Democracy and organized crime: Evidence from 59 countries

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Democracy and Organized Crime Activities: Evidence from 59 Countries

***Hung-En Sung*[1]**

Organized crime has become one of the main security concerns in democratic and democratizing societies in the post-Cold War world. Criminal syndicates and the democratization process co-exist in a paradoxical tension characterized by symbiosis and incompatibility. A comparative analysis of 59 countries was conducted to investigate the association between different levels of democracy and organized crime activities as perceived by business executives. Findings revealed that higher perceptions of victimization by organized crime were reported in moderately democratic countries than in both authoritarian societies and advanced democracies. It is theorized that the easiest and quickest achievements of the democratization process (ie expansion of political rights and free elections) also precisely represent primary growth opportunities for criminal syndicates. But with the progress of further democratization, organized crime becomes effectively controlled, as more complex liberal institutions (ie a professional and independent judiciary and investigative journalism) gradually take form. Security implications for democratic societies are discussed.

Key Words: Organized crime; corruption; democracy; globalization; political liberalization

The end of the Cold War inaugurated an age of democratic insecurity that has come to define the outlook of international affairs in the first decade of the 21st century. On the one hand, the triumph of Western liberal democracy has driven governments around the world to recognize their responsibility in protecting basic human rights as well as to seek political legitimacy from the consent of the governed. For the first time in human history, despite important exceptions, market democracy has become the dominant form of social organization; and to some, it also represents the final form of governance in human civilization.[2] On the other hand, the transition of authoritarian societies and state-regulated economies to market democracies has created alluring opportunities for endemic corruption and organized crime activities. The pluralism, relativism, materialism, and individualism that underpinned the worldwide expansion of Western lifestyles have also unleashed a destructive reaction, in the form of fundamentalist terrorism from populations marginalized or threatened by these global trends. Given the supremacy of liberal democracy over other political economic options, corruption, organized crime, and terrorism will remain the key global and national security concerns for the years to come.

One of the classic interests in comparative criminology is assessing the relationship of crime to structural factors across countries. In the past ten years, criminologists have paid particular attention to the phenomenon of organized crime thriving vigorously in transitional democracies, as former authoritarian bureaucrats—in charge of both state assets and mafia-like networks traditionally embedded in local communities—vie for the consolidation of their influences in society. While the incipient anarchy caused by rising organized crime and government

corruption seems to be a transitory woe in some industrializing countries, it appears to establish itself in others as a stable, albeit detrimental, way of social organization. Although most criminal syndicates remain local in nature, many have ridden the wave of globalization to metamorphose into transnational enterprises. In fact, engaging in cross-border transactions and maneuvers is becoming a prerequisite for successful criminal entrepreneurship in the present global era.

Recent observations have also pointed to the role of government corruption as both a proximal determinant and an immediate consequence of worsening organized crime activities.[3] Far from a shock therapy for corruption reduction, political liberalization has made matters worse in most of those countries that embarked on democratic transition in the 1980s and 1990s. Emerging democracies like Argentina, the Philippines, and former Soviet republics that were treated as beacons of hope a decade ago are now prototypes of poor governance. Many believe corruption may well be a transitional phenomenon common in fledgling democracies where procedural reforms are still in need of being buttressed by a firmer liberal culture and more effective institutional guardians.[4] This view has recently been supported by Montinola and Jackman's cross-national studies,[5] which hinted at a non-linear relationship between political democracy and corruption. Data from the 1980s suggest that corruption was typically lower in dictatorships than in partial democracies, but once a threshold has been reached, democratic practices suppress corruption. By eroding the rule of law and the open nature of decision-making, the alliance between criminal organizations and corrupt officials subverts the values of justice, liberty, and democracy through the methodical exploitation of human and institutional weakness.

Organized crime corrupts government officials and weakens citizen support of democratization and market reforms in transitional societies. Moreover, criminal economic transactions and the export of their profits drain the economies of industrializing countries. Proceeds from drug, human, and arms trafficking are routinely laundered and moved into legitimate businesses and commerce to influence or even destabilize the economy. Evidence of collusion between profit-seeking syndicates and terrorist and insurgent groups is growing, as networking for survival and success has become the strategy of choice among illegal organizations.[6] Criminal syndicates are able to carry out all these threats to the stability of a nation and to the physical and economic security of its citizens because they display credible threat of violence. Although the short-term security threat posed by criminal syndicates to nation states is limited to sporadic violent challenges of state control of population and territory, in the long run the erosion of the rule of law, the distortion of local or national economies, and the bridging with international terrorist organizations could directly threaten the survivability of a nation state.

Concerns at the outbreak of organized crime that has accompanied post-Cold War democratization are growing, and have already prompted international collaboration to understand and control the problem. The United Nations Office on Drugs and Crime and the International Criminal Police Organization (Interpol) are the leading supranational bodies in this world-wide effort to curb organized crime through technical assistance and intelligence-sharing. These logistic and strategic initiatives are in need of being guided by a body of tested knowledge on organized crime dynamics that is based not on insular examples from single societies but on common experiences from a number of countries. One of the most urgent issues that must be investigated on such a comparative basis is the link between democracy and organized crime. As organized crime maintains a high degree of symbiosis with its environment, political conditions propitious for organized crime activities need be identified to enable governments to develop tools and strategies to fight back more effectively.

Research on organized crime has encountered a number of methodological obstacles. The issue of measurement stands out as a major problem, and has effectively undermined the study of organized crime as a quantitative science. In this paper two models of the democracy-organized crime relationship are described, and these hypotheses evaluated with data from 59 industrializing and industrialized countries. The purpose of the study is twofold: first, to advance viable theoretical propositions to account for variations in organized crime activities across countries with different extents of democratic governance; and second, to contribute to the establishment of empirical grounds for future debate.

Levels of democratization and organized crime: hypotheses

Although the dramatic encounters of post-Cold War emerging democracies with organized crime have made headlines around the world, the experiences of these democratizing or newly democratized countries are actually very similar to those of advanced Western democracies. These similarities include the following:

- organized crime flourishes best in newly deregulated market economies;
- it seeks to penetrate political institutions; and
- it takes cynical advantage of liberal-democratic legal systems.[7]

A boom in organized crime activities appears inevitable during the initial stages of the democratization process, when institutional and normative dislocations provide ample opportunities for criminal syndicates.

When rampant organized crime activities and public corruption besiege a country, its criminal justice system is forced to take the moral leadership to reweave the fabric of the community, through effective restoration of public safety and the rule of law. Different paths could be pursued depending on the relative strength of the link between organized crime and government corruption, and the ability of the criminal justice system to combat these two forces. Major responses to the threat of rising organized crime include a return to authoritarian rule, a deepening of democratic reforms, or the entrenchment of a mafia state.[8] After all, democratic progression does not rely on an inherent inertia, but requires a continuous and deliberate effort at securing fair and open elections, the protection of individual liberties, and governmental transparency and accountability as the only framework for seeking and exercising political power.[9] The question then concerns the shape and direction of the connection between democracy and organized crime, should a country choose to *consolidate* their democratic institutions by further strengthening citizens' rights to directly participate in political processes. Two of the most plausible probabilistic models are outlined below: the simple linear hypothesis and the concave (inverted U-shape) curvilinear hypothesis.

The linear hypothesis

This linear theory is straightforward, positing a direct association between level of democratization and level of organized crime. The replacement of non-democratic institutions and values with democratic ones is never immediately completed in transitional societies with a long history of authoritarian or totalitarian tradition. Because of the anarchy resulting from the institutional and normative dislocations, young democracies routinely suffer high levels of corruption, organized crime, and political bickering.[10] The continued expansion of individual rights vis-à-vis state powers, the privatization of state-owned enterprises, and

delays in the formation of a professional and independent judiciary create numerous opportunities for collusion between unscrupulous officials and criminal groups. As the democratic reforms continue, the symbiotic existence of criminal syndicates within a pluralist society becomes an integral part of society, and fosters the emergence of an electoral kleptocracy or democratic mafia state. Therefore, organized crime thrives as political rights and participation increase. The mathematical expression of this linear hypothesis is as follows:

$$Organized\ crime = \alpha + \beta\ democracy$$

The concave curvilinear hypothesis

This parabolic mound-curve theory hypothesizes instead that as popular participation in political processes increases, to a certain point organized crime activities also increase; but after that point, organized crime activities decrease with the growth of democracy. Organized crime, which is in essence a form of authoritarianism, and democracy are antithetical principles of social organization.[11] The temporary power vacuum that often characterizes newly born democracies provides the anarchic context in which services by criminal syndicates are demanded.[12]

Democratic reforms that are most easily and quickly implemented include the sudden relaxation of restraints on individual liberties and the shift to free elections to name public officials. These initial institutional changes create incentives and opportunities for the growth of organized crime, which mostly affects democracy through blackmail, violence, and dealing in illicit goods, and it works against the institutions of the state, by corrupting public authorities and agencies, and also against the electoral process through vote-buying. As public safety and the rule of law weaken, the legitimacy of the state erodes. Organized crime can hamper democratic development in the short run, and hence abounds in aspiring democratizing countries.

The flip side of this reality is that as long as the citizenry persists in its struggle for the strengthening of democratic institutions, the grip of criminal syndicates on the society as a whole will be challenged and gradually dismantled. The best weapons to fight organized crime are also the key elements of a liberal democracy. These include the separation of powers, a strong civil society, an efficacious investigative journalism, the rule of law, and open contests for public offices. Some of these elements, particularly the complex mechanisms of democratic social control, take time to develop. Breakthrough in the consolidation of one or more of the listed social or political institutions is likely to trigger the slow but steady retreat of criminal syndicates from public life. This argument also implies that a democratic mafia state harbors contradictory forces and conflicting interests, which would cause it sooner or later to implode and seek a new direction. That is, in the long run a democratic mafia state will become either more democratic and less criminal, or less democratic and more mafia-controlled, thus more authoritarian. Since consolidated democracy deters organized crime, criminal syndicates are more effectively repressed and incapacitated in advanced democracies.[13] The concave curvilinear hypothesis is mathematically represented by the following polynomial equation:

$$Organized\ crime = \alpha + \beta_1\ democracy - \beta_2\ democracy^2$$

Sample, data, and methods

The sample is composed of the 59 countries that participated in the 2000 Executive Opinion Survey conducted by the Center for International Development, based at Harvard University, and the World Economic Forum (WEF) (see Appendix).[14] A total of 4022 business executives were selected and surveyed in a random design, stratified by economic sector, for an average

of 68 responses per country. Face-to-face interviews were conducted to allow clarifications where necessary. The index of organized crime was constructed based on responses to the question of whether organized crime imposed significant costs and was a burden to businesses. Although perceived levels of organized crime activities are rather rough proxies for actual organized crime rates, they nevertheless represent an important improvement over the past exclusive reliance on jurisdiction-specific qualitative data, in the absence of more objective measures (eg the number of criminal syndicates, the number of crimes perpetrated by those syndicates, or the economic costs associated with their activities). Rather than an official tabulation of incidents reported to the authorities, which would be inflicted by the problem of under-reporting due to fear of retaliation or to the perceived uselessness of involving police, a cross-national survey of business leaders' perceptions and experiences more resembles victimization surveys, in which 'dark figures' from the official reporting and recording system are somewhat reduced, though at the cost of incorporating disturbances associated with the subjective interpretations of respondents. As far as cross-national measurement of organized crime is concerned, the WEF index is the only one available.[15]

The widely used political rights index computed by the Freedom House, which measured the level of citizens' rights to vote and to be elected, as well as to become involved in other political activities, provided the indicator of democracy.[16] The effects of six potential social, economic, and demographic correlates of organized crime were controlled for in multivariate analyses: black market activities, homicide rate, purchasing-power parity, unemployment rate, urban population, and youth population. Information on these control variables was obtained from official publications of the Heritage Foundation, Interpol, the Central Intelligence Agency, the International Monetary Fund, and the United Nations.[17] Table 1 displays the basic associated statistics.

Table 1. Description of variables (N = 59)

Name	Description	Mean	Std. dev.
Dependent variable			
Organized crime*	Organized crime does not impose significant costs on businesses and is not a burden[18]	4.94	1.42
Control variables			
Black market activities*	Black market index[19]	2.49	1.38
Homicide rate	Volume of murder per 100,000 inhabitants[20]	9.66	20.61
Purchasing-power parity	Purchasing-power parity[21]	1.55	3.29
Unemployment rate	Unemployment rate[22]	9.62	8.06
Urban population	Urban population as percentage of total population[23]	68.91	19.45
Youth population	Population under 15 as percentage of total population[24]	24.76	8.07
Independent variables			
Democracy index*	Political rights index[25]	2.22	1.73
Democracy index squared	Squared political rights index[26]	7.59	11.77

* Item scores were inverted in statistical analyses (by multiplying by -1) to harmonize the scaling with variable names and to facilitate straightforward interpretation of results.

Bivariate and multivariate analyses were performed using ordinary least-square procedures to test the validity of the two hypotheses. A second-degree polynomial (quadratic) function for the democracy variable was estimated in order to model the nonlinear proposition.

Results

Bivariate findings

Democracy exerted a negative impact on the perceived level of organized crime activities at the bivariate level (Pearson r = -0.194); this association is statistically non-significant and substantively weak (see Table 2). It showed that without holding confounding influences from other variables constant, more democratic countries experienced a smaller amount of organized crime activities. This finding rejected the linear hypothesis that deepening democracy further allows larger scope for the survival and success of criminal syndicates. No evidence was available at this level to assess the viability of the concave curvilinear hypothesis.

Table 2. Bivariate correlations (N = 59)

	1	2	3	4	5	6	7	8	9
Dependent variable									
1. Organized crime	---								
Control variables									
2. Black market activities	.607***	---							
3. Homicide rate	.527***	.322*	---						
4. Purchasing-power parity	-.034	-.101	-.063	---					
5. Unemployment rate	.335*	.554***	.421**	-.126	---				
6. Urban population	-.327*	-.484***	-.070	-.032	-.397**	---			
7. Youth population	.376**	.658***	.362*	-.134	.502***	-.448***	---		
Independent variable									
8. Democracy index	-.194	-.501***	.014	-.022	-.361**	.314**	-.520***	---	
9. Democracy index squared	.103	.440***	-.047	.069	.382**	.364**	.459***	-.973***	---

* p<0.05 ** p<0.01 *** p<0.001

The statistically significant correlation coefficients observed for the control variables confirmed the need to include them in multivariate analyses. Organized crime imposed heavier costs and burdens on businesses in countries with higher black market activities, higher homicide rates, higher unemployment rates, lower urbanization, and higher youth populations. Changes in purchasing-power parity (the relative economic wellbeing provided by the average income) was practically totally independent of changes in the level of organized crime.

Multivariate findings

Regression models yielded unambiguous results, and categorically supported the empirical superiority of the concave curvilinear hypothesis. The linear equation demonstrated a very satisfactory goodness of fit (R^2 = 0.527) and accounted for 53 per cent of the variation in the perceived activism of criminal syndicates (see Table 3). The explanatory power of the model was completely driven by five of the six control variables, especially by the very strong performance of the black market and homicide variables. The democracy index, in contrast, played no role at all in explaining the outcome variables (regression coefficient = -0.001; standardized coefficient = -0.001). Even the weak linear negative connection between democracy and organized crime reported in the bivariate section appeared to be largely spurious in this model. Linearity did not fit the data.

Table 3. Results from multiple regression analyses (N = 59)

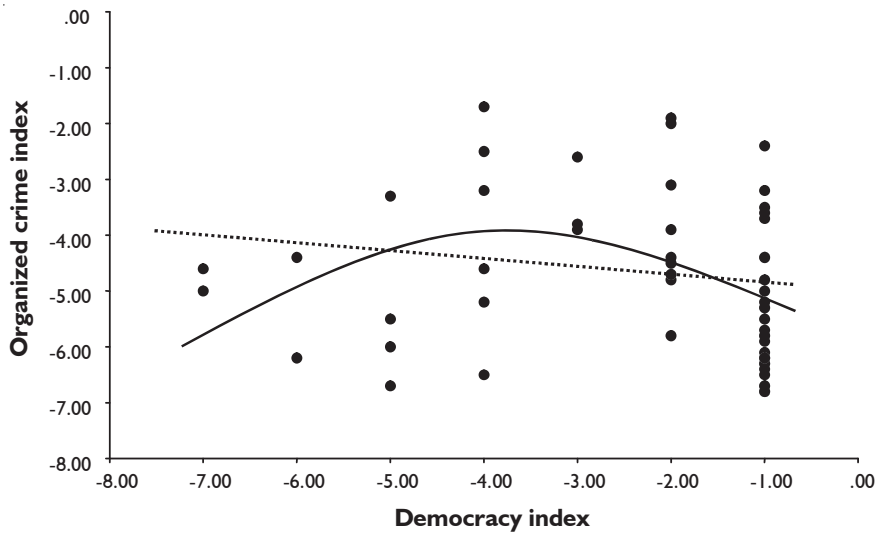
	Linear model		Curvilinear model	
	B (SE)	Beta	B (SE)	Beta
Control variables				
Black market activities	.594 (.167)	.579**	.435 (.162)	.425*
Homicide rate	.032 (.009)	.453**	.029 (.008)	.428**
Purchasing-power parity	.004 (.048)	.009	.027 (.045)	.064
Unemployment rate	-.027 (.025)	-.156	-.004 (.025)	-.022
Urban population	-.011 (.010)	-.145	-.022 (.010)	-.298*
Youth population	-.027 (.029)	-.155	-.047 (.027)	-.266
Independent variables				
Democracy index	-.001 (.115)	-.001	-1.279 (.448)	-1.564**
Democracy index squared	---	---	-.187 (.064)	-1.568**
R^2	.527***		.613***	
Incremental R^2	.527***		.085**	

* p<0.05 ** p<0.01 *** p<0.00

When the second-degree polynomial term (democracy index squared) was added in the curvilinear equation, the goodness of fit improved by about nine percentage points over the already very large R^2 of 0.527 of the linear equation. Not only did the curvilinear model as a whole produce an even more impressive R^2 of 0.613, but also the democracy variables attained a statistical significance level of 0.01. The negative sign that accompanied the polynomial term indicated that the statistically and substantively significant parabolic relationship between democracy and organized crime was concave in shape and direction, as predicted by the

concave curvilinear hypothesis. All things being equal, there was a positive linear association between democracy and organized crime among low-democracy countries. But as the level of democratization rose to a certain point, this relationship took a different direction. Beyond that point, organized crime decreased with higher democratic achievements. On average, countries that had some democracy suffered higher levels of organized crime than those scoring lowest on the democracy scale, but societies with the most solid democratic institutions were able to enjoy an environment free of organized crime, to an extent comparable to or better than extremely authoritarian societies. In other words, citizens in advanced democracies were generally both free to exercise their political rights and free from the threats of criminal syndicates.

Figure 1. Scatterplot: democracy and organized crime (N = 59)



Since the point at which the observed curvilinear relationship changed direction can be estimated as $X = -\beta_{\text{democracy index}} / 2\beta_{\text{democracy index squared}}$, it is possible to determine the minimum level of democratization that was needed for a country in this sample to benefit from the mafia-controlling effect of democratic institutions (see Figure 1).[27] The obtained point *X* of -3.42 revealed that this democracy index score was the point at which the mean of organized crime index was at its maximum. According to this probabilistic assessment, Colombia, Indonesia, Jordan, Russia, Turkey, Venezuela, Brazil, Mexico, and Ukraine were reaching or had reached the turning point of their democratic progression, and would likely start to witness decreases in organized crime activities as a direct consequence of ever-strengthening democratic institutions. In contrast, nations or societies such as China, Vietnam, Egypt, Zimbabwe, Hong Kong, Malaysia, Peru, and Singapore were still on their upward climb in organized crime control. Despite their apparently low levels of organized crime activities, further democratic reforms were likely to unleash the opportunistic vigor of criminal groups in their societies, at least temporarily. For the remaining countries in the sample that had passed the critical point, sustained efforts at improving democratic processes would keep reducing the disturbances from criminal syndicates in their economies and politics.

Conclusion

No comparative statistical studies on the relationship between democracy and organized crime have ever been conducted before. This cross-national study demonstrates that such a connection exists, and it is nonlinear. It is also interesting to note that although advanced Western market democracies tend to experience lower levels of organized crime activities than other industrializing countries, important variations exist within industrialized and industrializing countries. For example, Italy looks only slightly better than Ukraine despite its much lengthier democratic career, whereas Egypt, Singapore, and Israel showed lower levels of organized crime interference in their business environment than the US, even though the latter is often seen as a bulwark of freedom and popular sovereignty. These counterintuitive cases suggest that democracy is made and not born, and that old democracy does not necessarily equal strong democracy. Also, macro-level factors other than democratic institutions, such as cultural and religious traditions, could also have powerful curbing effects on national levels of organized crime activities. Given the underlying developmental assumptions of the curvilinear theory of democracy and organized crime, corroboration from longitudinal examinations with panel data will be critical in upholding the findings reported in this paper. All in all, practical considerations from the results of this study call for continuous support of emerging democratic societies in their struggle for universal political rights and for freedom from harassment and victimization by criminal syndicates.

Democracy by itself does not automatically cure the malady of organized crime, but it can make it more visible and heighten the need to address the problem. Organized crime is certainly present or even widespread in nations that have recently abandoned authoritarian rules. In these countries, racketeering, extortion, and corruption are often tied to the election process itself. Vote-buying and voter intimidation become more attractive and more common as criminal syndicates manipulate ballots to influence election outcomes in exchange for financial and political benefits. It comes as no surprise that elected politicians with notorious criminal records or ties are not infrequent in transitional democracies.

Societies often react to the threat of organized crime by militarizing their institutions and practices. Individual rights are curtailed to facilitate state operations, law enforcement agencies adopt military hardware and doctrines, and a civil war ideology replaces the due process of law as the philosophical backbone of the judicial process. It is believed that security is best enhanced through the creation of a martial society. The true challenge is to maintain the course of political liberalization without reverting to authoritarian practices, either by choice or by force (dictated by the emergence of a mafia state). When political leaders opt to temporarily roll back liberal achievements to control organized crime, they risk causing lasting institutional damage to their country. It would be preferable to implement mafia-control measures that also strengthen liberal democratic institutions.

An effective mafia-control approach consistent with democratic ideals will seek security through a balanced development of state capacity, market efficiency, and a strong civil society. State-related impediments to the success of any anti-mafia strategy could be many, but the most serious is a corrupt and partial judiciary. An ethically compromised judiciary means that the legal and institutional mechanism designed to curb organized crime, however well-targeted or efficient, remains crippled. All effective efforts to improve judicial conduct and raise public confidence in the rule of law are good anti-mafia measures. It is also important to encourage judicial accountability, without compromising the principle of judicial independence. Technically, judges should be provided with adequate legal tools such as the American Racketeer-Influenced and Corrupt Organizations (RICO) statute and the witness protection program, rather than elite paramilitary units.

Evidence from past studies has shown that since criminal syndicates take advantage of non-competitive markets to develop monopolistic or oligopolistic influences through extortion, bid-rigging, price-fixing, bribery, or cartel agreements in particular industries, all effective measures to encourage open and competitive markets are good anti-mafia policies.[28] Enforcement of antitrust laws protects competition, and less state intervention in the production, distribution, and consumption of economic goods and services increases efficiency. The health of two particular industries exercises an extremely decisive impact on the prospect of criminal organizations. The first is the security industry, which consists of businesses providing surveillance and protection services to other commercial entities or individual citizens. A well-regulated security industry builds up public safety and increases the tactical availability of state police resources. Unfortunately, it has been shown to be especially vulnerable to organized crime infiltration in virtually every human society, often with the tacit approval of legitimate authorities.[29] The second is the news industry, which is arguably the most critical anti-mafia economic activity. A news industry dominated by a few state-owned enterprises is unlikely to give birth to an energetic and impartial investigative journalism specializing in the publicizing of information about wrongdoing that affects the public interest, based on the work of reporters rather than on information leaked to newsrooms.[30] No democracy can prevail in its struggle against organized crime without a long-term commitment to foster and maintain an independent judiciary and active investigative journalism, two democratic institutions slow to take root. Together these institutions expose, detect, and punish abuses against ordinary citizens and businesses perpetrated by both the state and underground criminal syndicates, and hence constitute the pillars of a mafia-free democracy.

As suggested by many observers and analysts, the last anti-mafia bulwark needed in a liberal democracy may well be a vibrant civil society composed of groups and organizations acting independently of the state and market to promote diverse security and safety interests in society, rather than the electoral processes themselves.[31] Social capital, the informal relations and trust which bring people together to take action, provides opportunities for participation and gives voice to those victimized by criminal organizations, who may be locked out of more formal avenues to voice their discontents. Although non-government organizations (NGOs) also risk being co-opted by criminal syndicates to mask and promote criminal interests, those local NGOs that have successfully networked with pertinent supranational bodies and/or international NGOs are empowered to pressure local government authorities for effective control of organized crime activities and official corruption, as well as to collect and disseminate information on organized crime activities with the help of foreign or local investigative journalists. They can also help to develop new economic alternatives to mafia-controlled vice economies. Again, the success of civil society in promoting security against the threat of criminal syndicates largely depends on its capacity to foster domestic solidarity across social sectors and transnational networking with anti-corruption, law enforcement, and human rights entities.

Current popular revulsion toward ‘mafia politics’ in struggling democracies signals a critical point in the progression of these societies toward democracy-compatible security.[32] A failure to find a solution within the limits of the rule of law and popular participation could throw away either freedoms and liberties or national security and public safety, or all of these. Findings from this study of 59 countries encourage political leaders and ordinary citizens alike to combat criminal organizations by strengthening their liberal and democratic institutions, because after all the latter pave the shortest way to lasting internal peace and security.

Appendix. Sample of countries

Country	Democracy index	Organized crime index	Country	Democracy index	Organized crime index
Argentina	2	4.40	Japan	1	5.00
Australia	1	6.30	Jordan	4	6.50
Austria	1	6.70	Korea, South	2	4.80
Belgium	1	5.30	Luxembourg	1	6.80
Bolivia	1	5.20	Malaysia	5	5.50
Brazil	3	3.90	Mauritius	1	4.80
Bulgaria	2	3.10	Mexico	3	2.60
Canada	1	5.80	Netherlands	1	5.70
Chile	2	5.80	New Zealand	1	6.20
China	7	5.00	Norway	1	6.20
Colombia	4	1.70	Peru	5	3.30
Costa Rica	1	3.70	Philippines	2	3.90
Czech Rep.	1	4.40	Poland	1	3.60
Denmark	1	6.80	Portugal	1	6.30
Ecuador	2	2.00	Russia	4	2.50
Egypt	6	6.20	Singapore	5	6.70
El Salvador	2	1.90	Slovakia	1	3.20
Finland	1	6.80	South Africa	1	2.40
France	1	6.30	Spain	1	6.10
Germany	1	5.90	Sweden	1	6.20
Greece	1	5.80	Switzerland	1	6.40
Hong Kong	5	6.00	Taiwan	2	4.70
Hungary	1	4.40	Thailand	2	4.70
Iceland	1	6.70	Turkey	4	5.20
India	2	4.50	Ukraine	3	3.80
Indonesia	4	4.60	U. Kingdom	1	6.20
Ireland	1	5.30	United States	1	5.50
Israel	1	6.50	Venezuela	4	3.20
Italy	1	3.50	Vietnam	7	4.60
			Zimbabwe	6	4.40

Note: Both democracy and organized crime index scores are inverted (by multiplying by -1) in statistical analyses to harmonize the scaling with variable names and to facilitate the straightforward interpretation of results.

Notes

1 Hung-En Sung is a research associate at the National Center on Addiction and Substance Abuse at Columbia University, New York; email: hsung@casacolumbia.org.

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5 Monitola and Jackman, op cit.

6 The incidence of a connection between terrorism and organized crime appears to be rising, as international cooperation for combating both main sources of post-Cold War insecurity intensifies, effectively reducing the self-sufficiency of these illegal organizations. In South America, the leftist 'Revolutionary Armed Forces of Colombia' control lucrative coca fields that finance a terror campaign against the government, and have received training to improve their bombing skills from experts affiliated to the Irish Republican Army. In the Philippines, the Abu Sayyaf group kidnaps people to sustain its separatist dreams. In Sri Lanka, the violent Tamil Tigers maintain contacts with arms traffickers from former Soviet republics, and have a fleet of stealthy vessels for smuggling contraband across the Indian Ocean. In Uzbekistan, heavily armed Islamic militants run a protection racket for opium traffickers. And after the fall of the Taliban, three Al-Qaeda operatives were rearrested in Hong Kong in September 2002 for an alleged scheme to use profits from illicit drug sales to finance the purchase of Stinger missiles for their beleaguered terror network. For a detailed theoretical discussion of the strategic networking among criminal and terrorist groups, see Arquilla, J. and Ronfeldt, D. (eds) (2001) *Networks and Netwars: The Future of Terror, Crime, and Militancy.* Santa Monica, CA: Rand Corporation.

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8 Kelly, J.A. (1998) The Mafia Threat to Freedom in Russia. *Journal of Social, Political, and Economic Studies.* Vol. 23, No. 2, pp 121–45.

9 Democracy may currently be the most common form of governance and polity in the world, but outside of the rich industrialized countries it tends to be shallow, illiberal, and poorly institutionalized. See Diamond, L. (1997) In Search of Consolidation. In Diamond, L., Plattner, M.F., Chu, Y.H. and Tien, H.M. (eds) *Consolidating the Third Wave Democracies.* Baltimore, MD: Johns Hopkins University Press; Zakaria, F. The Rise of Illiberal Democracy. *Foreign Affairs.* Vol. 76, November/December, pp 22–43.

10 Cohen, A. (1995) *Crime and Corruption in Eurasia: A Threat to Democracy and International Security*. Washington, DC: Heritage Foundation; Skaperdas, S. and Syropoulos, C. (1995) Gangs as Primitive States. In Fiorentini, G. and Peltzman, S. (eds) (1995) *The Economics of Organized Crime*. New York: Cambridge University Press; Chu, Y.H. and Diamond, L. (1999) Taiwan's 1998 Elections: Implications for Democratic Consolidation. *Asian Survey.* Vol. 39, No. 5, pp 808–22; Volkov, V. (2000) The Political Economy of Protection Rackets in the Past and the Present. *Social Research.* Vol. 67, No. 3, pp 709–44.

11 Shelley, L.I. (1999) Transnational Organized Crime: The New Authoritarianism. In Friman, H.R. and Andreas, P. (eds) *The Illicit Global Economy and State Power.* New York: Rowman & Littlefield.

12 Skaperdas, S. and Syropoulos, C. (1995) Gangs as Primitive States. In Fiorentini and Peltzman, op cit.

13 A recent review of research on modernization and traditional violent and property crime has reached a similar conclusion: that crime rates will increase, and then level off over time during the development process, as the breakdown of old social control mechanisms is gradually remedied by newer sets of values and controls. Howard, G.J., Newman, G. and Pridemore, W.A. (2000) Theory, Method, and Data in Comparative Criminology. In Duffee, D. (ed.) *Measurement and Analysis of Crime and Justice.* Rockville, MD: National Institute of Justice.

14 The original purpose of the Executive Opinion Survey is to obtain information about firm-specific attributes (ie firm size, business strategy, competition, operation costs, etc) and about country-specific attributes that are not well recorded in existing data sources (ie quality of legal system, government policy, infrastructure, etc). As with any survey, there will always be questions about the extent to which facts and perceptions of facts are confounded. Nevertheless, results from validity

and reliability analyses have demonstrated that where there is overlap between alternative quantitative sources and survey ratings, the two are positively and highly correlated. It is also worth noting that even one of the 'hardest' economic measures, the GDP, ultimately relies on a great deal of surveying. For a more detailed description of the survey methodology employed, see Porter, M.E., Sachs, J.D., Warner, A.M., Cornelius, P.K., Levinson, M. and Schwab, K. (2000) *The Global Competitiveness Report 2000.* New York: Oxford University Press.

15 The survey of business leaders and market analysts is becoming an important method of data collection for the comparative analysis of white-collar and organized crime, with the Corruption Perceptions Index developed by the transnational watchdog Transparency International being one of the best known.

16 Karatnycky, A. (2001) *Freedom in the World: The Annual Survey of Political Rights and Civil Liberties, 2000-2001.* Somerset, NJ: Transaction.

17 Holmes, K.R., Kirkpatrick, M. and O'Driscoll, G.P. (1999) *2000 Index of Economic Freedom.* Washington, DC: Heritage Foundation; International Criminal Police Organization (2001) *International Crime Statistics 1999.* Lyon: Interpol. Central Intelligence Agency (2001) *The World Factbook 2001*. Dulles, VA: Brassey's; International Monetary Fund (2002) *The World Economic Outlook Database*. Washington, DC: IMF. At *http://www.imf.org/external/pubs/ft/weo/2002/01/data/index.htm*; United Nations Development Programme (2001) *Human Development Report 2001: Making New Technologies Work for Human Development.* New York: Oxford University Press.

The indicator of black market activities is a composite measure created by economists at the Heritage Foundation. The construction of this factor relies on Transparency International's popular 'Corruption Perceptions Index' (CPI) and on the Heritage Foundation's own 'Economic Freedom Index'. For the purposes of this variable, the larger the black market in a particular country, the lower the level of economic freedom and the higher the level of corruption; and the more prevalent black market activities are, the worse the score. Conversely, the smaller the black market, the higher the level of economic freedom and the lower the level of corruption; and the less prevalent these activities are, the better the score.

18 Porter, M., Sachs, J., Warner, A., Schwab, K., Cornelius, P.K. and Levinson, M. (eds) (2000) *The Global Competitiveness Report 2000*. World Economic Forum. New York: Oxford University Press.

19 O'Driscoll *et al*, op cit

20 International Criminal Police Organization (2002) *International Crime Statistics 2000.* Lyon: Interpol.

21 International Monetary Fund (2000) *World Economic Outlook, October 2000*. Washington, DC: IMF.

22 Central Intelligence Agency (2002) *The World Factbook, 2002*. Dulles, VA: Brassey's.

23 United Nations (1999) *Human Development Report 1999*. New York: Oxford University Press.

24 Ibid.

25 Karatnycky, op cit.

26 Ibid.

27 Alan Agresti and Barbara Finlay (1997) *Statistical Methods for the Social Sciences.* 3rd edn. Upper Saddle River, NJ: Prentice Hall.

28 One very good example is the institutionalized system of bid-rigging in Japan's public construction market, which has nurtured the Japanese criminal syndicates for decades and facilitated their emergence as billion-dollar investors in the world's second-largest economy and beyond. See Woodall, B. (1996) *Japan under Construction: Corruption, Politics, and Public Works.* Berkeley, CA: University of California Press; Kaplan, D.E. and Dubro, A. (2003) *Yakuza: Japan's Criminal Underworld.* Expanded edn. Berkeley, CA: University of California Press; Lintner, B. (2003) *Blood Brothers: The Criminal Underworld of Asia.* New York: Palgrave Macmillan.

29 Government complicity in the existence of a security industry infiltrated by criminal syndicates can even been found in relatively advanced market democracies. For example, the Ulster Royal Constabulary allowed the Irish Republican Army to become the *de facto* police force of several Catholic 'no-go' neighborhoods in Belfast, in exchange for IRA warnings about impending bombings. Also, the Japanese tolerated or ignored violence committed by the Yakuza against other organized crime elements by treating it as the needed self-policing of the underworld. For more discussion of the role of public and private policing in dealing with criminal organizations in liberal democracies, see Bayley, D.H. and Shearing, C.D. (2001) *The New Structure of Policing: Description, Conceptualization, and Research Agenda.* Washington, DC: National Institute of Justice.

30 Another market democracy, France, illustrates the importance of media ownership. Before the 1990s, France had never had independent investigative journalism that responsibly played the role of political and social watchdog. The subdued performance of the French press, which had condoned corrupt deals within political parties and overlooked improprieties of government officials for decades, was attributed to two factors. First, legislators were very reluctant to support robust legal guarantees for freedom of speech, and effectively silenced the press through potential libel suits against reporters. Second, the dominance of the news media market by a few state-owned enterprises greatly discouraged competition between media agencies. Things started to change when a handful of maverick judges initiated a number of high-profile corruption investigations with wide coverage in *Le Monde*, a news agency whose journalists are its main shareholders. See Pujas, V. (2000) *Corruption via Party Financing in France.* Berlin: Transparency International.

31 An important role of a strong civil society is to limit the development of clientelism, in which the state creates the appearance of legitimacy among groups and individuals, criminal or non-criminal, whose interests have been met by favoritism in the allocation of public resources. See Bayart, J.-F., Ellis, S. and Hibou, B. (1999) *The Criminalization of the State in Africa* (Bloomington, IN: University of Indiana Press; Reno, W. (1999) *Warlord Politics and African States.* Boulder, CO: Lynne Rienner; Ward, T. and Green, P. (2000) Legitimacy, Civil Society, and State Crime. *Social Justice.* Vol. 27, No. 4, pp 76–93.

32 Wright, op cit; Bozono, S. (1998) Yakuza on the Defensive. *Japan Quarterly.* Vol. 45, No. 1, pp 79–86; Jamieson, A. and Volante, L. (2000) *The Antimafia: Italy's Fight against Organized Crime.* New York: Palgrave Macmillan.