

# Illegal Markets and the Economics of Organized Crime

*Edited by*  
**Martin Bouchard and  
Chris Wilkins**



# Illegal Markets and the Economics of Organized Crime

This book showcases recent advances in the theoretical and empirical understanding of the economic aspects of organized crime and illegal markets. It provides new insights into defining and quantifying the influence of organized crime by drawing on innovative approaches to studying criminal networks and organizations such as the Hells Angels. The book also includes analysis of the structure of illegal drug markets from international leaders in the field, both at the retail and at the wholesale level. Finally the book proposes two empirical case studies examining the organization of illegal wildlife trafficking.

This book was based on a special issue of *Global Crime*.

**Martin Bouchard** is an Assistant Professor at the School of Criminology, Simon Fraser University. He received his PhD from the Université de Montréal in 2006. His work specialises in the organization of illegal drug markets and on examining the role of social capital in criminal careers. Other areas of interest include social network analysis, street gang delinquency, and methodologies to estimate the size of criminal populations. Recent work on illegal drug markets appeared in *Contemporary Drug Problems*, *Global Crime*, *Journal of Quantitative Criminology*, *Journal of Drug Issues*, *Justice Quarterly*, and *International Journal of Drug Policy*.

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## **Abstracts**

### **INTRODUCTION: Illegal markets and the economics of organized crime**

Martin Bouchard and Chris Wilkins

We highlight how the different studies included in this special issue contribute to our understanding of illegal markets and the economics of organized crime. A focus on the 'economics' of organized crime brings attention to the outcomes (costs and benefits), but also to the process leading to these outcomes, including analyses of the markets where criminal organizations are active.

### **What is a criminal organization and why does the law care?**

Philip A. Curry and Steeve Mongrain

The Criminal Codes in both Canada and the United States allow for criminals to be penalized to a greater degree if they are a member of an organization. We draw on the economic theory of punishment, which states that expected penalty should be proportional to the social harm caused, to put a different perspective on such regulations. According to the economic theory, additional punishments are desirable if either: (1) the social harm from a criminal act is greater for a member of an organization than for an independent criminal; or (2) the probability of conviction is lower. We examine the extent to which both of these possibilities are true and use the findings to revisit the definition of a criminal organization.

### **The size and influence of a criminal organization: a criminal achievement perspective**

Pierre Tremblay, Martin Bouchard and Sévrine Petit

It is difficult to measure the size, influence and growth patterns of criminal organizations embedded in illegal markets. In this paper, we argue that measuring the influence of a criminal organization by its size (in number of employees, or 'members') may under- or overestimate its sphere of influence in illegal markets. Self-report survey and size of population methodologies are combined to assess the regional economic influence of a criminal organization (Hells Angels) in three illegal drug markets (the cocaine trade, the cannabis trade and the cannabis cultivation industry) in the province of Québec. Findings suggest that a relatively small organization by conventional standards can nonetheless achieve a large influence on criminal markets. We then analyse how factors other than violence play a role in explaining differences in achieving economic influence across criminal organizations. Finally, we suggest that turning our attention to measuring economic influence provides some insights into the duration and intensity of the violent conflicts occurring in these markets.

### **Understanding optimal criminal networks**

Stephen T. Easton and Alexander K. Karaivanov

We develop a theory of optimal networks in the context of criminal organizations. In this framework the criminals choose their network links with others according to a set of specified

costs and benefits to participation. The optimal number and configuration of links within each network is solved for a set of 10,000 parameter simulations specifying the direct cost of links between agents, the benefit to connections, and the cost of being in the network with others. In addition, agents determine the size of the optimal network. This framework allows consideration of a variety of crime policy scenarios. In particular, removing the 'key player', the best strategy when the network is exogenous, may not be the optimal strategy in an environment in which the agents can change the size and structure of the network endogenously. More generally, optimal crime policy may be different if the criminals are aware of the policing strategy and can alter their network.

### **How illegal drugs enter an island country: insights from interviews with incarcerated smugglers**

Jonathan P. Caulkins, Honora Burnett and Edward Leslie

A typology of drug smuggling 'technologies' is developed based on interviews with 110 inmates incarcerated in UK prisons for importing illegal drugs. Approximately three-quarters were involved in courier-based operations. The other 30 collectively accounted for substantially greater smuggling throughput capacity and fell into five groups: operations employing 'bent' lorry drivers; shipping drugs intermingled with legitimate commerce; transporting drugs on commercial airlines with assistance from corrupt officials; mailing drugs into the UK; and smuggling via boats landing between ports of entry. A Pareto Law seems to apply, with a minority of respondents being responsible for the majority of the smuggling. Most participated in smuggling to make money, but more than a few couriers reported being coerced and/or tricked into carrying drugs. Perhaps not coincidentally, rough calculations suggest that, when balancing profits against prison risk, crime does not pay for couriers but can for organizations employing bent lorry drivers.

### **Economic analysis of drug transaction 'cycles' described by incarcerated UK drug dealers**

Jonathan P. Caulkins, Benjamin Gurga and Christopher Little

The fundamental activity of most drug dealers is buying drugs from a supplier and selling them on, usually in smaller lot sizes to multiple customers at a lower market level. Data on such 'cycles' of purchase and resale are derived from interviews with 65 dealers incarcerated in UK prisons. A power function relationship between price and transaction size is confirmed. Analyses reveal great consistency in proportional price markups across drugs and time, high cycle frequencies (typically weekly or more often) and importers who vertically integrate into the highest level of domestic distribution, so that an important share of their net revenues effectively derives from domestic distribution inside the UK, as opposed to importation *per se*.

### **The market for crystalline methamphetamine in Sydney, Australia**

Rebecca McKetin, Jennifer McLaren, Erin Kelly and Jenny Chalmers

The market for domestically produced methamphetamine in Australia (sold as 'speed' and 'base') has been recently supplemented with imported crystalline methamphetamine ('ice' or 'crystal'), the supply of which is thought to involve different organized crime groups than those involved with domestic supply. The existence, or otherwise, of distinct retail markets for these different forms of methamphetamine has important implications for police



and public health strategies. The aim of this study was to examine whether there was evidence of distinct retail markets for crystalline methamphetamine and domestically produced forms of the drug. A cross-sectional survey of regular methamphetamine users ( $n = 309$ ) was undertaken in Sydney, Australia to assess the characteristics of the retail market (consumption, price, perceived purity, availability, purchase location and sale from dealers) for crystalline methamphetamine compared with domestically produced forms of the drug (i.e. speed and base). We did not find any clear evidence of a segregated retail market for crystalline methamphetamine. Only 3% of participants were exclusive crystalline methamphetamine users, and both crystalline methamphetamine and other domestically produced forms of the drug were readily available to consumers, being typically purchased from the same dealers, in the same location and at the same price.

### **The black market in China for tiger products**

Brendan Moyle

Poaching of tigers is a major threat to the survival of the species. China is responsible for much of the demand for tiger parts. Poaching occurs because it is profitable and organizations able to procure transport and sell tiger products over thousands of miles and international borders also exist. Unfortunately there is little corresponding data on these organizations. It appears as if these organizations operate to minimize the most significant transaction cost along the supply chain. Tigers are a minority element in a portfolio of wildlife products assembled by smugglers in range states. Within China smugglers specialize in the skins and bones of tigers, and are most likely to operate in small, discrete groups. This is a function of the high coordination and evasion costs of operating in China. The demand for tiger parts has strong cultural and medicinal influences.

### **Exploring the organization of Russia Far East's illegal wildlife trade: two case studies of the illegal fur and illegal falcon trades**

Tanya Wyatt

The Russian Federation is a source of wildlife and wildlife products that fuel the vast, and often overlooked, illegal wildlife trade that takes place around the globe. Out of the many illicit animal and plant trades, two of these black markets – the illegal fur trade and the illegal falcon trade – are used in this article to explore the organization of this illicit activity in Russia Far East. Using interviews from Russian and other wildlife trade experts, structural frameworks are established for each of these illegal wildlife markets.

## Notes on Contributors

Martin Bouchard is an Assistant Professor at the School of Criminology, Simon Fraser University. He received his PhD from the Université de Montréal in 2006. His work specialises in the organization of illegal drug markets and on examining the role of social capital in criminal careers. Other areas of interest include social network analysis, street gang delinquency, and methodologies to estimate the size of criminal populations. Recent work on illegal drug markets appeared in *Contemporary Drug Problems*, *Global Crime*, *Journal of Quantitative Criminology*, *Journal of Drug Issues*, *Justice Quarterly*, and *International Journal of Drug Policy*.

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Jonathan P. Caulkins, PhD, is Professor of Operations Research and Public Policy at Carnegie Mellon University's Qatar campus and Heinz School of Public Policy. Caulkins specializes in mathematical modelling and systems analysis with a focus on social policy systems pertaining to drugs, crime, terror, violence and prevention – work that won the David Kershaw Award from the Association of Public Policy Analysis and Management. Other interests include software quality, optimal control and personnel performance evaluation. At RAND he has been a consultant, visiting scientist, co-director of RAND's Drug Policy Research Center (1994–1996) and founding director of RAND's Pittsburgh office (1999–2001).

Dr Jenny Chalmers is a Senior Research Fellow in the Drug Policy Modelling Programme, University of New South Wales. She is currently researching the influence of drug prices on the patterns of drug consumption of methamphetamine users. She has a background in labour market economics and substantial experience in undertaking policy-relevant research in the fields of social policy and labour market disadvantage, the divide between good and bad jobs and the economics of gender.

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Stephen T. Easton received his PhD in Economics from the University of Chicago in 1978. While an economist he is also a part of the School for International Studies and is an Associate of the School of Criminology at Simon Fraser University. In addition to his work on networks and crime, he has also been involved in studying the marijuana industry in British Columbia and has written on matters describing the cost of crime, private prisons,

legal aid and the state of the civil justice system in Canada. Outside of this work his publications have been in several areas including the economics of education, international trade and finance, and economic history.

Benjamin E. Gurga is a Data Analysis, Research and Evaluation Intern at the Allegheny County Department of Human Services in Pittsburgh, PA, while finishing his Master of Science in Public Policy and Management from Carnegie Mellon University in Pittsburgh, PA. Gurga holds a Bachelor of Arts in Political Studies from the School of Public Affairs and Administration, University of Illinois. Interests include operations research, particularly in the public sector, and application of computer science methods to public policy problems.

Alexander Karaivanov received his PhD in Economics from the University of Chicago in 2003. In addition to his work on networks and crime he works on problems of development economics, contract theory and applied microeconomics. Recent research involves solving, structurally estimating and testing competing theoretical models of financial market imperfections using data from Thailand. Other projects of his include learning in principal-agent models and the effect on inequality on public goods provision.

Erin Kelly is an Intern Clinical Psychologist and Research Officer at the National Drug and Alcohol Research Centre, University of New South Wales. Her previous research experience includes work on drug driving, the illicit methamphetamine market and a longitudinal study on methamphetamine treatment outcomes. She is now working as a psychologist on intervention trials, including a psychological intervention for methamphetamine dependence and comorbid depression.

Edward C. Leslie, is an Analyst in the Professional Development Program at the United States Government Accountability Office, currently evaluating efficacy of requirements for federal rulemaking on the Strategic Issues team. Leslie holds a Master of Science in Public Policy and Management from The Heinz School at Carnegie Mellon University and a Bachelor of Arts in Economics from Whittier College. Interests include the study and practice of managerial issues related to international development and healthcare. Leslie served in the Peace Corps in Western Honduras from 2003 to 2005 as an Economic Development Volunteer.

Christopher D. Little, is concurrently pursuing his Master of Science in Public Policy and Management at Carnegie Mellon University and his Juris Doctor at the School of Law at the University of Pittsburgh. Little holds a Bachelor of Arts in Business Economics from the University of California, Santa Barbara. Interests include drug policy, environmental policy, and international trade law.

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Jennifer McLaren is a Senior Research Officer at the National Drug and Alcohol Research Centre, University of New South Wales. She has conducted research on Sydney's illicit

methamphetamine market, the potency and contamination of cannabis in Australia and cannabis and mental health, and was involved in the development of Australia's first National Cannabis Strategy. Prior to joining NDARC, Jennifer worked at The Smith Family in the Research and Social Policy Department.

Steeve Mongrain is an Associate Professor of Economics at Simon Fraser University and received his PhD from Queen's University in 1999. His research areas include public economics as well as the economics of crime. His publications include papers in the *International Economic Review*, the *Journal of Law, Economics & Organization*, the *Canadian Journal of Economics* and the *Scandinavian Journal of Economics*. Other areas of interest include the economics of morality laws and deterrence in tournament environments.

Brendan Moyle is a senior lecturer at Massey University, with joint qualifications in zoology and economics. He is a member of the IUCN-Sustainable Use Specialist Group and the IUCN-Crocodile Specialist Group. Since early 2007 he has been involved with tiger conservation in China.

Sévrine Petit is a doctoral student at the School of Criminology, Université de Montréal. Her research focuses on organized crime and criminal careers, with a special emphasis on outlaw bikers.

Pierre Tremblay is Professor at the School of Criminology, Université de Montréal. His current areas of interest include linking sub-cultural theories of crime and research on size of offender populations, and unifying anomie, social class and criminal achievement perspectives on criminal careers.

Dr Chris Wilkins is a senior researcher at the Centre for Social and Health Outcomes Research and Evaluation (SHORE), Massey University, Auckland, New Zealand. He has special expertise in illegal drug research with a particular interest in the economics of illegal drug markets and organized crime. In 2003 he was awarded a Fast-Start Marsden grant by the Royal Society of New Zealand to study organized crime in illegal drug markets in New Zealand.

Dr Tanya Wyatt completed her PhD at the University of Kent in Canterbury, England in November 2008. She is living in Washington, DC, interning at the Aspen Institute's Council of Women World Leaders and Wildlife Alliance, while beginning her job search. She hopes to find a position that will enable her to raise the profile of green criminology.

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## INTRODUCTION

### Illegal markets and the economics of organized crime

Martin Bouchard<sup>a</sup> and Chris Wilkins<sup>b</sup>

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No matter how one defines ‘organized crime’, a recurring theme is to emphasize the economic motivations of offenders associated with criminal organizations. This of course serves to differentiate organized crime from (organized but) ideologically motivated crimes, like terrorism. However, for us it also calls attention to the central role played by material benefits in the pursuit of organized criminal interests. While money is a powerful motivational force for organized and disorganized criminals alike, the methods, the specific activities, the social context, and perhaps the relative success of organized criminals in securing significant amounts of money may differ from other offenders. A focus on the ‘economics’ of organized crime is thus likely to bring attention to the outcomes (costs and benefits), but also to the process leading to these outcomes, including analyses of the markets where criminal organizations are active.

It is not surprising that as a sub-field, the economics of organized crime has been developed mostly by economists. Economists became more seriously involved in studying organized crime during the late 1960s in response to political concerns about the influence of the Mafia in the United States. At this time, prosecutors and law enforcement agencies began describing groups such as the Mafia as the criminal equivalents of legal ‘corporations’, dominating the illegal markets for gambling, loan-sharking and illegal drugs. Economists were thus considered to be well placed to understand the ‘business’ structures and marketing strategies of these criminal corporations. That model faded away as a number of detailed empirical studies of Mafia families in the United States completed in the 1970s increasingly challenged the official view of the Mafia as espoused in the 1960s.<sup>1</sup> Of importance is the publication of economist Peter Reuter’s (1983) *Disorganised Crime: The Economics of the Visible Hand*, which marked a significant development in the

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1. See for example A. Anderson, *The Business of Organised Crime* (Stanford, CA: Hoover Institute Press, 1979); F. Ianni, *A Family Business: Kinship and Social Control in Organized Crime* (New York: Russell Sage Foundation, 1972).

understanding of organized crime.<sup>2</sup> Reuter drew on recent advances in the economic theory of industrial organization which used transaction costs and information costs as important determinants of market structure to investigate the size and scope of criminal organization. Reuter also set new standards in the empirical study of organized crime by examining seized records of illegal gambling and loan sharking and interviewing law enforcement officers and informants about Mafia activities, rather than merely accepting the official views and interpretations espoused by law enforcement agencies and prosecutors. He concluded that the failure of price fixing, freedom of entry and exit, level of competition and small size of operators suggested that these illegal markets were largely competitive rather than controlled by a single entity such as the Mafia.

Perhaps more than economists, however, it was criminologists and sociologists who pursued Reuter's research agenda on the organization of illegal markets. The original analytical strategy followed by Reuter certainly played a role in appealing to researchers in the social sciences. What Reuter found for the bookmaking, numbers and loansharking industries was also found for a variety of illegal drug markets, at all levels of the trade.<sup>3</sup> It was recognized that the vast array of determinants of the business of organized crime, both within and outside the organizations or markets in which they are active, makes their study an empirical enterprise to be undertaken by an equally diverse crowd of researchers. This book pursues this research tradition further, while providing an interesting snap-shot of the diversity of approaches possible to study illegal markets and the economics of organized crime. Ideally, we would have preferred to have the space to provide case studies on an even wider range of case markets and activities in which criminal organizations are involved (e.g. construction, prostitution, illegal gambling) than the ones presented here. We nonetheless hope that readers will conclude, just like we did, that the novel approaches and unique contributions provided by this collection of studies bring the sub-field to new territories.

It seems fitting to start this book with Curry and Mongrain, who make use of the economic theory of punishment to approach the thorny issue of what constitutes a criminal organization. The past two decades have shown that this long-lasting debate has not prevented research from going forward and contributing to our understanding of organized crime. The point of departure of the Curry and Mongrain paper is to remind us that the definitional issue is quite crucial for the criminal justice system – especially at the sentencing level where being a member of a structured organization is considered an aggravating factor. The results of their analysis suggest that defining organizations on the impact they have on illegal markets is more beneficial from a social harm perspective than definitions based on the structure of their network.

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2. P. Reuter, *Disorganized Crime: The Economics of the Visible Hand* (Cambridge, MA: Hoover Institute Press, 1983).

3. See for example the studies of Adler (1993) and Desroches (2005) at the wholesale level: P. Adler, *Wheeling and Dealing: An Ethnography of an Upper-Level Drug Dealing and Smuggling Community*, 2nd edn (New York: Columbia University Press, 1993); Frederick J. Desroches, *The Crime That Pays: Drug Trafficking and Organized Crime In Canada* (Toronto: Canadian Scholars Press, 2005); and the studies of Eck and Gersh (2000) or Johnson et al. (2000) at the retail level: J. Eck and J. Gersh, 'Drug Trafficking as a Cottage Industry', in *Illegal Drug Markets: From Research to Prevention Policy*, ed. Mangai Natarajan and Mike Hough (Monsey, NY: Criminal Justice Press, 2000); B. D. Johnson, E. Dunlap and S. Tourigny, 'Crack Distribution and Abuse in New York', in *Illegal Drug Markets: From Research to Prevention Policy*, ed. Mangai Natarajan and Mike Hough (Monsey, NY: Criminal Justice Press, 2000).

Though very different in its approach, the paper by Tremblay, Bouchard and Petit is a natural extension of Curry and Mongrain's paper. They too propose to change the focus from the structure and size of an organization to consider the wider sphere of influence as an indicator of the importance of an organization in a market. Measuring the influence outside its immediate boundaries (affiliated members) represents an analytical challenge, especially in obtaining suitable and reliable data on the size of the markets and the dynamics of distribution in a variety of drug trades. Though necessarily bounded by many assumptions, Tremblay et al. propose an original analytical strategy to estimate the influence of one organization (Hells Angels) in three illegal drug markets (cannabis, cocaine and cannabis cultivation). They combine two pieces of information: (1) data on the size of offender populations supplying these three markets; and (2) self-report data on adult offenders reporting whether or not they or their associates were buying from or selling for the Hells Angels. The results show that a relatively small organization by conventional standards, like the Hells Angels, can nonetheless achieve significant influence over a large share of dealers and distributors. The authors interpret this result as evidence of criminal achievement at the organizational level.

The paper by Tremblay and colleagues argues that the organizational structure chosen by the Hells Angels contributed to the expansion of their economic influence without increasing the official number of 'members'. Not inadvertently, the paper that follows (by Easton and Karaivanov) provides a compelling demonstration on how offenders can choose network configurations and organizational size that will maximize benefits and minimize costs for the organization. Easton and Karaivanov's focus on network configuration contrasts with the usual approach of considering the structure to be fixed. Instead, the authors ask why a particular structure was chosen instead of a number of other possible ones. This particular analytical choice not only proves fruitful in illustrating the costs and benefits of a variety of configurations, but also from a crime combating policy perspective. One of the most salient contributions of the Easton and Karaivanov paper is to demonstrate how the strategy of removing the 'key player' – a perfectly reasonable strategy when the network is determined exogenously, may not be the optimal strategy in an environment in which the agents can change the size and structure of the network endogenously. More generally, optimal crime policy may be different if the criminals are aware of the policing strategy and can alter their network.

While the two preceding papers were mostly interested in the costs and benefits for organizations, the Caulkins, Burnett and Leslie paper examines the costs and benefits for both individual players and for drug-importing organizations using different importation methods. One of the finest case studies of the variety of importation schemes found in recent literature, the results of the Caulkins et al. paper show that a minority of participants are responsible for a majority of smuggling in the UK. Not only is this minority of participants successful at reaping interesting profits from larger importation loads, they are also generally more successful at avoiding detection. While researchers on the demand side have acknowledged the importance of such pareto-like distributions for a drug policy perspective, supply researchers (before Caulkins et al.) have been slower to recognize the existence of similar phenomena on the supply side, and their implications for policy.

Many of the previous papers focused on the material benefits for dealers and organizations active in a variety of contexts, but much less emphasis has been put on the nature of the transactions between buyers and suppliers, or on the 'cycles' of purchase and resale at different market levels. While much of the past work on cycles focused on retail



dealing, the article by Caulkins, Gurga and Little offers a much-needed detailed description of these cycles at higher market levels, providing valuable information on the price mark-ups along the drug distribution chain for a variety of drugs. Among the many contributions of their paper, Caulkins et al. demonstrate how the price markup coefficients are very similar over drugs and time, suggesting that a very similar economic logic underlies the distribution of these drugs (despite different prices). Perhaps more importantly, the authors show that UK dealers derive most of their net revenues inside the UK, from domestic distribution, as opposed to importation *per se*.

The article by McKetin, McLaren, Kelly and Chalmers pursues the task of examining the organization of illegal markets, but now the focus is on the retail level, for a very specific drug (crystalline methamphetamine). The authors tackle an important question in the organization of illegal markets, namely on the evidence of market segregation for different forms of the same drug. The question is especially important for crystal methamphetamine in Australia, a drug for which availability has increased in recent years, and which can be found among at least two other forms of the drug, namely 'speed' and 'base meth'. Interviewing more than 300 users of the different forms of methamphetamine (including many dealers), the authors found a striking uniformity in the retail market for the different forms of drugs, including consumption and price levels paid by customers. These findings have, of course, implications for understanding the resilience of the market for crystal meth, and the likely substitution effects that would occur from reducing the supply of one form of the drug and not the other.

The last two papers bring the economics of organized crime to a new territory: the illegal wildlife trade. The first paper, by Brendan Moyle, draws on transaction-cost economics in providing a very informative case study on the black market for tiger products in China. The paper by Tanya Wyatt brings us to Russia, using a variety of sources (including interview data), to describe the organization of the falcon and fur trades in Russia. Despite the novelty of the illegal products being described in the literature on illegal markets, both authors show that the nature of the organizations active in these industries is subject to the same market forces as more traditional illegal markets, leading to a market populated by a diversity of relatively small organizations. However, the particularities of the products involved in illegal wildlife trade also emphasize some noteworthy differences. Moyle's analysis, for example, shows that the skills set required for hunting tigers is very specialized, creating barriers to entry that are simply not found in illegal drug markets. Of interest, Moyle shows how the market for tiger products is connected to other wildlife trades at the wholesale level but not at the retail level, suggesting a unique market structure that deserves attention in future studies. The paper by Wyatt also provides new insights. One of the important contributions of her study is to show how the existence of a parallel legal industry for a product greatly influences the kind of offenders who are involved and the organization of the trade. She found that the illegal fur trade is populated by individuals who are already involved in the legal fur trade, creating smuggling channels along already existing legitimate structures. The illegal falcon trade does not benefit from such a legitimate front, which increases the difficulty related to concealment, and may lead to the involvement of more sophisticated criminal organizations.

### Acknowledgements

We would like to thank Federico Varese and Carlo Morselli of *Global Crime* for their guidance and for giving us the opportunity to act as Guest Editors of this special issue. We also would like to thank all the reviewers who provided time and energy in improving the quality of an already strong set of papers.

# **What is a criminal organization and why does the law care?**

Philip A. Curry and Steeve Mongrain

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## **Introduction**

In the United States in 1967, a presidential report on organized crime was commissioned. In 1970, the Organized Crime Control Act was passed. A significant component of this act was the Racketeer Influenced and Corrupt Organizations Act (RICO). RICO was designed to target individuals or organizations engaged in a pattern of racketeering, defined as a minimum of two connected criminal acts within a ten-year period. It did so by allowing prosecutors to define a series of distinct crimes as a single offence, thereby avoiding many procedural, evidentiary and jurisdictional problems associated with prosecuting multiple offences together. RICO allows for rather severe penalties to be imposed. The maximum penalty for a single RICO conviction is twenty years imprisonment (which is increased to life imprisonment if any of the predicate charges permit it, such as murder) and a fine of \$250,000 or twice the proceeds of the offence. In addition, RICO allows for the forfeiture of all the proceeds of crime.

The majority of states (45 at the time of writing) also have laws devoted to criminal organizations.<sup>1</sup> Of those 45, 25 have provisions to impose additional penalties for crimes committed by members of gangs.<sup>2</sup> Often, such provisions entail the automatic upgrading of the class of misdemeanor or felony.<sup>3</sup> A summary of the other types of legislation can be found in [Appendix A](#).

The current legislation in Canada targeting criminal organizations was introduced in 1997 and revised in 2001. The Criminal Code of Canada defines a criminal organization as

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1. The exceptions are Alabama, Maine, Nebraska, West Virginia and Wyoming.

2. Most state legislation is targeted at 'street gangs'.

3. Taken from <http://www.iir.com/nygc/gang-legis/>.