Organized Crime (September 2007)

The term “organized crime” can mean slightly different things to different people. For our purposes, it is enough to say that organized crime is a continuing criminal enterprise that rationally works to profit from illicit activities that are often in great public demand. Its continuing existence is maintained through the use of force, threats, monopoly control, and/or the corruption of public officials.

Other quite serviceable, but slightly different, definitions also exist. For example, some would say that organized crime exists when crime groups specialize in enterprise as opposed to predatory crimes, have a durable hierarchical structure, employ systemic violence and corruption, obtain abnormally high rates of return relative to other criminal organizations, and extend their activities into the legal economy. ¹ Others have opted for a broader definition: “Organized crime consists of organizations that have durability, hierarchy and involvement in a multiplicity of criminal activities”.²

The United Nations Office on Drugs and Crime defines organized crime as a “structured group of three or more persons existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offences in order to obtain, directly or indirectly, a financial or other material benefit” (where a serious crime is a crime that is subject to at least four years imprisonment).³

Legally, there is no precise definition of organized crime that is accepted across the United States. The Organized Crime Control Act of 1970⁴ (the preeminent organized crime law in the nation) declined to pin the term down, in favor of criminalizing damaging activities that organized crime groups tended to participate in, particularly racketeering. The statute defines racketeering as “any act or threat involving murder, kidnapping, gambling, arson, robbery, bribery, extortion, dealing in obscene matter, or [some controlled substance violations] [or one of several enumerated laws, generally involving fraud, corruption, transportation of stolen or illegal goods or money laundering].”⁵ Specifically, the federal law states “[i]t shall be unlawful for any person who has received any income derived, directly or indirectly, from a pattern of racketeering activity or through collection of an unlawful debt... to use or invest, directly or indirectly, any part of such income, or the proceeds of such income, in acquisition of any interest in, or the establishment or operation of, any enterprise which is engaged in, or the activities of which affect, interstate or foreign commerce.”⁶

How It Happens

“While America had organized crime before prohibition, it was more diverse, loosely structured, and primarily involved with prostitution, gambling and political corruption on a local level. These activities did not require large organizations. In contrast, prohibition created a need for large-scale distribution networks comprising smugglers, distillers, bottlers, warehouses and trucks as well as numerous retailing outlets. Thus, organized crime, as we know it today, was born.”⁷

Three categories of illicit behavior incorporate the crimes that are implied when one speaks of “organized crime activity.” The three categories are provision of illicit services, provision of illicit goods, and the infiltration of legitimate business. Within each of these categories are more specific crimes, defined by state and federal criminal codes.
The provision of illicit services involves an attempt to satisfy the public demand for money, sex, and gambling that legitimate society does not fulfill. The specific crimes involved include: loansharking, prostitution, and gambling. Loansharking is the lending of money to individuals at an interest rate in excess of that permitted by law. Organized prostitution offers sex for pay on a systematic basis. Gambling consists of games of chance that are not approved by the state. Each of these crimes occurs as a continuing enterprise due to the failure of a sizable portion of the public to obtain money, sex, or gambling in a legitimate way, such as through bank loans, marriage, or state lotteries.

The provision of illicit goods is a category of organized crimes that offers particular products that a segment of the public desires, but cannot obtain through legitimate channels. The sale and distribution of drugs and the fencing and distribution of stolen property are examples of specific crimes in this category. There is a great demand for drugs, such as marijuana, cocaine, Valium, and heroin, that are either illegal or are distributed under very strict regulations imposed by the government. In a similar way, a significant portion of society desires to buy products at the lowest price possible, regardless of where the seller originally obtained them. Due to this demand, organized criminals emerge who “fence” stolen merchandise by buying stolen property and then selling it to customers who do not care from where it came. This stolen property might consist of automobiles, guns, stereo equipment, cell phones, software, or any other product for which there is a high demand.

The third category of organized crime is the infiltration of legitimate business. Labor racketeering and the takeover of waste disposal companies are two examples of infiltration of legitimate business. Labor racketeering involves the use of force or threats to obtain money for insuring jobs or labor peace. This often entails the threat to employers or employees that if money is not paid, there will be no job, or that violence, strikes, and/or vandalism will occur at the company. In a similar way, waste disposal companies in some areas have been taken over through the use of coercion to intimidate legitimate owners to sell the business or to have it operated by an outsider by means of intimidation.

The chart below illustrates this typology of organized crime.

### A Typology of Organized Crime

<table>
<thead>
<tr>
<th>Type of Activity</th>
<th>Nature of Activity</th>
<th>Harm</th>
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</thead>
<tbody>
<tr>
<td>Provision of I illicit Goods and Services</td>
<td>Gambling, lending, sex, narcotics, stolen property</td>
<td>Consensual activities</td>
</tr>
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<td>Infiltration of Legitimate Business</td>
<td>Coercive use of legal businesses for purposes of exploitation</td>
<td>Economic harm</td>
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<td>Non-consensual activities</td>
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<td>Threats, violence, extortion</td>
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<td>Economic Harm</td>
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The provision of illicit goods and services is distinguished most clearly from the infiltration of legitimate business in its consensual nature and lack of inherent violence. Organized crime figures who offer illegal betting, loansharking, or drugs rely on the existing demand among the public to make money. They also rely heavily on return business, so they want the illicit transaction to go well to insure future bets, loans,
and other illicit sales. It is very unusual for criminal syndicates to solicit business in this fashion. Instead, those interested in illicit goods and services seek out the illicit opportunities. Violence plays no inherent role in the activities themselves, although bad debts cannot be collected through the courts, like they can for loans and sales in the legitimate market. Therefore, violence or threats occur when one party to the transaction feels cheated or short-changed, and there is no legal alternative for resolving the dispute. Violence can also occur in an attempt to control or monopolize an illicit market.

The infiltration of legitimate business is more predatory than the provision of illicit goods and services. Here, organized crime groups attempt to create a demand for their services, rather than exploit an existing market as in the case of illicit goods and services. Demands for “protection” money or no-show jobs to avoid property damage, work stoppages, or violence are examples of the predatory nature of the infiltration of legitimate business. In legal terms, organized crime uses coercion or extortion in the infiltration of legitimate business, which involves implied or explicit threats to obtain a criminal objective.

**Costs and Statistics**

The true extent of organized crime is unknown. Characteristic organized crimes, such as conspiracy, racketeering, and extortion are not counted in any systematic way. Other offenses are known only when they result in arrests by police. The problems in relying on police arrests as a measure of criminal activity are apparent: much crime is undetected; some that is detected is not reported to police; and arrest rates go up or down depending on police activity and not necessarily criminal activity. The FBI Uniform Crime Report counts arrests for drug law violations, gambling offenses, prostitution-related offenses, and stolen property offenses. Arrest trends over the last 20 years show a dramatic rise in arrests in each of these categories except for gambling. Gambling has been legalized in many forms in most of the United States during the last 20 years, due to a shift in the public perception from gambling as a “vice” to gambling as a “form of recreation.”

It is important to keep in mind, however, that not all gambling, drug, prostitution, or stolen property arrests have anything to do with organized crime. It is likely that a large number of these arrests were of individuals possessing illicit goods, or engaging in illicit services, absent organized crime connections. No effort has been made in the United States to separate the organized crime versus non-organized cases for these offenses, but other countries have done so. In nations like Ukraine and Belgium, arrests of those who commit crimes as part of larger groups is noted at the arrest stage. The size of the group also becomes part of the official record. In this way, these countries obtain at least a general indication of individual versus organized crimes and can assess the extent to which known organized groups are involved in certain kinds of criminal activity.

Assessing the nature and extent of harm caused by organized crime is difficult because of its multi-faceted nature. For example, women from Asia or Eastern Europe have been deceived into leaving their countries based on promises of work in Western Europe or North America. When they arrive, they are illegal immigrants (or have their passports taken away) and are then forced into prostitution or other forms of exploitative labor. Measuring the cost in human and financial terms is difficult. More than 137 countries have been identified as human trafficking terminals.

Trafficking in persons for sexual exploitation or forced labor is one of organized crime’s largest revenue sources, generating $10 billion annually. Approximately eighty percent of people trafficked are women and 50% are children. Estimates range from 4 million to 27 million people in forced labor, bonded labor, forced child labor, and sexual servitude at any given time. An estimated 600,000 to 800,000 people are trafficked across international borders annually. When combined with domestic trafficking, the total is believed to be between two and four million. About 14,500 to 17,500 people are thought to be trafficked into the United States annually, mainly from Southeast Asia and the former Soviet Union.

In a similar way, software piracy has been a growing problem as organized crime groups have generated illegal copies and distributed unlicensed software in huge quantities. The Business Software Alliance (BSA),
an organization that represents the world’s major software manufacturers, reports that global losses in 2005 from software piracy totaled $33.6 billion with the highest rates occurring in Eastern Europe and Latin America. Piracy has become such a valued production because of its low risk consequences and high returns. Three defendants from the German operation FTP Welt made over one million dollars in a piracy scheme that involved at least 15,000 buyers. After admitting to selling bootlegged software, games and movies, two of the three face a suspended 18 to 24 month sentence.

Interviews with 280 male heroin addicts admitted to treatment programs found high rates of self-reported trafficking that resulted in 6,251 arrests for drug-related crime. Costs to the criminal justice system and for drug treatment were found to average $20,000 per subject per year. With that said, “the number of cocaine addicts in the United States has also dropped from 3.4 million in 1995 to roughly 1.5 million today.”

Illicit drugs are estimated to impose about $160 billion in social and economic costs and $67 billion in direct costs to the United States annually. The illicit drug trade is believed to be valued at between $500 and $900 billion worldwide. Analysts identify cocaine and heroin trafficking as the most profitable criminal activity for transnational groups. The Taliban has been recognized as a contributing factor in the rise of the opium poppy cultivation, used to make heroin, Afghanistan’s production has increased by an astounding 59 percent, making the 2006 crop the largest on record. Afghanistan was responsible for 90% of the world’s opium and also had the distinction of becoming the world’s largest heroin producer. Proceeds have been used by the Taliban to fund attacks on the United States and international forces in Afghanistan.

The United Nations Office on Drugs and Crime performed a study of 40 organized criminal groups in 16 countries, and came to the following conclusions about them:

- Two thirds of the groups have a classical hierarchical type of structure while one third are more loosely organized.
- The majority of the groups are of moderate size, with between 20-50 participants.
- Violence is essential to the undertaking of their activities for the majority of the groups.
- Under half of the groups do not have a strong social or ethnic identity while ethnic-based organizations represent less than a third of the organized crime groups.
- The largest number of groups engaged in only one primary criminal activity.
- In the majority of cases groups are engaged in criminal activities in multiple countries.
- The vast majority of the groups make use of corruption, either extensively or occasionally.
- Just under half of the groups are said to have no political influence, while one third of the groups have an influence at the local/regional level.
- Under half of the groups have extensively penetrated the legitimate economy.
- The largest number of groups cooperated with other organized criminal groups, largely as a source of illicit commodities.
- The vast majority of groups make use of corruption, either extensively or occasionally.

High Profile Examples/Case Studies

In April 2006, the Department of Justice obtained convictions against two Chinese nationals as part of a crackdown against a violent criminal group in New York known as the Yi Ging Organization. These defendants had been included, along with 39 others, in a September 2005 indictment charging racketeering offenses, including extortion, witness tampering, trafficking in counterfeit DVDs and CDs, money laundering, operating a large-scale illegal gambling business, and drug trafficking. The Yi Ging Organization allegedly generated millions of dollars in profits from their counterfeit DVD and CD business. Gang members traveled to China to obtain illegal copies of American and Chinese DVDs, which they then smuggled into the United States, copied, and sold along with pirated music CDs at stores the gang controlled in Manhattan and other parts of New York City.
**Operation French Fry:** In June 2006, an identity theft ring was foiled as eight men were charged with conspiracy, bank fraud and money laundering. The men skimmed account information from debit cards used by more than 100 diners at area restaurants and used the information to steal money from the victims' bank accounts. The United States Postal Inspection Service, IRS Criminal Investigation and U.S. Immigration and Customs Enforcement joined forces in an effort to halt the thriving criminal enterprise believed to have stolen more than $1 million. During the arrest of the defendants, a Lamborghini sports car, approximately $267,484 in cash and more than $92,620 in Postal money orders were seized.22

Traditional (mafia-related) organized crime has remained in the news as the top mafia boss of Canada was extradited to the U.S. in relation to the 1981 slayings of three Bonnano family captains.23 In an apparent crackdown on organized crime, the DOJ unsealed indictments in January 2007 concerning eleven members and associates of the Gambino and Luchese organized crime family and two associates of the Sicilian mafia. They were charged with racketeering, loan-sharking, extortion, bribery of a federal official, money laundering, attempted bank fraud, check forgery, interstate travel in aid of racketeering, and smuggling conspiracy. The two cases represent the culmination of an eleven-month investigation. A scheme to bribe a federal immigration officer to release a member of the Sicilian mafia from federal detention was also revealed.24 In a February 2007 press release, FBI officials announced a superceding indictment charging Bonanno family acting underboss, acting consigliere, and 17 capos, soldiers, and associates for their exploits in racketeering, racketeering conspiracy, conspiracy to commit murder in aid of racketeering, illegal gambling, extortion and extortion conspiracy, loansharking, securities fraud, and narcotics distribution.25

More recently seven members and associates of the Colombo and Luchese organized crime families are indicted on a racketeering conspiracy involving securities fraud, extortion, witness tampering, kidnaping, and money laundering. As of the April 2007, all but one defendant has pleaded guilty to a Colombo family racketeering conspiracy that used extortion to make money from stock manipulation at several brokerage firms. The guilty pleas are the result of a four-year investigation and prosecution of the Colombo Family's infiltration of brokerage firms that specialized in selling “penny” stocks, or stocks of a corporation that traded for under $5. The defendants admitted to exploiting their ties to the racketeering enterprise to further their financial interests in the criminal schemes, by using extortionate tactics to control brokers, cold callers, and others affiliated with branch offices of brokerage firms formerly located in Brooklyn, Manhattan, and Staten Island.26

**The Response/ Current Efforts**

Efforts to combat organized crime focus on both the supply and demand sides. Supply-side approaches include law enforcement efforts to reduce the number of criminal groups and the amount of illicit goods and services available for distribution. Electronic surveillance, the use of informants, and prosecuting criminal enterprises as “racketeering conspiracies,” which allows for extended sentences, are primary tools in the law enforcement repertoire. The USA PATRIOT Act,27 enacted after the terrorist attacks in September 2001, expands the powers of law enforcement to conduct surveillance, searches, and interrogations that include organized crime suspects and legitimate organizations, resulting in debate over how far legal provisions should extend in the effort to combat terrorism and organized crime.28

Specific law enforcement responses include the STOP! (Strategy Targeting Organized Piracy) program, a serious multi-agency effort to crack down on organized criminal networks that produce and distribute counterfeit and pirated goods that resulted in a 98% increase in the number of defendants prosecuted for intellectual property offences by the US Dept. of Justice29. In 2006, the United States budgeted $28.5 million for programs to “boost anti-trafficking law enforcement efforts, identify and protect victims of trafficking, and raise awareness of trafficking as a means of preventing new incidents.”30 Since 2001, more than $448 million from the United States budget has been provided to combat the global fight against human trafficking.31
Demand side efforts include public education and treatment for users to reduce the public demand for stolen property, illegal gambling, narcotics, prostitution, and pornography, that all fuel development of criminal enterprises that cater to such demand.

“For More Information” Links

International Association for the Study of Organized Crime - www.iasoc.net

Nathanson Centre for the Study of Organized Crime and Corruption - www.yorku.ca/nathanson

National Institute of Justice International Center - www.ojp.usdoj.gov/nij/international

Transnational Crime and Corruption Center - www.american.edu/transcrime

Global Organized Crime Project - Center for Strategic and International Studies - www.csis.org/goc

Organized Crime Registry - http://members.tripod.com/~orgcrime


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Endnotes


3. Transnational Organized Crime Convention, Article 2 (a)


