia and in the world. Specifically, they felt that they were unable to compete in an open economy and in international markets, which is why they opposed liberalization of the domestic economy and its integration into the global economy.⁷⁰ Therefore, when privatization was introduced in Russia, the *nomenklatura* used its position of power to transfer government owned factories and corporations into the hands of a small number of individuals, becoming fabulously wealthy in the process. Eventually, Yeltsin “identified the former Soviet Bureaucracy as the main obstacle to Russia’s becoming a competitive market economy and a normal society,”⁷¹ but by that time, they had already used their extensive ties to organized crime groups as a power base to destroy economic reform efforts.⁷²

The individuals who benefitted from the corruption of privatization became extremely wealthy and remained loyal to the political elites that had facilitated these backdoor deals. Ordinary Russians were disappointed to see that the process of privatization did not produce the

⁶⁹ (Handelman 1995)

⁷⁰ (Fedorov 2000)

⁷¹ (Handelman 1995, 110)

⁷² (Handelman 1995)

benefits it was supposed to and that overall living standards had declined while a small group of people, known as the oligarchs, became unimaginably wealthy. In fact, public opinion polls taken after the economic reforms ended showed that “most Russians believed that privatization had mainly benefited members of the old *nomenklatura*...and organized crime groups.”⁷³ Many people associated the failures of privatization with the failure of Yeltsin administration to rein in corruption and with the failure of democracy to improve the standard of living in an increasingly dangerous and economically unstable country.

When economic reform began in 1991, the economic output of Russia had already fallen by 20 percent, while inflation resulting from the removal of price controls produced an increase in prices of up to 400 percent.⁷⁴ At the same time, Russia became the state successor to the USSR and assumed financial responsibility for the Soviet Union’s international debts.⁷⁵ The Russian state had great difficulty in generating revenue through taxes due to high levels of tax evasion and there was a fierce battle between the local and federal government for the allocation of scarce resources.⁷⁶

The dual political and economic crisis facilitated the rise of the mafia. As the faltering economy preoccupied the political elites, the unchecked activities of organized criminal groups operating both in and around Russia became more widespread. Since “the Russian government possessed only a rudimentary ability to regulate the movement of capital in and out of the

⁷³ (Evans 2011, 45)

⁷⁴ (Fischer 1992)

⁷⁵ (Fischer 1992, Chiodo and Owyang 2002)

⁷⁶ (Chiodo and Owyang 2002)

country, the new private and commercial banks were able to launder huge amounts of criminal profits without fear of monitoring by officials.”⁷⁷ Criminal groups, emboldened by the corrupt government and its weakened security forces, and enriched by the booming black market in the former Soviet Union, engaged in large scale looting and exporting of goods and currency which so damaged the economy that it contributed to Russia’s decision to default on its domestic debt and halt payments to foreign creditors in 1998.

The period of transition after the collapse of the Soviet state also had a major impact on the police and security forces that were tasked with keeping law in order, which undermined what little ability state officials may have had to stem the rise of the mafia. Politicians in the Soviet Union viewed crime as an ideological failing and tried to pretend it didn’t exist in what they called the “socialist utopia” of the USSR. They allocated more resources to persecuting political prisoners “whose ‘crimes against the state’ were considered worse than theft, robbery and murder”.⁷⁸ Therefore, when the nascent Russian state emerged from the ashes of the former Soviet Union, it was of no surprise that rebuilding the police force was not a high priority for the new democratically elected government officials, many of whom served in the government during the Communist era. However, the lack of state resources and funding diverted to the police meant that many law enforcement officers in Russia were poorly trained and poorly armed and poorly equipped to deal with increasingly complex problem of modern organized crime.

⁷⁷ (Handelman 1995, 197)

⁷⁸ (Lintner 2002, 201)

Many officers were severely underpaid for the work they did leaving them vulnerable to accepting bribes paid by the very criminals they were supposed to be working against. The failure of democratic reformers to adequately reform the legal system to address increasingly sophisticated criminal schemes meant that law enforcement officers did not have the legal framework to put most white collar criminals behind bars.

The failure to clamp down on organized crime within the confines of the Russian state has had a tremendous impact on not only the states that border the Russian Federation, but on countries around the world. Russian organized crime operated illegal activities in at least 29 countries around the world including in the U.S. In fact, many Russian immigrants “became criminals in the United States, where they discovered credit card fraud and other new ways of making money, of which they had been unaware when they lived in the Soviet Union.”⁷⁹ As a result credit card fraud is one of the most prevalent types of money laundering schemes in the world today and many of these schemes originate in the Russian Federation.⁸⁰ Furthermore, the breakdown of law and order in Russia meant that “instead of developing a legal and educational framework for the new market economy era, including guarantees of the enforcement of contracts and property rights—and other laws designed to provide a secure, equitable working environment for commerce—the government acquiesced in the frenzied profiteering that passed

⁷⁹ (Lintner 2002, 207)

⁸⁰ (Anonymous 2016)

for Russian capitalism.”⁸¹ This ensured that organized crime became an inextricable part of the Russian state.

Unfortunately post-Soviet Russia has failed to mature into the fully realized democracy that many people in the international community were hoping for. This was for many reasons including the lack of pre-existing democratic institutions, no prior experience with democracy among citizens, the lack of a strong and vocal civil society, poorly implemented economic reforms, high levels of government corruption, haphazard legal reforms and a poorly funded and trained police force. It can be argued that in this tumultuous political environment,

post-Soviet mobsters took advantage of the vacuum of power to create the only working system of authority in many parts of Russia. But unlike the Western mafia, Russian gangs and their counterparts around the former Soviet Union were able to exploit the institutions, structures, and civil servants of a state that was already criminalized by its previous rules.⁸²

The beneficiaries of this system were a small group of individuals who had the protection of the state and who were able to stall the democratic reforms that would have remade society into a more equitable one based on equal economic opportunity and equality of all citizens before the law. These are the same people who currently occupy the seats of power in Russia today and who will remain in power for the foreseeable future. They are members of the most organized of all criminal groups because they make up a large portion of the Russian government. The system they have created is not a true democracy, but an uncomfortable

⁸¹ (Handelman 1995, 337)

⁸² (Handelman 1995, 335)

mixture of democratic and autocratic institutions and principles. Unfortunately, the failures of democratization have led ordinary Russian citizens to believe that a liberal democracy has no place in Russian society and allowed organized crime to become the ultimate authority in its place. While the violence that had accompanied the steep rise in organized crime during the 1990's has largely subsided, organized crime is still a major problem for the Russian state. Only time will tell if the political will to end the undue influence of organized crime on the Russian state and economy will develop, or if the Russian state has indeed become the largest mafia in the world today.

Case Study: Japan

The end of the Second World War was an extremely difficult time for many countries, but for Japan, this time was especially hard. Not only had Japan come out of the war on the losing side, it had suffered the horrors of nuclear war, had its major cities destroyed, its citizens faced almost certain starvation, there was staggering unemployment and its wartime levels of industrial production were reduced by almost half postwar.⁸³ To add insult to injury, the Allies established an occupying force in Japan in an effort to refashion the imperial country into a democratic one, similar to the West. When taken together, these domestic political, economic and social conditions fostered an environment that facilitated the evolution of Japanese criminal groups from loosely organized gangs to a full blown mafia on par with similar groups in the West.

The democratization of Japan was closely supervised and controlled by the Supreme Commander of the Allied Forces General Douglas MacArthur between 1947 until his dismissal in 1951. It was MacArthur and his staff who were responsible for deciding the content and timing of the necessary educational, land, industrial and labor reforms, on criteria for removing ultranationalists, on matters pertaining to new elections, civil rights and constitutional revisions.⁸⁴ The policies that MacArthur implemented not written by himself or his team, rather they were largely drafted by the State War-Navy Coordinating Committee that was based in

⁸³ (Hill 2003)

⁸⁴ (J. Williams 1968)

Washington, DC. Prior to 1947, all laws were made by Imperial decree, however after the new Japanese Constitution went into effect in 1947, the Japanese government was forcibly altered from an absolute monarchy to a constitutional monarchy. Reforms were introduced that established a revised parliamentary system, introduced a parliamentary cabinet and created an independent judiciary.⁸⁵ The rule of law, an important aspect of democracy, was also established by these democratic reforms along with constitutional guarantees of human rights and system of judicial review of administrative and legislative actions.⁸⁶ As a result the Japanese Emperor went from being all powerful to a mere figurehead of the State and the Diet, Japan's legislative body, gained the power to draft legislation for the people, by the people.

For all intents and purposes, the democratization of Japan by Allied powers was a largely successful undertaking for two reasons. First, the transition from an agrarian feudal society to a modern industrialized economy happened during the nineteenth century⁸⁷, giving Japan time to develop some necessary economic reforms before confronting the pressures of political transition. The transition was supported by the substantial legal code that had been imported from China in the 8th century and modified to fit Japan's needs. This legal code was supplemented by a litany of precedents and ordinances specific to Japan that were built up over time.⁸⁸

⁸⁵ (Abe 1961)

⁸⁶ (Abe 1961)

⁸⁷ (Milhaupt and West 2000)

⁸⁸ (Abe 1961)

Second, Imperial Constitution of prewar Japan contained some of the principles of the rule of law and of representative government and provided a limited bill of rights and the basis for the separation of powers.⁸⁹ This made it easier for the Allied forces to import Western based legal concepts and statutes and merge them with Japanese laws in order to create a politically and economically stable, Western style democracy in East Asia. This success of democratization in Japan is curiously at odds with the argument that only a failed democratic transition will lead to an increase in indigenous organized criminal groups in a country. In challenging this theory, Japan proves to be an important case study because it actually reinforces the idea that the most important aspect of the democratic reform process is not the creation of institutions themselves, but in carefully reforming the laws that underpin these democratic institutions to reduce circumvention of the formal economy. Flawed reforms of the police force and the financial industry have created a situation in which “Japan shares important parallels with transition economies” including “an institutional environment rife with incentives for the creation of alternative (illicit) enforcement mechanisms and a very active network of organized criminal groups.”⁹⁰ At the end of the Second World War, devastated Japanese citizens turned to black market trade as a way to survive in a country where food and other necessities were scarce and where occupying forces were reluctant to provide them. Japan’s organized crime groups exploited their monopoly on black market trade as a way to enrich themselves financially and used the weak law enforcement climate to establish themselves as a major players in the Japanese postwar economy.

⁸⁹ (Abe 1961)

⁹⁰ (Milhaupt and West 2000, 44)

The organized crime groups in Japan, known collectively as the ‘*yakuza*’ or the ‘*boryokudan*’ benefitted handsomely from this increase in black market demand for food and drugs like amphetamines which suppressed hunger and fatigue.⁹¹ These black market activities were conducted with little fear of reprisal from the Japanese police because they had already been “disarmed, purged, and discredited and were temporarily unable to enforce public order, whilst the occupying American authorities, faced with budget constraints of their own, did not treat policing the underworld as a priority.”⁹² The weakening of the police in Japan was a huge consequence of the reforms introduced by the Americans that decentralized the police force in an effort to reduce the level of societal influence of the police and to eliminate the brutal tactics they employed. These reforms increased the number of police forces throughout Japan, making it difficult for these forces to coordinate with one another and lacked adequate funding to equip and train new police officers.⁹³ The lack of coordination between local police forces made it difficult to collect enough evidence to build a case against *yakuza* members and to track their movements around the country. The lack of funding meant that police forces had to resort to fundraising efforts which were quickly co-opted by the *yakuza* as a way to deter officials from interfering with their illegal activities.⁹⁴ As a result, the police were left without the tools necessary to prevent the increasingly sophisticated criminal groups operating in Japan from integrating themselves into the very fabric of the Japanese democratic system. As a result, the

⁹¹ (Hill 2003)

⁹² (Hill 2003, 43)

⁹³ (Hill 2003, J. Williams 1968)

⁹⁴ (Hill 2003)

yakuza were afforded an important opportunity to gain a foothold in the Japanese economy and in Japanese society that they continue to exploit to this day.

Japanese society had long characterized the *yakuza* as ‘folk heroes’, outlaws and defenders of the Japanese people.⁹⁵ In the absence of a functioning police force during the period of Allied Occupation, the *yakuza* was the only group in Japan that held the monopoly on the threat or use of force. Society relied on the *yakuza* to fill the demand for protection, dispute settlement and contract enforcement that was unable to be filled by the transitioning government and unwilling to be filled by the cash strapped Allied forces. Public support for the *yakuza* was only increased in the aftermath of devastating events such as the Great Hanshin Earthquake in 1995 and the Great Tohoku Earthquake and Tsunami in 2011, when *yakuza* members quickly mobilized to distribute emergency goods and other humanitarian aid to survivors in the most affected areas.⁹⁶ Therefore the constraints placed on law enforcement by the reforms of the postwar period combined with high levels of public support for the *yakuza* unintentionally put the *yakuza* in a position from which it was able to infiltrate the highest levels of the newly democratic Japanese government.

The relationship between members of the *yakuza* and members of the right-wing political elite developed during the postwar occupation played a huge role in shaping Japan into the country it is today. Revenues generated by the *yakuza*’s illegal activities were used to fund political campaigns and the *yakuza*’s popularity among the electorate help gather votes for

⁹⁵ (Adelstein 2012, Reilly 2014, Hill)

⁹⁶ (Reilly 2014, Adelstein 2012, Hill 2003)

politicians seeking control of the legislature.⁹⁷ In return, politicians promised to overlook illegal activities and provide political cover for *yakuza* members. This arrangement between the *yakuza* and the Japanese government is pattern of corruption that is typical of societies that have high levels of organized crime and is usually kept a secret from the general public. However in Japan,

the links between the post war *yakuza* and usually right-wing, politicians are well known. This is not so much due to fearless investigative journalism or mass-arrests of corrupt politicians as to the extraordinary degree to which these links were openly displayed for much of this period. In some cases during the period of immediate postwar chaos, the links were in fact so close as to make it impossible to differentiate between the authorities and gangsters.⁹⁸

Therefore, the *yakuza*'s popularity in society made it possible for members of parliament to establish and maintain good relations with members of the *yakuza* without fear of running afoul of the democratic electorate.

The combination of high levels of social, political, and economic tolerance of *yakuza* activities in Japan have made the *yakuza* unique in the fact that its members do not have to hide in the shadows of the black market. On the contrary, the *yakuza* and its individual organizations and their members are actually well known by citizens, politicians and law enforcement officials. This is because in Japan, organized crime "firms have offices that are indeed adorned with gang emblems and signs. Like employees of traditional firms, members proudly distribute business

⁹⁷ (Hill 2003)

⁹⁸ (Hill 2003, 53)

cards displaying the firm logo. Larger firms have their own banners, publications, songs, and other promotional goods, including New Year's greeting cards and lapel pins.⁹⁹ This willingness to advertise themselves and their organization is what makes the *yakuza* very different from their counterparts in other countries whose members go to great lengths to conceal their identities and their criminal affiliations. In theory this increased visibility of the *yakuza* should work to its detriment, however, despite the passage of several versions of anti-Boryokudan legislation, the *yakuza* remains an active economic force both inside and outside of Japan.

Traditionally, *yakuza* groups generated revenue from the protection of entertainment industries, such as restaurants, bars, nightclubs, and the sex industry, and by providing protection and labor to the construction industry.¹⁰⁰ However, the Japanese government has failed to address the root causes of organized crime which were buried in the economic reforms that were passed during the Allied Occupation. These reforms introduced inefficiencies into the banking and debt collection sectors and had negative unintended consequences on the rights of shareholders and landlord-tenant rights.¹⁰¹ For instance, government overregulation of the banking industry made it extremely difficult for small businesses and individuals to obtain loans from commercial banks, leading these individuals to turn to alternative organizations such as the *yakuza* in order to borrow money.¹⁰² *Yakuza* involvement in the legitimate economy only increased during the real estate bubble of the 1980's during which *yakuza* members engaged in

⁹⁹ (Milhaupt and West 2000, 65)

¹⁰⁰ (Milhaupt and West 2000, Hill 2003)

¹⁰¹ (Milhaupt and West 2000)

¹⁰² (Hill 2003, Milhaupt and West 2000, Lintner 2002)

stock market and real estate speculation as well as in debt collection, racketeering, bankruptcy management, and other financial schemes that hovered in a legal gray area just outside of the police's jurisdiction.¹⁰³ Thus the problematic economic reforms presented the *yakuza* with new economic opportunities that the *yakuza* them to diversify its illegal activities, making them less susceptible to economic shocks inflicted by law enforcement personnel.

The intrusion of organized crime groups into the legitimate economy was both unwelcome and inevitable as *yakuza* groups sought to hide their illegally gotten gains from law enforcement and tax collection officials in legal businesses.¹⁰⁴ At the same time, the international actions of the *yakuza* were noticed by law enforcement officials in the United States and the international community who began to pressure Japanese officials to take action.¹⁰⁵ As a result of these actions the "Law Regarding the Prevention of Unjust Acts by *Boryokudan* Members" was initially passed by the Diet in May 1991 and subsequently revised twice to expand the scope of the law to address the ways the designated *boryokudan* had adapted their operations to avoid the provisions of the original law.¹⁰⁶ The laws included anti-money laundering and anti-drug trafficking measures designed to give law enforcement the tools it needed to charge *yakuza* members with crimes. The laws also allowed Public Safety Commissions to designate certain groups as *boryokudan* if the group's members used "the gang's influence in order to maintain their daily lives, accumulate wealth, or execute their business," at least 4% of group members

¹⁰³ (Hill 2003)

¹⁰⁴ (Milhaupt and West 2000)

¹⁰⁵ (Reilly 2014)

¹⁰⁶ (Hill 2003)

had criminal records and if the gang had a hierarchical structure of organization under the control of a specific individual.¹⁰⁷ Members of these designated *boryokudan* groups were then legally prohibited from carrying out specific activities in order to profit financially by using violent demands.¹⁰⁸ However, these laws don't criminalize membership in *boryokudan* groups like similar laws in the United States and Italy do. Additionally, Japan lacks law enforcement tools such as wiretapping or a witness protection program which further complicates efforts to eradicate organized crime in Japan. Therefore, the impact of this anti-organized crime legislation on the number of *yakuza* groups and on the scope of their operations is quite low.

Consequently, it is unlikely that the *yakuza* will be eradicated in Japan anytime soon. Their unusual existence has been and will continue to be supported by many people in Japanese society and in the government. The *yakuza* fill important gaps in the provision of goods and services in Japanese society and it can be assumed that the Japanese government currently lacks the necessary political will to eliminate the *yakuza* because it will be unable to fill the role currently occupied by the *yakuza*. Essentially, in postwar Japan, the government and the *yakuza* have become so intertwined with each other in Japanese society, that they have lost the ability to survive without one another. However, the Japanese government can move to reduce the influence of the *yakuza* on the economy by strengthening and improving the efficiency of its state institutions. The goal of this is not necessarily to increase government control over private institutions, rather the goal of strengthened institutions is to remove unnecessary barriers on

¹⁰⁷ (Reilly 2014, 808)

¹⁰⁸ (Hill 2003)

entrepreneurship in order to channel economic activity from illegal markets into legal ones and to reinforce legal and social norms in order to support a strong democracy based on the rule of law.¹⁰⁹

¹⁰⁹ (Milhaupt and West 2000)

Conclusion

Based on the evidence provided by the case studies on organized crime in Italy, Russia and Japan, it can be argued that organized criminal groups are often very similar in their functions despite forming in countries that have different political, economic, social and cultural histories that fundamentally shape their respective country's development. These similarities between groups can be found in the types of illegal activities that these groups engage in, in their hierarchical organizational structures, their codes of ethics and behavior and their effects on democracy and democratic institutions.

For many countries, while the principles of democracy are noble in what they hope to achieve, the actual process of democratization can have some unintended consequences. This is especially true for democracy because this form of government is based on the participation of civil society and is often accompanied by the establishment of a capitalist market economy. The danger that exists for countries willing to transition to these political and economic systems is that market forces often create new economic opportunities at the same time that the government's power to regulate these activities and settle potential disputes regarding these activities is at its weakest.

The groups that form in order to take advantage of these new economic opportunities are typically interested first and foremost in improving the economic situations of themselves and of their group and at the expense of the majority. Often times, these groups resort to threats of

coercion or the use of violence to protect their economic gains from each other and from the state. Other times these groups try to gain a foothold in the government or in law enforcement as a way to insulate their illegal activities from shocks related to undesirable regulations and other outside interference. These actions are used indiscriminately and their only goal is to eliminate the threat to the group itself. Unfortunately, these violent and coercive acts can result in extensive damage being done to the government, its institutions and the state economy and if taken too far, these actions can pose a great risk to the state itself.

It is important to remember that all countries in which these groups find conditions favorable to their development, these criminal organizations fill gaps that are left by absent or ineffective government institutions. Furthermore, as the cases of organized crime in Italy, Russia and Japan show, these groups are often so deeply embedded in the political and economic systems of these countries, that it is almost impossible to extricate them even in the presence of the political and social will to do so. Nevertheless, the state is not powerless to marginalize and reduce the influence of these criminal groups in society.

In fact, the best way to combat the influence of organized crime is through good governance and by ensuring that government sponsored institutions are strong, efficient and effective. These methods can help reduce the economic incentives for criminal organizations to establish their own competing institutions because citizens will be more unlikely to use them. This approach may not eliminate organized crime from a society, but it can limit the scope and magnitude of illegal activities perpetrated by these criminal enterprises.

Comment [1]: This is really where you could say more about the negative consequences these groups have had at home and abroad.

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