

Corruption and Conflict: A Review of *Economic Gangsters and McMafia*

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Economic Gangsters: Corruption, Violence, and the Poverty of Nations
by Raymond Fisman and Edward Miguel (Princeton University Press, 2008)

McMafia: A Journey Through the Global Criminal Underworld
by Misha Glenny (Knopf, April 2008)

In the opening weeks of 2009, the Israeli assault on Gaza captured the attention of the international community. Yet beneath the headlines, south of Rafah toward Taba and Eilat, even as international actors were drafting protocols to combat weapons smuggling from Egypt into Gaza, Bedouin traffickers were delivering a different good altogether: women.¹ Duped and kidnapped, these women—mostly from Eastern Europe—will eventually find themselves in the brothels of Tel Aviv, where their clients will include visiting business men, tourists, and criminal elements from within Israel.²

From the Middle East to the Balkans to Latin America, the threat of corruption and transnational crime has been growing since the end of the Cold War, arguably due to the spread of failed states and “new wars.”³ According to the International Monetary Fund, the World Bank, and others, shadow economies today account for 15 to 20 percent of global turnover in goods and services.⁴ Indeed, most contemporary conflicts can no longer be adequately understood without reference to the state and non-state networks creating alternate systems of profit, power, and protection.⁵

Diplomats, military strategists, journalists, development scholars, and practitioners increasingly recognize the threat posed by the nexus of transnational crime and conflict.⁶ Two books published in 2008 seek to enrich the growing body of literature on this topic. *Economic Gangsters: Corruption, Violence, and the Poverty of Nations*, by economists Raymond Fisman and Edward Miguel, assembles a wide array of research findings on the conflict and corruption nexus, exploring the implications for develop-

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ment practice and research. *McMafia: A Journey Through the Global Criminal Underworld*, by journalist Misha Glenny, paints an intimate portrait of organized crime across the world. Both books apply an analytic lens to issues of crime, corruption, and conflict. Fisman and Miguel attempt to synthesize the best contemporary empirical research and theory into a coherent, albeit incomplete, set of hypotheses on the issue. Glenny, by contrast, provides a series of historical case studies exploring the political economies of different criminal operations worldwide. Taken together, they provide both “top-down” and “ground-up” views of the current situation facing professionals in the human security field.

Economic Gangsters is clearly intended for a popular audience, and the authors’ arguments are no doubt familiar to most professionals currently in fields related to human security. They underline the economic causes and consequences of violence at the micro- and macro-levels, arguing that it is often the struggle for resources, more than differences in culture or identity, which enables and motivates conflict.⁷ Professors at Columbia and UC Berkeley respectively, Fisman and Miguel are best known for their widely publicized study on the parking habits of United Nations diplomats, which suggested that culture—rather than laws or institutions—may play a strong role in determining individuals’ predilection to abuse their public power for private gain.⁸ Following this earlier paper, their book emphasizes creative empirical solutions to old problems.

In contrast with the largely ahistorical *Economic Gangsters* (which, in its enthusiasm for social science, can seem almost cheery at times), Glenny’s compelling *McMafia* is a deeply troubling book. Painting historical and occasionally sensationalist portraits of criminal syndicates in each of the world’s major regions, the book dismantles any illusions underestimating the extent of criminalized networks. One of the clearest themes of the book is that illicit networks are bound to arise wherever there are power structures to be abused for private gain. The whole text can seem like an illustration of Tip O’Neill’s mantra “All politics is local.”

What can we learn from the two books taken together? First, violence is rarely irrational. Rather, it should be understood in the context of the particular political and social economy. Second, while corrupt establishments may be preferable to open war in failed states, reform is deeply challenging on several levels. Indeed, it remains unclear how to truly address the issues raised in both books.

Violence and Crime

Whether force is used to appropriate scarce resources, to enforce contracts, or for some other means, violence by criminals, warlords, terrorists, and militias is usually undertaken toward some political-economic end. The “new wars” of the 1990s to the present have been facilitated by and perhaps launched on account of rent-seeking behavior of militias, especially in Africa.⁹

Even violence that appears to be rooted in culture or ethnic divides, such as the

practice of witch-hunts in rural Tanzania, may actually be based on competition for scarce resources. As Fisman and Miguel argue, if a “witch” (typically an older female) can be blamed for the cause of a drought, the community can reduce the number of hungry mouths to feed by killing her and thereby conserving scarce resources.¹⁰ Similarly, Fisman and Miguel cite the Rwandan genocide as a more macro-level example, where the 50 percent plunge in world coffee prices between 1989 and 1993 caused dire economic circumstances favorable to extremist Hutus in the Rwandan government.¹¹ With the country in economic crisis, many ordinary Hutus undoubtedly felt an increased motivation to seize Tutsi neighbors’ property.

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In the political and criminal realm, explains Glenny from a similar political economy perspective, “[v]iolence is a means, not an end; a resource, not the final product. The commodity that is really at stake is protection. It may be argued that ultimately protection rests on the ability to use force, but it does not follow that it coincides with it.”¹² According to Glenny, in fact, there are basically two models of criminal syndicates, both of which employ violence strategically. The first is the protection racket, whereby criminals and politicians extract rents from individuals seeking to participate in a certain market or operate in a certain territory. When Tommy Suharto of Indonesia—who was jokingly referred to as “Mr. Ten Percent”—demanded kickbacks from companies seeking to contract with the government, he was running an unchallenged protection racket.¹³ The second type of criminal syndicate is the illicit commodity trader. The Bedouins smuggling hash and humans are an example of this latter type. They operate in the grey market by deriving profits through avoidance of taxes and tariffs, and by charging high premiums for breaking embargoes and sanctions regimes. In any of these cases, from communal killings to organized criminal systems, an economic instrumental view of violence, rather than a primordial-cultural understanding, is likely to offer more analytic traction in explaining causes and forms of conflict.

Corruption, Governance, and Reform

According to Fisman and Miguel,

“corruption in Suharto’s Indonesia wasn’t some petty shakedown by underpaid policemen or labor inspectors trying to make ends meet. It was big business...Given the system’s benefits to Indonesia’s insiders, it should come as no surprise that political and economic reform had stalled and that serious reform attempts materialized only at the end of Suharto’s rule.”¹⁴

As the case of Suharto’s Indonesia suggests, criminal schemes are often repeated in government settings, outside the world of “pure” organized crime. Indeed, one of the salient themes of both *Economic Gangsters* and *McMafia* is that the line between

criminal gang and governance institution can sometimes wear thin. Import and export duties, while creating opportunities for smuggling, are themselves a sort of legalized racket imposed by the state. Views are divided, of course, as to how to interpret this blurred theoretical boundary, but there is a familiar lesson for state building: the opportunity for corrupt transactions can influence the motives of political leaders and entire institutions.¹⁵

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Yet, as both books point out, corrupt governance structures or powerful criminal networks may be better than open war. Economic theory even suggests that stable mafia systems experience lower levels of extortion than ones open to competition.¹⁶ According to Glenny, gangsters often become a sort of proto-state, or, at the very least, they provide protection against anarchy.¹⁷ Certainly, the experience in many states from sub-Saharan Africa to Asia suggests that yesterday's insurgents may be tomorrow's government ministers. Glenny cites the Ukrainian city of Odessa, which rests on the Black Sea, as an example of the curious pacifying effect of criminal monopolies.

Odessa has long been a hub for trade and, consequently, smuggling. For many years, Viktor Kulivar "Karabas," a well-respected Odessa criminal leader, maintained order in the city and won the admiration of most residents. He was eventually assassinated, however, and the result was open fighting and murder in the streets as criminal elements struggled to assert a new position for themselves.¹⁸ It would arguably have been better to maintain the criminal status quo than to risk open violence.

As the Odessa example illustrates, establishing some authority—preferably through rule of law—is critical in post-conflict and weak state situations. If the boundary between legality and illegality is unclear, then everything is permitted. Massive dismissal of bureaucrats, and especially police or military personnel, is a surefire recipe for disaster,¹⁹ since it creates both a power vacuum and a standing army of skilled potential criminals. This was the case in many post-Soviet states in the 1990s, accounting for the surge in crime in the Balkans and Central Asia in recent years.

Unfortunately, many of the legal instruments of state security can actually further criminal and corrupt systems. For example, efforts since the 1980s to clamp down on consumer demand for drugs have, in fact, increased the price of drugs, raising profit margins for dealers and expanding the market. Additionally, accounts abound from South Africa to Iraq of sanctions regimes that corrupt rulers have undermined to their own advantage, at the expense of civilians.²⁰

Of course, most illicit commodity trading is not in weapons or drugs (although these are important). Rather, it is in "grey market" goods such as medical supplies tunneling into Gaza, fake cigarettes floating into Europe, or misclassified Chinese exports skipping around tariffs and providing Western consumers with even lower prices. We

are all familiar with the stories of “blood diamonds” smuggled from West Africa, and the role of oil in fueling military dictatorships from the Middle East to Latin America. The story is much more complex than just these familiar examples. As Glenny points out, organized crime is such a rewarding industry because people in rich countries spend “ever-burgeoning amounts of their spare time and money sleeping with prostitutes; smoking untaxed cigarettes; snorting coke through fifty-euro notes up their noses;” and so on.²¹ In other words, from luxury goods to commodities, the demand is so high that a policy solution based solely on the supply side will never be enough; there will always be a larger bribe or a more creative way around regulations.²²

While global policing is no doubt important, the implication of *McMafia* is that a truly transformative approach is necessary to stop transnational crime. This includes changing consumption patterns in rich countries, reducing global conflict, improving global governance, and working to achieve greater social justice. These goals, while laudable, hardly seem attainable, especially in the near term.

More research is needed, and perhaps more policy experimentation too. Fisman and Miguel dismiss any grand theories about change, but they do have a contagious faith in the power of better research and more creative responses. Indeed, one of the more fascinating sections of their book discusses Mayor Antanas Mockus of Bogotá, Colombia. Previously a university professor steeped in contemporary philosophy and critical theory, Mockus used paid mimes to embarrass corrupt police officers asking for traffic bribes, and made use of holidays, advertising, and unconventional settings to deal with socio-political issues such as corruption, gender, and culture.²³ Such unconventional approaches should be more widely celebrated.

However, the example also reveals a tension in their own research. While they recognize that culture and context matter for corruption as much as economic structures, (and therefore are inspired by Mockus’ approach mixing governance with social engineering), Fisman and Miguel are less open to a similarly complex reading of conflict. Indeed, there is a considerable amount of quality literature on conflict that is not explicitly considered in *Economic Gangsters*. For example, Monty Marshall and his colleagues at the Center for Systemic Peace have conducted numerous empirical tests on causes of conflict, yet these and similar studies are not discussed at great length. Similarly, the well-known World Bank and Paul Collier papers on greed and grievance have undergone several variations (often in response to high-quality empirical criticism) over the years.²⁴ Beneath the data, however, largely qualitative literature on human security and complex emergencies, conflict sensitivity, and even books like *McMafia* should raise questions about the explanatory value of any of the existing quantitative models. At present, it may be that these models assist with predicting conflict, but not necessarily explaining it or accounting for resulting societal and political changes.

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Along these lines, the argument in *Economic Gangsters* eventually turns toward advocating randomized trials in order to evaluate development endeavors more scientifically. This argument is passionate; and while it is hard to see how improved empirical research at the macro level will produce answers as to how to deal with Glenny's gangs, despots, and warlords, it is also hard to argue against a plea for greater diligence in research on such matters.²⁵

The real challenge for those practitioners and policymakers is two-fold. First, both *Economic Gangsters* and *McMafia* represent a paradigm shift for analysis of international conflict. This new frame of analysis is gaining traction, particularly as international attention shifts to the ongoing war in Afghanistan, where the nexus of crime, conflict, and governance is equally apparent to many in the UN, the international development community, and the various military establishments present. Deepening and extending this perspective in the international community, particularly in the political capitals like Washington, DC, should remain a priority. Second, the entire international community must address the structural features that facilitate networks of crime and war in a multilateral fashion. Reducing criminal money laundering and illicit trafficking requires a better international legal framework for financial and trade regulations. Preventing conflicts that are driven by natural resources in developing countries (be they rent seeking or famine-related) requires smarter approaches by the major development and humanitarian agencies. It will not be possible to completely eliminate crime or corruption, let alone war, but clear analysis—as in these two books—should lead to better results.

ENDNOTES

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