

# CONTROL OF THE CRIMINAL MACRO NETWORK?

First draft – please do not quote!

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## 1 INTRODUCTION

Whether or not certain crime syndicates control illegal markets, or both the legitimate and illegitimate business activities in a neighborhood, a town or even a region, is an important question in scholarly discussions of organized crime. In the early 1970s, American scholars such as Donald Cressey<sup>2</sup> and Thomas Schelling identified monopolistic control of this kind as one of the defining features of organized crime. In the words of Schelling, “real organized crime is striving to control the underworld”.<sup>3</sup>

The notion that “mafia-type” criminal organizations dominate criminal markets and even succeed in regulating the activities of other criminal groups immediately met with fierce criticism from the criminology world. Various researchers who had studied the American drug and gambling markets failed to find *Cosa Nostra* or any other crime syndicate in control of these illegal activities. Peter Reuter, for example, concluded that the mafia did not dominate the New York illegal gambling market. Instead, it was “disorganized” and made up of many independent criminal groups of varying sizes competing for market share. This powerful image is now widely thought to describe how criminal markets are structured in states with a functional legal system, the assumption being that criminal groups cannot grow “big” under constant law enforcement pressure.

As a result, the question of whether certain criminal groups or even individuals exert some form of control over other groups and individuals faded from view. This is not an entirely satisfactory situation, however. If we approach organized crime from a network perspective, it is clear that there are individuals who hold key positions either because of their status within the network and their criminal relationships, or because they have certain skills and access to specific resources, such as investment capital and specific goods, which others do not have. If we look at the criminal macro network<sup>4</sup> – the broader social network that underlies illegal markets – we cannot rule out the possibility that certain criminals, or crime groups that emerge from the network, are indeed “more equal” than others. However, does this also mean that they are able to exert control over parts of the macro network?

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<sup>2</sup> D. Cressey, *Theft of the Nation, the Structure and Operations of Organized Crime in America* (New York, Harper and Row, 1969).

<sup>3</sup> T. Schelling, “What is the Business of Organized Crime?”, in: *Journal of Public Law*, Vol. 20, No. 1, 1971, pp. 71-84.

<sup>4</sup> See for example: T. Spapens, *Interactie tussen criminaliteit en opsporing* (Antwerp/Oxford, Intersentia, 2006); T. Spapens, “Macro networks, collectives and business processes”, in: *European Journal of Crime, Criminal Law and Criminal Justice*, vol. 18, no. 2, 2010, pp. 185 - 215.

In this paper, I begin by addressing the question of control from the perspective of the “mafia-type” criminal organization (section 2). Such syndicates are presumed to be able to monopolize criminal markets on the one hand, and to regulate the criminal world on the other. Next, in section 3, I look at the criticism that this particular view of organized crime has received from criminologists. Section 4 explores the question of control from a macro network perspective. What would put an individual member of a network or a crime group that emerges from it in a position to exert control over others? Section 5 then discusses the feasibility and usefulness of control over the macro network by citing a number of empirical examples from the Netherlands. The paper concludes with section 6, which discusses the many remaining questions.

## 2 CONTROL BY “MAFIA-TYPE” CRIMINAL ORGANIZATIONS

Classic “mafia-type” criminal organizations include the Sicilian *Cosa Nostra* and Calabrian ’Ndrangheta, the Chinese Triads, the Japanese Yakuza, the Italian-American mafia, and the post-Soviet *vory v zakone* (thieves-in-law).<sup>5</sup> In this type of criminal organization, specific illegal activities dominate and power is exerted over both legal and illegal businesses by means of racketeering.<sup>6</sup> In this paper, I focus solely on how a mafia-type organization controls the criminal world and leave aside the question of “protection” in the regular economy.

The literature describes two general types of control over illegal activities. The first involves exercising a monopoly in one or more crime markets for the purpose of maximizing profits. The second concerns the ability to “govern” the underworld by offering “protection” to other criminal groups, by settling conflicts between them, and by imposing “taxes.” I define the latter as the ability to exert regulatory control over the “underworld”, a power similar to that of the State in the “upper world”.

### 2.3 MONOPOLY CONTROL OVER ILLEGAL MARKETS

Early researchers of organized crime considered monopolistic control over illegal markets one of the most important features of “real” organized crime, compared to any group of persons working together to run a criminal business. Schelling stated that “the characteristic is exclusivity, or, to use a more focused term, monopoly. [...] And we can apply to it some of the adjectives that are often associated with monopoly – ruthless, unscrupulous, greedy, exploitative, unprincipled”.<sup>7</sup> According to Naylor, “what should make organized crime different is that its participants not just organize to participate in the market for criminal goods

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<sup>5</sup> L. Paoli, “Searching for the determinants of OC: some initial reflections”, in: T. Spapens, M. Groenhuijsen and T. Kooijmans (eds.), *Universalis. Liber amicorum for Cyrille Fijnaut* (Antwerp, Intersentia, 2011).

<sup>6</sup> Cf. D. Gambetta, *The Sicilian Mafia: The Business of Private Protection* (Cambridge, Harvard University Press, 1993); J. Jacobs, *Gotham Unbound: How New York City was Liberated from the Grip of Organized Crime* (New York, New York University Press, 1999); J. Jacobs and E. Peters, “Labor racketeering: The Mafia and the unions”, in: Michael Tonry (ed.), *Crime and Justice: A Review of Research 30* (Chicago, The University of Chicago Press, 2003); L. Paoli, *Mafia Brotherhoods: Organized Crime, Italian Style* (New York, Oxford University Press, 2003).

<sup>7</sup> T. Schelling (1971), pp. 73-74.

and services, but to dominate that market. The exercise of some degree of monopoly power through the organization is an essential part of the operational definition”.<sup>8</sup>

Cressey, for example, assumed that in the 1960s, *Cosa Nostra* controlled all but a tiny portion of illegal gambling in the US and that it was the principal importer and wholesaler of narcotics.<sup>9</sup> The mafia provided local bookmaking and lottery operations with a number of services, such as allocating of territories, financial backing and protection from arrest and imprisonment. According to Cressey, however, *Cosa Nostra* did not offer any services to retail heroin dealers, something his critics seem to have overlooked.<sup>10</sup> Unfortunately, he did not explore why the mafia did not want (or was unable?) to regulate retail drug markets.

In the US, the image of one major syndicate monopolizing a drug market proved persistent. In the 1980s, US authorities claimed that the Medellin Cartel was a tightly knit conspiracy of Colombian drug lords who controlled the American and, increasingly, the world market for cocaine. The authorities held the cartel responsible for 80 percent of all Colombian cocaine exports. Later on, US authorities made comparable claims with regard to the Cali Cartel, the alleged successor to the Medellin Cartel, after the death of its kingpin Pablo Escobar.<sup>11</sup>

Violence and corruption are the two key ingredients of a monopoly position. The criminal organization uses both to do away with competitors. In Schelling’s view, “it is when a gang of burglars begins to police their territory against the invasion of other gangs of burglars, and makes interloping burglars join up and share their loot or get out of town, and collectively negotiates with the police not only for their own security but to enlist the police in the war against rival burglar gangs or non-joining mavericks, that we should, I believe, begin to identify the burglary gang as organized crime”.<sup>12</sup>

Corruption not only prevents the authorities from intervening but also enables the syndicate to grow large enough to acquire a monopoly status. Paoli, Greenfield and Reuter have argued that classic mafia-type organizations only emerge in a specific political context, particularly when the local authority is weak and enforcement lax.<sup>13</sup> The Sicilian *Cosa Nostra*, for example, developed because the national system of power expanded without fully subordinating local systems of power.<sup>14</sup> The Italian-American mafia also succeeded in exerting great influence over politicians, the political process and the police until the Second World War, although *Cosa Nostra* was unable to dominate a specific territory politically in the US.<sup>15</sup> After 1945, the growth of large federal law enforcement agencies discouraged long-term relationships between *mafiosi* and the local police.<sup>16</sup>

The usual advantage of a monopoly position is the ability to set higher prices for a commodity than would be possible in a competitive market. A criminal organization with

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<sup>8</sup> R. Naylor, “Mafia, Myths and Markets: on the Theory and Practice of Enterprise Crime”, in: *Transnational Organized Crime*, Vol. 3, no. 3, 1997, pp. 1-45, pp. 4-5.

<sup>9</sup> D. Cressey (1969), p. x.

<sup>10</sup> D. Cressey (1969), p. 94.

<sup>11</sup> R. Naylor (1997), p. 22.

<sup>12</sup> T. Schelling (1971).

<sup>13</sup> L. Paoli, V. Greenfield and P. Reuter, *The World Heroin Market: Can Policy Reduce Supply?* (New York, Oxford University Press, 2009).

<sup>14</sup> L. Paoli, *Mafia Brotherhoods. Organized Crime, Italian Style* (New York, Oxford University Press, 2003).

<sup>15</sup> L. Paoli (2003), pp. 7- 8.

<sup>16</sup> P. Reuter, “The decline of the American mafia”, in: *Public Interest*, 120, 1995, pp. 89-99.

market power can also restrict supply in order to increase prices and make more profit. On the other hand, there are extra costs associated with maintaining a monopoly in an illegal market, such as the need to fight off new competitors, who may be just as violent.

## 2.2 GOVERNING THE CRIMINAL WORLD

The second type of power attributed to classic criminal organizations is the power to govern the criminal world by settling conflicts between other criminal groups, by offering “protection” to criminals (for instance by ensuring that other parties adhere to business agreements), and by regulating competition between crime groups. According to Naylor, “business needs government. And where government does not exist, it will be invented.”<sup>17</sup>

Cressey, for example, described a phenomenon known as the “Commission”, to which the heads of the most powerful American mafia “families” were party. The Commission settled disputes, defined property rights, and served as a body through which families could acquire investment capital if necessary. At a lower level, the families also ensured that conflicts between individual mafia members were resolved and that an individual member’s businesses – the “men of honor” were relatively independent in setting up illegal operations – did not conflict.<sup>18</sup> The advantage of both the family and of the Commission was that family members would not cheat on one another.<sup>19</sup>

Diego Gambetta has argued that, historically speaking, the foremost activity of the Sicilian *Cosa Nostra* was to supply “protection”.<sup>20</sup> On the one hand, this meant protecting legitimate business transactions against cheating; on the other, it meant maintaining public order across wide areas of western Sicily and southern Calabria, where central government had little authority.<sup>21</sup> However, Gambetta also states that other criminal groups could buy protection from the mafia if they were unable or unwilling to organize it themselves. Building upon the work of Gambetta, Federico Varese concluded that at the beginning of the 1990s, the Russian *mafīya* assumed the same role after the end of the Soviet era.<sup>22</sup>

A criminal group capable of settling conflicts between criminals would have first built a reputation in the underworld. In other words, other criminals would respect that group enough to accept its rulings. Likely of more importance would be its ability and willingness to use violence against other members of the *milieu* and to ensure that they did not dare seek revenge. In all probability, a criminal group capable of settling conflicts would need both qualities. Indeed, it would require an organization beyond that of the loosely knit collective sufficient to import a shipment of narcotic drugs or to rob a bank, for example. Instead, the group would have to be stable and recognizable, at least for other criminals.

Finally, “governing” the criminal world implies that the crime syndicate can grant access to certain illegal activities in order to regulate competition. This may be necessary when the number of customers for illegal goods or services is limited but the threshold for

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<sup>17</sup> R. Naylor (1997), p. 15.

<sup>18</sup> R. Naylor (1997), p. 16.

<sup>19</sup> R. Naylor (1997), p. 18.

<sup>20</sup> D. Gambetta (1993), p. 3.

<sup>21</sup> L. Paoli (2011).

<sup>22</sup> F. Varese, *The Russian Mafia: Private Protection in a New Market Economy* (Oxford, Oxford University Press, 2001).

entering the market is relatively low. Another aspect is the power to “tax” other criminal groups, in other words to skim off a percentage of their turnover or profit, because it implies that a group that does not pay its taxes must be denied access. Cressey claimed that the mafia indeed had this power, specifically on the illegal gambling market, and cited an example. In the late 1950s, the independent bookmakers of Suffolk County (Eastern Long Island, New York) were organized by a *Cosa Nostra* clique that demanded 50 percent of the profits of all the bookmakers in the area. It must be noted, however, that the mafia also provided genuine services for their share, such as reducing the risk of apprehension and re-insuring bets through “lay-off” operations.<sup>23</sup>

### **3 CRITIQUE OF THE ASSUMPTION OF CONTROL OVER THE CRIMINAL WORLD**

Empirical data supporting the assumption that mafia-type criminal organizations monopolized illegal markets and exerted regulatory control over other criminals has been meager, to say the least. By the early 1970s, criminologists began to criticize the picture drawn by Cressey in *Theft of the Nation* explaining how the mafia controlled organized crime in the US.<sup>24</sup> Equally disputed are other claims that mafia-type syndicates, such as the Colombian cocaine cartels, were at one time able to monopolize entire illegal markets.

#### **3.1 DO MONOPOLIES EXIST?**

To begin with, American scholars who used ethnographic methods to study organized crime failed to identify the mafia as the single most important, large-scale, stable organization exerting monopoly control over illegal activities. Francis and Elizabeth Ianni, for example, studied an upcoming mafia family in New York and concluded that it was anything but a tightly organized enterprise; instead, it was more of a social network based on kinship ties.<sup>25</sup> Another example is the findings of Lawrence Redlinger, who studied the heroin market in San Antonio in 1969 but failed to observe any mafia influence even on the wholesale level. Instead, he concluded that the major suppliers mainly operated from Mexico and access to them depended largely on trust relationships.<sup>26</sup>

The most influential research in this field is Peter Reuter’s study of the illegal gambling market in New York in the 1970s, mentioned above. Reuter concluded that the mafia was not in control of illegal gambling in New York. Instead, all sorts of smaller and

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<sup>23</sup> D. Cressey (1969), pp. 76-77.

<sup>24</sup> Cressey was also severely criticized for depicting *Cosa Nostra* as a tightly and hierarchically organized “firm”, with a specific code of conduct, a subject that I will leave aside here.

<sup>25</sup> F. Ianni and E. Reuss-Ianni, *A Family Business; Kinship and Social Control in Organized Crime* (London, Routledge & Kegan Paul, 1972).

<sup>26</sup> L. Redlinger, *Dealing in Dope: Market Mechanisms and Distribution Patterns of Illicit Narcotics* (Unpublished PhD Thesis, Northwestern University, 1969), pp. 149 - 150.

larger groups were active on that particular illegal market. In his view, organized crime was “disorganized” rather than dominated by one or more syndicates.<sup>27</sup>

European criminologists began researching organized crime in the mid-1970s and, like their American counterparts, failed to find mafia-type criminal organizations dominating the criminal world, with the exception of Southern Italy.<sup>28</sup> Instead, most Western European crime groups were relatively small and flexible. Even Donald Cressey, during a visiting professorship in the UK in the early 1970s, thought that British crime groups had not yet developed to the level of “corporate crime” that *Cosa Nostra* had reached in the US.<sup>29</sup> The Dutch criminologist Petrus van Duyne put forward the radical view that organized crime was nothing but a political invention.<sup>30</sup>

Democratic states with a functional legal system may have groups that can be classified as organized crime groups as defined by the United Nations,<sup>31</sup> for instance, but these tend to be small and predominantly loosely knit. Several European studies confirmed Reuter’s findings and his idea of “disorganized” crime is now broadly accepted.<sup>32</sup> Although well-structured and long-lasting criminal organizations do exist, they are neither dominant nor do they dominate criminal markets.

Even the idea that a classic mafia-type criminal organization operates as a monolithic entity is questioned. According to Paoli, for example, the Calabrian ’Ndrangheta and the Sicilian *Cosa Nostra* are made up of about ninety mafia families. The number of Yakuza groups exceeds 3000 and, although no precise numbers are known, several different Triads are known to be active in Asia, America, and Australia.<sup>33</sup> The same is true for the “cocaine cartels” of the 1980s. The Medellin cartel represented a cooperative effort by dozens of independent producers. It was a trade association but it never attempted to control the price of cocaine by restricting supply.<sup>34</sup> Gilberto Rodriguez-Orejuela, who allegedly headed the Cali Cartel at the time, dismissed the idea of one person controlling all the cocaine supplied by Cali as nonsense, and the notion of the cartel being a construct of the US Drug Enforcement

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<sup>27</sup> P. Reuter, *Disorganized Crime: Illegal Markets and the Mafia* (Cambridge, Massachusetts, The MIT Press, 1983). Although the study was published in 1983, Reuter and his companion J. Rubinstein had collected the empirical material in the 1970s.

<sup>28</sup> Cf. M. McIntosh, “New Directions in the Study of Criminal Organization”, in: H. Bianchi, M. Simondi and I. Taylor (eds.), *Deviance and Control in Europe, Papers From the European Group for the Study of Deviance and Social Control* (London, John Wiley, 1975), P. van Duyne, R. Kouwenberg and G. Romeijn, *Misdaadondernemingen: ondernemende misdadigers in Nederland* (Arnhem, Gouda Quint, 1990).

<sup>29</sup> D. Cressey, *Criminal Organization: Its Elementary Forms* (London, Heinemann Educational Books, 1971).

<sup>30</sup> P. van Duyne, (Transnational) *Organized Crime, Laundering and the Congregation of the Gullible*, Retirement speech, Tilburg University, 14 March 2011. Available at: <[http://www.cross-border-crime.net/freecopies/CCC\\_freecopy\\_2011a\\_RetirementSpeech.pdf](http://www.cross-border-crime.net/freecopies/CCC_freecopy_2011a_RetirementSpeech.pdf)>

<sup>31</sup> The United Nations Convention on Transnational Organized Crime defines an organized criminal group as a “group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offences, ... in order to obtain, directly or indirectly, a financial or other material benefit”.

<sup>32</sup> Cf. M. Dorn, K. Mutji and N. South, *Traffickers, Drug Markets and Law Enforcement* (London/New York, Routledge, 1991). H. Hess, 1992, “Rauschgiftkriminalität und desorganisiertes Verbrechen”, *Kritische Justiz* Vol. 24, No. 3: 315-336; D. Hobbs, 1998, “Going down the Glocal”, *The Howard Journal of Criminal Justice*, volume 37 (4): 1-19; L. Paoli, 2002, “Paradoxes of Organized Crime”, *Crime, Law & Social Change* 37: 51-97; L. Paoli “Märkte der Kriminalität”, in D. Oberwittler and S. Karstedt (eds.), *Soziologie der Kriminalität* (Wiesbaden 2004), VS Verlag für Sozialwissenschaften: 356-383.

<sup>33</sup> L. Paoli, “The Paradoxes of Organized Crime”, in: *Crime, Law and Social Change*, 37, 2002, pp. 51-97.

<sup>34</sup> R. Naylor (1997), p. 21.

Agency (DEA).<sup>35</sup> But he is not really an independent source, of course. However, the fact that the Cali Cartel almost immediately succeeded Medellin Cartel, does raise the question of how this new cartel managed to establish yet another monopoly so quickly and apparently from out of the blue.

### 3.2 DO MAFIA-TYPE CRIMINAL ORGANIZATIONS GOVERN THE CRIMINAL WORLD?

The idea that the key role of the American, Italian and Russian mafias is to offer protection and to settle conflicts is not entirely convincing either, once again because empirical examples are lacking. Cressey only describes the “family” and the “Commission” – whose existence is also hotly debated – as *internal* regulatory bodies of *Cosa Nostra*. Gambetta and Varese both focus on the “protection” offered by the mafia to legitimate businesses, but do not pay much attention to this issue when it comes to the underworld. Gambetta’s analysis was also criticized for its one-sided emphasis on protection and for denying the multifunctional activities of mafia-type organizations.<sup>36</sup> In fact, Italian mafia groups are involved in all kinds of illegal activities and certainly do not limit themselves to the protection business. There may well be a market for protection and conflict settlement in the underworld, but why would a criminal group concentrate solely on that role and not engage in other profitable illegal activities? Furthermore, does the power to control other criminals logically follow from the ability to settle conflicts? Or is it just a way of facilitating illegal activities, just as, for instance, a person who is able to launder large sums of money obtained from illegal sources might offer his services to a number of other criminal groups?

Finally, we can imagine that it can be useful to regulate access to specific illegal activities in order to limit competition and keep prices high. It would be perfectly logical for an established crime group to “have a talk” with a new competitor, and to hire in strongmen when they were unavailable in their own crime group. Such actions are, however, a long way from a situation in which one criminal organization controls the market and issues “operating licenses” in the way the government does for certain economic activities, for example by limiting the number of bars and gambling arcades in a city or a neighborhood. One of the main reasons for such regulatory measures is to prevent disturbances of public order. A criminal organization may also benefit from “peace and calm” to avoid unwelcome attention from the police but why should it try to regulate illegal activities in which it is not involved? Is this the reason why *Cosa Nostra* assigned territories to bookmakers and lottery organizations, but did not attempt to do the same for retail heroin dealers? Indeed, the examples of regulation do not concern entire markets but particular illegal activities in towns or neighborhoods.

If a single crime syndicate may be able to tax other criminal groups also remains vague. Is this just preying on other criminals’ activities, the way any crime group might if it feels it can do so with impunity, or is it a power restricted to only one syndicate? Furthermore, if we speak of taxation, there should also be common services provided in return. The empirical examples however are everything from clear-cut and seem to refer to ordinary

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<sup>35</sup> Quoted in R. Naylor (1997), pp. 22 -23.

<sup>36</sup> L. Paoli (2011).

bilateral business deals instead. The case mentioned by Cressey regarding the Suffolk County bookmakers could involve extortion by *Cosa Nostra*, but it has more likely been a voluntary agreement from which their operation benefited.

#### 4 LOOKING AT THE *DISCOURS* FROM A MACRO NETWORK PERSPECTIVE

Although claims concerning monopolies and the regulatory control that some criminal organizations may be able to exert over other criminals are broadly and justly criticized, the assumption that “all criminals are equal” in a “disorganized” criminal world is unsatisfactory too. Clearly, individual criminals and groups differ in terms of their assets (such as investment capital), access to illegal goods, and their having the “right” criminal relationships, as well as in their skills and experience. To what extent do such differences result in the ability to exert power over others within the criminal macro network? This section begins by introducing the concept of the macro network (4.1). I then explore two paths through which some members of the criminal macro network, or crime groups, may be able to exert a degree of control over others within the network. These are: being “well connected” (4.2); and having specific skills, investment capital or a reputation among criminals (4.3).

##### 4.1 THE MACRO NETWORK PERSPECTIVE

In the 1990s, a new school of thought emerged that approached organized crime from a social network perspective. According to this school, criminal organizations are social networks with specific characteristics, such as non-hierarchical, fluid and flexible internal relationships. They are seen as collectives rather than as formal organizations. Malcolm Sparrow was one of the first to point out the relevance of social network analysis for mapping criminal organizations, varying from narcotics supply networks to terrorist groups.<sup>37</sup> In the past few decades, the social network approach to organized crime has gained further momentum.<sup>38</sup>

Usually, the network perspective is applied to criminal groups. From an economic sociological perspective, however, we can also regard criminal markets as networks. A criminal market is thus simply the sum of all the persons engaged in a specific illegal activity, either working together in criminal groups or acting as individuals. Based on this notion, I have developed the idea of the “criminal macro network”.<sup>39</sup> The macro network consists of all the people who are able and willing to participate in criminal activities that require cooperation, and who are linked to one another through their criminal relationships. A

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<sup>37</sup> M. Sparrow, 1991, “The Application of Network Analysis to Criminal Intelligence: An Assessment of the Prospects”, *Social Networks* 13: 251-274.

<sup>38</sup> Cf. E. Kleemans, E. van den Berg and H. van de Bunt, *Georganiseerde criminaliteit in Nederland: Rapportage op basis van de WODC-monitor* (The Hague, WODC, 1998); P. Klerks, *Groot in de hasj, Theorie en praktijk van de georganiseerde criminaliteit* (Antwerp, Samson/Kluwer Rechtswetenschappen, 2000); E. Kleemans, M. Brienen and H. van de Bunt, *Georganiseerde criminaliteit in Nederland: Tweede rapportage op basis van de WODC-monitor* (The Hague, WODC, 2002); C. Morselli, *Inside Criminal Networks* (New York, Springer, 2009).

<sup>39</sup> T. Spapens (2006), T. Spapens (2010).

criminal relationship is a special type of social relationship that enables the participants concerned to exchange information about actual or potential illegal activities.<sup>40</sup>

An illegal market is made up of the members of the macro network who are, at a given time, actively involved in a particular illegal activity. The macro network, however, also includes the individuals who have criminal relationships with other members of the network, without being actively involved in a criminal act at that time. The difference can be illustrated by a member of the macro network who is in prison: he is unable to participate physically in illegal activities (outside of prison), but he is perfectly able to maintain criminal relationships and to build new ones, either inside or outside the prison walls.

## 4.2 POWER THROUGH CRIMINAL RELATIONSHIPS

Information is a crucial asset within the criminal macro network. Members of the network cannot openly share information – which, after all, concerns actual or potential illegal activities – but must rely on trusted criminal relationships to some extent. The network as a whole is far from transparent. Some members have only a few criminal relationships and thus a limited view of what is happening. Others may only be informed about what is going on in a single criminal market. There may also be individuals who oversee different criminal activities, such as prostitution, extortion, drug production and drug dealing, albeit only on a local or regional level. Furthermore, criminal relationships can be broken down into two types: working relationships and business relationships. We can illustrate this by the example of a crime entrepreneur who wants to traffic a shipment of cocaine from Colombia to the Netherlands.<sup>41</sup>

Our entrepreneur will first need to establish working relationships with members of the network who are able to execute the business process, such as people who can organize the shipment of a container, take care of a legal cover-up load, do the paper work that comes with international transport, drive the truck that picks up the container in a Spanish port and take it to the Netherlands, and so on. People who can do this work are usually readily available either locally or regionally, unless the illegal activity requires a very specialized and rare skill. However, having connections with a reliable and experienced “workforce” certainly increases an organizer’s ability to keep his agreements with criminal business partners and reduces the risk of discovery by the police.

The second type of criminal relationship is the “business relationship.” These are the contacts with wholesale suppliers and buyers of illegal services and goods, including raw materials. Business relationships usually involve the people who organize different criminal business processes. In the cocaine-trafficking example, this would be an organizer in Colombia who buys the cocaine locally from a producer and a Dutchman who has contacts with different buyers in Europe. Both employ their own “workers”, who carry out the operational tasks.

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<sup>40</sup> Police officers who try to infiltrate in a criminal group, for example, usually first establish a normal social relationship with their target. Once such a connection is made, they will try to turn the social relationship into a criminal one. Success is not guaranteed: in one example in the Netherlands, undercover police officers even went on vacation with their target but he never allowed the connection to develop from a social into a criminal one.

<sup>41</sup> T. Spapens (2010).

Clearly, a member of the criminal macro network who maintains crucial business relationships may use this to his financial advantage. According to Burt, persons who can fill in “structural holes” within a network can use this ability to gain a competitive edge.<sup>42</sup> Morselli illustrated this idea by reconstructing the network around the well-known British cannabis wholesaler Howard Marks and concluded that he indeed took up such a position within his trading network.<sup>43</sup> McIllwain argued that the mafia also based its power on being in a brokering position.<sup>44</sup>

The difficulty, however, is that there are no uniform brokering positions within the criminal macro network: they vary with the type of illegal activity on the one hand, and with local peculiarities on the other. If the number of wholesale cocaine producers were limited, for example, having connections with them would put an entrepreneur in a crucial position. If the product is widely available, as is the case with homegrown cannabis in the Netherlands, connections with wholesale buyers abroad are of primary importance. In an illegal gambling operation, however, it is harder to gain an advantageous brokering position, because that particular illegal activity does not require holes in the macro network to be filled.<sup>45</sup> Indeed, a stable and trustworthy group of “runners” and “writers” and a bookmaker who is at the center of the operation are of primary importance here.

If we visualize the criminal macro network as a layered system of people engaged in different criminal acts, it is clear that keeping track of what is going on in the network would take considerable effort, particularly if different criminal markets are involved. Traders who deal in more than one type of illegal good – for example heroin, cocaine, cannabis, firearms, and stolen vehicles – may indeed have exceptional insight because they are usually constantly engaged in business with partners from different layers in the network. On average, however, most members of the criminal network will have only limited up-to-date knowledge of the network members’ activities.

### 4.3 POWER THROUGH SKILLS, REPUTATION AND INVESTMENT CAPITAL

Another important question is whether a person or a group’s criminal relationships in the macro network are enough to accrue extra power, however advantageous their positions might be. In my view, they are not enough; to derive the full benefit from one’s criminal relationships, one also needs organizing talent, a reputation and money to invest. An example of this can be found in a police file on XTC production.<sup>46</sup> The file describes how a Dutch drug producer and dealer and a German petty criminal named Hannes met in a German prison in the early 1990s. Later on, when both had served their sentences, he became friends with a cocaine dealer in Düsseldorf who was looking for new suppliers. Hannes also kept paying regular visits to his former Dutch prison mate, who had quickly returned to a life of crime.

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<sup>42</sup> R. Burt, *Structural Holes. The Social Structure of Competition* (Cambridge, Harvard University Press, 1992).

<sup>43</sup> C. Morselli, “Structuring Mr. Nice: Entrepreneurial Opportunities and Brokerage Positioning in the Cannabis Trade, in: *Crime, Law and Social Change*, 35, 2001, 203 – 244.

<sup>44</sup> J. McIllwain, “Organized Crime: A Social Network Approach”, in: *Crime, Law and Social Change*, 32, 1999, pp. 301–323.

<sup>45</sup> Here, I do not consider the individual players as members of the criminal macro network.

<sup>46</sup> Toine Spapens, “The case of the Rhine-Waal Euroregion”, in: M. den Boer and T. Spapens (eds.), *Investigating Organized Crime in European Border Regions*. (Tilburg, IVA/Tilburg University, 2002).

Hannes was thus ideally placed to start a smuggling line for himself, but lacking the money to invest in a shipment of drugs and unable to organize things, he could do little else than act as an intermediary. After bringing supplier and buyer together, his role was finished, although the German dealer did decide to keep him around as a jack-of-all-trades.<sup>47</sup>

The criminal macro network also contains persons with particular and rare skills. Examples are the ability to set up effective money-laundering schemes, to falsify documents, and to manufacture synthetic drugs of excellent quality on a large scale. Such individuals are usually bound to work for different criminal groups, or for key individuals within these groups. Indeed, individual criminals or groups that can offer “protection” and mediate in conflicts also have a specific asset that they may use to facilitate the criminal macro network.

Finally, reputation seems to be an important prerequisite for any member of the macro network who wants to engage in business on a larger scale. Without such a reputation, the risk of being cheated in business deals is considerable, it seems. In cases of ecstasy production and trafficking for example, the organizers who set up the big laboratories and trafficking operations were in their late thirties and had gradually built a reputation for themselves.<sup>48</sup> They were known to be trustworthy and capable of “getting things done”, and had an aura of persons to be reckoned with. In many cases, however, they did not have to start from scratch, but capitalized on the criminal reputations of their fathers or fathers-in-law. In one example, the son independently organized a shipment of a few hundred thousand pills of ecstasy from the Netherlands to Spain, but when it failed and he got into serious trouble with his business partners, the “old man” immediately stepped in to iron out the problems.<sup>49</sup>

## **5 CAN INDIVIDUALS OR GROUPS EXERT CONTROL OVER THE MACRO NETWORK?**

In the previous section, I argued that there are individuals within the criminal macro network – and subsequently within the crime groups of which they form part – who are especially powerful. This is particularly so when they combine an advantageous position in the network in which they fill in gaps because of their skill (especially in organizing), good reputation, and investment capital. The final question addressed in this paper is whether such individuals can use these assets to control part of the macro network. This section is based on a number of empirical examples stemming from various studies into organized crime in the Netherlands that I have been involved in in the past seven years. It is therefore limited to a situation in which organized crime is mostly “disorganized”. Corruption levels in the Netherlands are low, and crime groups must therefore constantly be aware of the risk of law enforcement intervention. Nevertheless, I cite some examples of crime groups that did try to monopolize certain illegal activities, as well as some forms of “government”.

### **5.1 MONOPOLIZING ILLEGAL ACTIVITIES**

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<sup>47</sup> A decision he came to regret later on, because the person started to cooperate with the police after his arrest and provided a detailed account of over 300 pages on his bosses’ activities. He was sentenced to 12 years in 1998.

<sup>48</sup> T. Spapens (2006).

<sup>49</sup> T. Spapens (2006).

A person or a group with exceptional insight into the composition of the criminal macro network, for example concerning different illegal activities at the local level or a specific criminal market, may try to use this knowledge to exert a form of monopolistic control. This is far from simple, however, as the following two examples from the Netherlands show.

The first example is the Bruinsma crime organization. The key person in this group, Klaas Bruinsma, was the son of the owner of a large Dutch company producing soft drinks. Bruinsma dropped out and became a petty drug dealer in the 1970s, managing to expand his business by establishing criminal relationships with members of the traditional Amsterdam underworld of the Red Light District. In the 1980s, his organizing talent allowed him to smuggle large shipments of hashish and marijuana from source countries such as Lebanon and Pakistan into the Netherlands. He then attempted to diversify his business and began investing money in his *habitat*, the Red Light District. The group opened several coffee shops and took over prostitution businesses. It also tried to gain control over the placement of electronic gambling machines in bars. This involved threatening bar owners into accepting only the machines offered by his group. In 1991, however, these attempts came to a halt when Bruinsma was shot in the parking lot of the Amsterdam Hilton Hotel. Apparently, he had stirred up too much opposition within the criminal community. At that point, he was not even close to controlling the Red Light District, although it comprises only a few square kilometers and the police considered the Bruinsma group to be one of the few Dutch crime groups resembling a mafia-type organization. Certainly, his “heirs”, although they still (secretly) own businesses in the Red Light District, have refrained from any further attempts to gain control, as far as we are aware.

The second example concerns Dutch “trailer park” criminals (*kampers*) who tried to control an illegal market, at least in the south of the Netherlands.<sup>50</sup> They attempted to control the distribution of PMK, which is an essential precursor chemical for the manufacture of MDMA, the active component of ecstasy. The struggle resulted in the deaths of about fifteen people involved in the ecstasy business within just a few years. These criminals had two main reasons for trying to gain control over PMK, apart from not wanting to bother manufacturing the pills themselves. First, controlling PMK would force the skilled chemists – who were in rather short supply – to work for them and to deliver the ecstasy at a pre-arranged price, instead of operating independently and demanding the price they thought fit. Second, such control greatly reduced the risks for the PMK supplier, because the chemist would be responsible for the production process. The supplier only provided the chemist with a quantity of PMK, for example 25 liters (which would render about 25 kilos of MDMA in optimal circumstances), and asked for 18 kilos of MDMA in return. On the surface of things this seems like a good deal, because the chemist would earn 7 kilos worth of MDMA to sell to any

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<sup>50</sup> Dutch trailer parks house a specific community consisting of some 30,000 people nation-wide. Dutch trailer parks should not be confused with American-style trailer parks: here the “trailer” is usually a normal house with a few wheels attached for form; it can only be moved after a crane lifts it on to a deep loader. The inhabitants are ethnic Dutch and not gypsies, although the circumstances are comparable to those of the Dutch gypsy community. Some of the most notorious Dutch criminals have their origins in the trailer parks. Although they are often from interrelated families that may offer support when members are in jail, sometimes even as “interim managers” who continue their criminal businesses, they cannot be viewed as one organizational entity. Disputes between them are just as common.

buyer he thought fit. However, if anything went wrong in the production process, or if the police found the laboratory, the supplier would hold the chemist liable for 18 kilos worth of MDMA.<sup>51</sup> Not being able to pay could result in serious threats and violence.

Although effective in theory, the strategy was not very successful in practice. First, the violence inevitably attracted the police's attention and caused them to step up their efforts to combat the ecstasy problem. Some of the more notorious offenders received long prison sentences, not least because the debtors they had molested or threatened to kill started talking to the police. Second, Chinese crime groups started to bring in very large quantities of the precursor chemical and more or less flooded the market from 2002 to 2005. Finally, the methods used by the trailer park criminals made people with the right skills, who now had alternative sources of PMK, very reluctant to comply with such an arrangement. Soon the trailer park criminals began concentrating on another illegal activity with which they were already familiar and that was becoming increasingly profitable: cannabis cultivation and trafficking.<sup>52</sup>

Although it is difficult to assess whether the above examples are representative in any way, they do illustrate two things. First, both cases show that any attempt by a group to bring illegal activities under its control is prone to spark a violent reaction from other members of the macro network. Second, controlling part of the network requires considerable effort, such as keeping track of what is happening in the territory or market. Will the extra profits outweigh the costs? Can a relatively small criminal group exert monopoly control, even if it has a reputation for violence and is focusing on a very specific part of an illegal market, such as PMK imports? Let us also not forget the all-important question: what would be the point?

For Klaas Bruinsma it would have been far more rational to invest his drug money in the "upper world", for example in real estate, instead of trying to dominate the Amsterdam Red Light District. That investment would have been equally profitable without aggravating other criminals. It is exactly what some of his smarter "heirs" and many other Dutch criminals did do. Being the "biggest in the business" and thus controlling entire markets and gaining the biggest profits is a tempting prospect for any start-up entrepreneur. In the criminal world, however, others in the business are not likely to go bankrupt without a fight – quite literally – if an identifiable competitor shows up.

Another important difference between the "upper world" and the "underworld" is that in the first, growth and diversification are usually institutional aims. The quest to become the biggest may start as a personal goal – to gain money and status – but once it has been achieved, the fact that yet another billion has been added to the bank account is unlikely to keep a person going, at least if he is a rational thinker. Instead, his focus will shift to keeping the company healthy and the shareholders happy. Crime entrepreneurs of course do not have to worry about such antics.

The main reason that the trailer park criminals wanted to monopolize PMK distribution was not to control market prices but to gain access to the lucrative ecstasy market without bothering about organizing and supervising the production process themselves. They are old-style traders who have built their reputation mainly on making "fast" money,

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<sup>51</sup> This was of course unfair in the first place, because one liter of PMK sold for a few hundred euros.

<sup>52</sup> In 2008, one kilo of homegrown cannabis sold for €3000 whereas one kilo of ecstasy pills – approximately 2500 units – sold for about €2250.

preferably without much physical effort or any long-term organization.<sup>53</sup> Manufacturing complex goods of any kind is not their *forte*. Control of PMK distribution did imply cheaper pills and higher profits, and seemed to be a useful strategy. However, their efforts also seem to have been contra-productive; they led to violence, and some of the victims turned out to be willing to pass on information to the police, resulting in several arrests, for example.

## 5.2 GOVERNING THE MACRO NETWORK

The second question addressed in this section is whether we can identify groups that “govern” the criminal macro network. The implication is that such groups are able to settle conflicts and offer protection to other members of the macro network on the one hand, and control access to specific illegal activities on the other.

To begin with, cannabis cultivators in the Netherlands sometimes hire members of outlaw motorcycle gangs, for example Satudarah Maluku, to “guard” large-scale nurseries against thieves. Police officers have regularly observed bikers or other strongmen arriving on the spot within minutes of their entering a plantation. In a recent project in the Amsterdam Red Light District (the Emergo project), we observed members of the local Hells Angels chapter being called upon when conflicts arose between other members of the macro network.<sup>54</sup> In one example, a former coffee shop owner regretted selling his business and decided to turn to the Hells Angels because he felt the buyer had lured him into the transaction. Apparently, the case was settled to his satisfaction, although ownership of the shop was not returned to him.

Biker gangs, however, certainly have no monopoly when it comes to offering protection and mediation. In 2000, for example, a chemist called upon a relatively small ecstasy producer and trafficker named Jan Miltenburg (now deceased) for mediation. Miltenburg was apparently well known and respected within the network and therefore able to take on this role. The chemist was one of those who had engaged in the sort of unlucky arrangement described above and who had lost the PMK and MDMA he had already produced when the police discovered his laboratory. Mediation in this case was unsuccessful and the chemist sought refuge with the police and incriminated his business partner.

There is also a recent example of a crime group trying to fight off a new competitor that apparently hired members of a biker gang to arrive at the appropriate result. The case concerned the southern town of Helmond, whose mayor decided to allow a second coffee shop in 2010. One particular criminal group “owned” the first coffee shop, according to the detectives I interviewed – not openly, of course, because otherwise it would not have received

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<sup>53</sup> For an in-depth description of this subculture see P. Klerks, *Groot in de hasj* (Arnhem, Gouda Quint, 2000). Interestingly, because the active groups are small and continuously wheeling and dealing with different partners, it is often difficult to label them as criminal organizations under Dutch penal law

<sup>54</sup> The objectives of Emergo were to analyze to what extent serious and organized crime groups or their representatives deployed illegal activities in the Red Light District by combining the databases of the different project partners (municipality, police, tax office, public prosecution service), and to take administrative, fiscal and judicial action against them. Criminologists from the Ministry of Justice and Tilburg University advised the Amsterdam authorities from 2007 to 2010. The project has continued. See: Projectgroep Emergo, *Emergo, de gezamenlijke aanpak van de zware (georganiseerde) misdaad in het hart van Amsterdam*. (Amsterdam, Boom, 2011).

an operating license. In any case, they did not appreciate the competition. This became clear when someone drove an all-terrain vehicle into the new shop, named *Carpe Diem*, and when two persons subsequently threw an explosive at it, all before the shop had opened for business. The mayor of the town, who had decided to allow the second shop, also received serious threats, forcing him and his family to go into hiding. These actions understandably led to considerable uproar and the authorities launched a major criminal investigation. In June 2011, the police arrested a former member of a Hells Angels chapter whom they suspected was responsible for these actions, probably by hiring the persons who committed the assaults. Interestingly, he had been expelled from the chapter in “bad standing” immediately after the second attack on the coffee shop. This indicates that the former biker might have operated without the consent of his fellow members.<sup>55</sup> At the moment, enquiries are still ongoing.

These examples illustrate that conflict regulation and protection are indeed “services” in demand within the criminal macro network. In the Netherlands, members of the criminal macro network may call upon biker gangs, or individual members of these groups, if they want to put pressure on other criminals or to protect their business. However, no single outlaw motorcycle gang monopolizes this market, and some criminals are perfectly able to take violent action themselves if necessary. Furthermore, as we observed in the Emergo project, the persons who called upon the Hells Angels already maintained social or criminal relationships with individual members. Although its members are visibly present in the Red Light District and easily recognizable because they usually wear their colors, they certainly are not “for hire” for any paying customer who requires protection or wants to put pressure upon a business partner.

The Helmond case illustrates that preventing competition by threatening violence may be beneficial to an operation. However, as soon as violence is actually employed, it inevitably attracts the attention of the police and seriously increases the risk of apprehension precisely when the operator is seeking to establish a monopoly.

## 6 DISCUSSION

It is clear that a lack of empirical information seriously hampers any analysis of whether mafia-type criminal organizations or individuals and crime groups that hold advantageous positions in the criminal macro network exert control over other criminals. If we base our study on a macro network perspective, however, it also becomes clear that it would be extremely difficult for any individual criminal or single crime group to establish a monopoly or to “govern” parts of the network in the long term, at least in states with a functional legal system.

This leaves us with the question of whether the situation is different in states where government authority is weak and enforcement lax. Paoli et al., for example, have argued that in such circumstances mafia-type criminal organizations could develop and thrive. However, Paoli herself also made it clear that what we see as a mafia-type syndicate is far from a monolithic entity, but made up of smaller and relatively independent groups. Controlling the criminal world would require a large, recognizable, and stable criminal organization that

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<sup>55</sup> There are also indications that he did not take violent action himself, but hired others.

possesses an authority that other criminals do not dare to challenge and that does not have to worry much about attracting the attention of law enforcement agencies.

Control involves making markets or people – members of the criminal network in this case – behave to your satisfaction. This is a broad concept, however, and it does not necessarily require the use of force. Paying a person to do a particular job also implies exerting control over his behavior, at least with respect to the specific task for which he is being remunerated. The question is whether we are not chasing shadows: even in the legal world, I can think of hardly any examples of a single company dominating a market for a prolonged period of time, even in much easier circumstances (e.g. competitors edged into bankruptcy usually do not attempt to shoot anyone to save their business).

A final question is to what extent a criminal market behaves the way a normal market does. In fact, there are unmistakable parallels, as economists who study organized crime have pointed out. There are, however, also very important differences that we should give more attention. As I have explained, criminal markets lack transparency because they are based on criminal relationships and secrecy. Consequently, wholesale prices for drugs, for example, differ widely because the buyer usually does not have the opportunity to “shop around” or refuses to do so because of the risks involved.<sup>56</sup> Indeed, trust comes before the price mechanism in criminal business deals. If a buyer has a trustworthy wholesale supplier of narcotic drugs who delivers good quality at a price that allows the buyer to make a very satisfactory profit, the latter’s best option to avoid arrest is to stick with that supplier. Another major difference between an illegal market and a normal one is the fact that criminal groups are not legal bodies the way regular companies are. A crime entrepreneur only has to worry about his personal income. A final difference is that criminals who can choose between investing in new illegal enterprises or in legal businesses or assets often decide to do the latter. The differences between legal and illegal markets may be all-important in explaining why all but a few crime entrepreneurs do not attempt to control parts of the criminal macro network.

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<sup>56</sup> Cf. T. Spapens (2006), pp. 210-211. In the same year one supplier charged a unit price of €0.75 for a shipment of 1.6 million ecstasy pills, whereas another deal was settled at €0.57 for a batch of only 100,000 pills.