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Immigrants and Organized Crime

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Why are immigrants so often associated with organized crime, and what does this tell us about state-building, revenue extraction, social control and the construction of social identities? Current analyses ignore the ways in which states and mafias are mutually constitutive, rather than pure rivals or passive expressions of socially based interests. Consider the literature that focuses on the social sources for organized crime. Sociological analyses stress immigrants' labor market segregation and vulnerability to predation. Transaction cost analyses of organized crime formalize these arguments by noting the difficulties enforcing contracts when property rights are unclear and when markets are characterized by easy entry and the production of undifferentiated commodities. Both conditions give producers (and workers) an incentive to restrict or regulate market entry. In both sociological and transaction cost analyses the state is seen at best as a natural enforcer these restrictions or at worst as an inept or passive enforcer of property rights. Only immigrants and private native actors appear to have interests.

By contrast, the state side literature about organized crime writes out social actors' interests. It sees mafias as embryonic states competing with other embryonic or existing states for incompatible territorial monopolies of violence and revenue extraction (Tilly 1985; 1992). While this approach opens up an analysis of struggles for power, it ignores ways in which states and mafias not only might have some mutual interests, but indeed might be mutually constitutive. States' interests in *efficient* revenue extraction are an important motivation for state building. But state building, as an on-going process that enhances the state's infrastructural power, can create conditions conducive to the *temporary* emergence of organized crime.

This chapter thus makes a how, why and when argument. The why argument centers on revenue extraction; the how argument centers on the ambiguous economic and social effects of mafias; the when argument centers on the kinds of revenue tools available to the state, and the size and social coherence of the immigrant community. Why might states induce mafias? The bulk of the Weberian analysis of states suggests a natural conflict of interest between states and mafias: both are organizations that specialize in routine revenue extraction based on their possession of a territorial monopoly over violence. However, state efforts to extract revenue *efficiently* from immigrant communities are hampered by the fact that those communities are relatively opaque with respect to the state's normal modes of surveillance and made more so by nativist social pressures. Immigrants have not internalized the routines that make natives relatively transparent to the state and easier to tax (Mann 1985; Scott 1998). Nativist social pressure tends to segregate immigrants into informal markets that are also somewhat opaque. Immigrant opacity makes straightforward revenue extraction relatively difficult. Given this, states have to settle for a second best form of revenue extraction, that involves making large swathes of immigrant economic activity illegal, or that acquiesces in the segregation of immigrants into informal parts of the economy. Illegality and informality imposes something like a tariff on immigrant economic activity, particularly because this economic activity often involves moving money, people, and goods internationally. However this 'tariff' revenue is not immediately available to the

state for two reasons. First, illegality/informality makes it difficult to enforce contract in the immigrant population, which should reduce economic activity. Second, as noted, revenue extraction is relatively difficult from immigrants.

How then do states (re-)capture this revenue? Immigrant mafias resolve both the opacity and extraction problems. Not only do they make greater immigrant economic activity possible by enforcing contract, but they also make a larger part of that activity available for harvesting by the formal state through forms of routinized corruption. The analysis thus assumes that transaction cost analyses are probably correct when they assert that mafia (and perforce state) provision of protection is an economically *value-adding* activity.

When is this state constitution of mafias most likely? Immigrant mafias are most likely to emerge when the combined wage and cultural gap between the immigrant and native communities is large, when the immigrant population is sufficiently large to constitute a distinct local community, and when the immigrant population lacks alternative modes of internal organization and dispute resolution. Obviously, a very small immigrant community will neither need nor be able to sustain formal internal governance structures. The narrower the wage/culture gap, the less likely it is that contract enforcement will be a problem for the immigrant community, and the easier it will be for the state to monitor and tax immigrant economic activity. Conversely, the greater the gap, the more likely mafias are to emerge to resolve contract enforcement and the more likely the state or state agents are to encourage this as a second best device for revenue extraction. The fact that immigrants are often executing contracts made in the home country – as with indentures – also hinders contract enforcement. Finally, any alternative forms of contract enforcement obviate the functional need for a mafia, although they do not necessarily rule out its emergence.

With respect to state-building, mafias represent a form of indirect rather than direct rule. But they may help pave the way for direct rule over the longer term, because mafia success in promoting immigrant economic activity eliminates many of the conditions that made an immigrant mafia possible in the first place. Successful capital accumulation and wage stability in immigrant communities paves the way for the routinization of immigrants and their economic activity, enabling the state to revert to its preferred and relatively efficient forms of revenue extraction. A Durkheimian or dialectical point of view thus suggests that existing states have an interest in the emergence of immigrant mafias, rather than the outright conflict implied by the Tilly model of state formation.

In short, I will argue that modern states make mafias to help make modern states and thus unmake mafias over the long term. Transaction costs analysis and the usual sociological studies of state-building reveal necessary conditions for the emergence of immigrant mafias, but they ignore struggles to constitute and maintain state power. The state has a unique ability to define the physical and market terrain in which mafias operate. It is the state's decision to code activities as licit or illicit, its decision to provide or deny enforcement of contract, and its decision to permit or to suppress free competition that brings mafias into being. It is in these decisions that we begin to find sufficient conditions for the emergence of immigrant mafias.

The first part of this paper examines immigrants' labor and capital market situations, arguing (with the literature) that these positions result in weak property rights

and weak property rights enforcement and thus create a vacuum that mafias might fill. It makes a strong distinction between criminal gangs and mafias (or organized crime), which, like states, are specialists in the violent provision of property rights enforcement. The second part looks at the supply side of this equation by focusing on states' efforts at revenue extraction. The third part argues that while the relationship between states and mafias is partly conflictual, it is also mutualistic if not outright symbiotic. This part discusses the state's broader interests in the emergence of immigrant mafias, arguing that mafias help homogenize immigrant communities with the broader community, exposing immigrants and especially immigrant capital to *routine* state predation, and caging immigrants in normal citizen/state routines.

The puzzle

Why are immigrant communities so often associated with organized crime in their new host countries? In the United States, communities of immigrant Irish, Jews (both in the 1920s and 1990s), Chinese, Jamaicans, and especially Italians generated organized criminal groups. So too did immigrant Irish, Jews, Jamaicans and eastern Europeans in Britain. In continental Europe, immigrant eastern Europeans and especially Albanians are associated with mafias. Finally in Japan the *yakuza* are based in what is still a largely un-integrated immigrant Korean community. It is highly unlikely that either immigrants or these ethnic groups have any intrinsic orientation towards criminality. In their native countries, most were reasonably law-abiding. What is it about international migration that induces the emergence of organized crime?

It is important here first to distinguish between crime and organized crime. Organized crime is not simply large scale criminality. Rather, organized crime in its purest form is the business of supplying protection and contract enforcement for both licit and illicit businesses (Schelling 1984:158-178). As Schelling has argued, producing protection and producing illicit goods and services do not necessarily go together. The transaction costs involved in the production and distribution of goods and services determines the degree of integration between illicit production and illicit contract enforcement. Organized crime can also supply protection services for licit businesses, as with provision of insurance against broken windows. Similarly, illicit activities like free-lance prostitution can take place without requiring protection services from mafias. The reverse however is not true: an effort to monopolize organized violence over a defined territory by itself is enough to constitute a group as a mafia.

The same logic applies to established states, which also combine protection services with other kinds of goods and services: a health care organization without a police force, army and taxation capacity is clearly not a state, while a police force, army and tax apparatus without a health care system most clearly is a state. The power to define *and enforce* what is licit – licensed, permitted, lawful – characterizes states.

What then explains the association of mafias and immigrant communities? While immigration is a self-selected behavior, there is no reason to suspect that immigrants are intrinsically prone to criminality (Light 1977; Moya 2005). Transaction cost economics provides a deceptively simple answer that relates to the transaction costs involved in enforcing contracts. Immigrant communities are disproportionately involved in the production of goods and services that are marginal, illicit, or informal, making it difficult or impossible to secure contract enforcement from the state. Mafias provide enforcement

for these contracts. The next section discusses why immigrants are typically involved in marginal, illicit, or informal markets.

Labor Markets

Immigrants almost always are moving up a wage gradient between the average income in their home country and the average income in the host country. Otherwise why migrate? The exceptions to this rule make this clear. Persecuted minorities sometimes migrate to poorer areas, as with European Jews to China and Cuba in the 1930s, or Africans from savannah to desert areas. But here, clearly, the net loss in potential income is secondary to the ability to enjoy any income at all. A few Europeans above and beyond those moving as imperial servants did migrate to tropical colonies, like Kenya, but they were pursuing privileged access to land and labor and thus were moving “up” as well. Nine out of ten European migrants in the nineteenth century went to high wage, temperate zone settler colonies like Australia or Argentina.

Because immigrants are moving up the wage gradient, they pose an immediate and undeniable threat to native workers’ wage levels (Bonacich 1972). This is both a reality of economic theory – an increase in labor supply without a corresponding increase in labor demand – and also a sociological reality. The first wave of migrants almost always is disproportionately males without dependents, and many are “sojourners” planning to return to their home country. Both will accept lower wages than native workers because this low wage is higher than wages back home, and because they are not compelled to bargain for whatever constitutes a family wage in the host country. Instead the family wage level is set their poorer sending country’s conditions (Piore 1979).

Native workers thus typically defend their relatively high wages, stable hours, and benign work conditions by closing immigrant workers out of core labor markets (Piore 1979; Portes 1989). The greater the economic distance between the two communities, the more segregation natives demand. Cultural, linguistic and physical differences exacerbate the economic differences. Minimally natives exclude immigrants from the social networks that convey access to most jobs (Granovetter 1985; Granovetter 1995; Martin 2005, 8). Maximally natives may press for an outright ban on low wage immigration. Thus the early twentieth century Australian labor movement pressed for a “white Australia” policy, which excluded not only Asians but also “dark,” i.e. lower wage, Europeans like Italians and Eastern Europeans (Castles 1989). In between, natives often whip up a moral panic over immigrant practices, inducing the state to label formerly legal activities as illegal. Facing these formal or informal barriers, and lacking language skills and the right sort of social capital, immigrants thus find themselves shunted into peripheral labor markets characterized by informality, dirty, dull, demeaning and dangerous work (4-D jobs), and low wages. When immigrants construct their own networks, these typically center on those same 4-D jobs, where informality makes it harder to assure that both employer and employee complete the labor contract. In addition, many migrants must borrow the cost of their passage. Lenders often resort to violence both to enforce these indenture contracts, and to exploit indebted immigrants.

Immigrants seeking capital for small businesses face the same kind of barriers. Their lack of social ties and credit history shuts them off from regular credit markets, which are biased towards large, known borrowers (Collins 1986, 136-137). Just as in labor markets, immigrants often must create their own credit markets, pooling savings in

order to capitalize a set of businesses serially. This can be informal, like the savings pools of Korean immigrants to the United States, or formal, like the small banks of eastern European Jews (Light and Bonacich 1988; Jones 2005). But as with labor markets, the informality of these loan arrangements makes contract enforcement more difficult. At the same time, local businesses, fearing competition from firms that do not conform to local socially enforced norms of competition and business practice, also close ranks against immigrant capital (Bonacich 1973, 590; Fligstein 2001). Finally, immigrants with human capital often find it impossible to have that human capital validated by the professional groups that control licensing of professionals (Sanders and Nee 1996).

Immigrants' concentration into peripheral labor markets thus may be a *necessary* condition for the emergence of organized crime; if immigrants were easily assimilable (if the wage gradient were small) then mafias would not emerge. But it is not a uniquely sufficient condition, because not all native peripheral/informal labor and goods markets are characterized by organized crime. What matters is not immigration per se, but rather the steepness of the wage gradient between immigrants and natives, and the corresponding cultural gradient. This becomes clear when we consider why many peripheral jobs become the locus of illicit activities. Typical 4D work, like cleaning and day labor, is not inherently illicit. But nativist efforts to exclude immigrants from these and other markets can make them into illicit activities by attaching wage and documentation requirements. Paradoxically, these requirements both price native labor out of the market while also assuring that only cheaper, undocumented (or fraudulently documented) immigrants will take these jobs. Natives excluded immigrants to nineteenth century California this way; current European employment regulations function this way.

Similarly, many crimes of pleasure are crimes only because they are so coded by the state following nativist moral panics. Thus rising opium consumption by middle class Protestant women in the United States during the nineteenth century was transmuted into a panic over Asian immigration, while each economic downturn in twentieth century Argentina is associated with a moral panic over criminality by Latin American, but not European, immigrants (Friman 2000, 11; Albarracin 2003). Prostitution, gambling, and drug use all produce negative social externalities and internalities. Still, these problems are not substantially worse than those caused by other accepted – usually literally licensed – behaviors like alcohol consumption, smoking, or running red lights. It is impossible to determine the direction of causality here, since some crimes of pleasure were coded this way prior to immigrants' arrival.

Still, this coding has predictable causal effects with respect to the emergence of organized crime. Peripheral labor markets and particularly illicit peripheral markets suffer from problems of contract enforcement. If remuneration is low, and if employment is contingent, the costs of writing a formal contract and pursuing its execution in the formal legal system far outweigh any benefits that might arise from enforcing that contract. And the formal legal system is more or less useless for enforcing contract around activities defined as illegal. Immigrants also face language, financial and cultural barriers that hinder recourse to the regular legal system. Female immigrants might lack the voluntary or involuntary protection that male family members afford them, and thus are both vulnerable to and within prostitution. The labor merchants who fund passage for indentured immigrants also have an interest in enforcing a contract that the host state might not recognize (Martin 2005). Thus, for example, Chinese Triad societies organized

the production of sex in formal brothels in Chinatowns in America in the nineteenth century, using indentured female immigrants (Light 1977) much like the modern traffickers Picarelli analyzes in this volume. Entrepreneurs face similar dilemmas moving money across borders, as de Goede shows.

Finally, would be entrepreneurs without access to open credit markets necessarily rely on non-standard forms of finance. In turn this implies an equal reliance on non-standard contracts that the formal courts might have a hard time interpreting and enforcing. All this invites market entry by specialists in the violent enforcement of contract. As long as an exchange is profitable or utility yielding to both sides, those parties are still better off even if they have to divert part of their surplus to a third party enforcer. The default situation – no exchange – yields nothing. By confining immigrants into the informal economy, nativists do not suppress immigrant economic activity, but simply prevent immigrant access to public goods supporting that activity. As Portes and Castells (1989, 12 [original italics]) note, “the informal economy is thus not an individual condition [i.e. a fixed social relationship] but a process of income-generation characterized by one central feature: *it is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated.*” Mafias emerge to regulate this economy.

In the transaction costs analysis, it is social pressure that motivates the state to code immigrant economic activity as illicit; in turn, this spurs a variety of efforts specifically targeting the mafias that then naturally arise. In turn, as an unexpected consequence, more and more activities involving immigrants become characterized by organized crime as contract enforcement becomes more and more difficult. Indeed, in this argument, social groups force states into self-defeating behaviors, because decriminalization would surely reduce the “market” for mafia contract enforcement services (Schelling 1984; Andreas 2003).

Transaction costs analysis thus suggests that participants in peripheral markets have an interest in buying low cost protection and contract enforcement services from mafias (e.g. Schelling 1984; Fiorentini and Pelzman 1995; Gambetta 1993). This literature also argues that the state might shy from extending property rights protection and contract enforcement. I will examine this claim in the next section, but for now let us assume that the nature of peripheral markets invites the emergence of mafias as specialist providers of the same kind of violent contract enforcement states provide in formal markets. In this view, then, the difference between the mafia and the state is merely one of scale – states tend to be bigger, because they service wealthier clients and thus have bigger revenue flows. Nonetheless, immigrant mafias in this view represent a substitute or quasi-state, enforcing property rights and contract in areas the state has ignored, declined to license, or outright made illegal. As a quasi-state, however, mafias pose a threat to the monopoly of violence asserted by the formal state.

States as and versus mafias

The transaction cost analysis of immigrants’ labor and capital market vulnerabilities suggests reasons why mafias might emerge in immigrant communities. But does the formal state not also have an interest in destroying these potential rivals? Clearly a transaction cost analysis ignores struggles for power between states and mafias. But as Charles Tilly (1985) argued, early state-building efforts were barely distinguishable from

mafia activity. Both states and mafias claimed a right to monopolize revenue extraction in a given physical territory; both used those revenues to fund the production of the means of violence; and by producing violence, both potentially enabled the businesses they “protected” to claim rents and to displace their market competitors.

Paoli (2003, 19 and *passim*) particularly insists, in contrast to Gambetta (1993) that mafias are “political organizations in a weberian sense,” operating “a generalized system of extortion...on the main productive activities carried out within their territory.” The origins of the Sicilian mafia itself suggest exactly the same state-building dynamic. Economic elites who were unable to protect their property rights collaborated with and encouraged social bandits to transform themselves into a state in the absence of effective government from the decaying Bourbon state and then its successor Italian state (Paoli 2003, 36, 130-140). The “states as mafias” paradigm thus sees states, and mafias within the territory of those states, as naturally hostile to each other. In this respect it is an advance on arguments that derive state policy solely from natives’ efforts to exclude immigrant communities. By contrast, states versus mafia arguments suggest that the state has its own reasons for attacking mafias.

Mafias undoubtedly threaten established states. But focusing only threats to states’ monopoly of violence without considering the purposes of that monopoly is misleading. States care about revenue extraction as an end in itself, not just as a means to fund violence. Mafias are a threat to states’ tax take as well as their monopoly of violence, because they siphon off revenues generated by immigrant businesses and workers as well as natives’ purchases of illicit goods and services. But given this, the question of decriminalization arises more strongly. Why do states not decriminalize or regularize activities that generate revenues for mafias, and thus (re)capture these lost revenues? Indeed, states stand to capture considerable revenue from decriminalization of are largely price inelastic, addictive goods. Certainly states historically have been happy to tax tobacco, alcohol, prostitution, and gambling. Why do states not generally pursue this alternative strategy?

Michael Mann’s (1985; 1986) distinction between despotic and infrastructural power helps parse this question. State efforts to extract revenue from immigrant communities are hampered by immigrants’ relative lack of homogenization. Immigrant communities are relatively opaque to the state’s normal modes of surveillance. Immigrants have not (yet) internalized the routines that both make natives relatively transparent to the state and that cage natives by structuring/inducing compliant behavior on their part. For Mann, the essence of state power is exactly the development of social routines that allow those who control large scale organizations to extract and deploy resources. The most efficient mode for doing this is infrastructural power, where citizens more or less voluntarily participate in state routines because of an alignment of interests that at least in part reflects a homogenous structuring of their identities around content, routines and causal beliefs that support those state routines. Immigrant opacity and non-routinization hinders state revenue extraction.

Pre-modern states used the threat of despotic power to negotiate *routine* revenue extraction with elites in self-organized immigrant (or minority) communities. The Islamic *mahalla* and millet system are typical examples; in the Ottoman millet, minority communities chose their own leaders who taxed them and offered up this tax revenue to the ottoman state (Chaudhuri 1985, 1990). These pre-modern states did not routinely

pursue the homogenization of those minority populations (Scott 1998; Rae 2002). By contrast, modern states characteristically also pursue population homogenization as a route to infrastructural power. But recognition of and negotiation with self-constituted immigrant community “government” in the pursuit of routine revenues runs counter this homogenization project. Given a choice between homogenization and *routine* revenues, states have to settle for second best, depending on the degree to which immigrant communities are physically, linguistically, culturally, and economically distant from the native community.

What is second best? To make the strongest claim, states deliberately encourage the creation of immigrant mafias in order to have some channel for revenue extraction and population homogenization in immigrant communities. A weaker claim is that states would prefer other forms of immigrant association (Moya 2005), but acquiesce in the emergence of mafias as parallel institutions for extracting revenue and adjudicating disputes inside immigrant communities. Either way, the state has a compelling interest in the temporary emergence of immigrant mafias. Thus, unlike Tilly, I do not see immigrant mafias as purely rivalrous with states. Instead, I argue that state efforts to extract revenue either inadvertently or deliberately encourage immigrant mafias.

From states’ point of view, mafias create an immediate second-best channel for revenue extraction. Mafias accelerate the accumulation of capital in immigrant communities as well as the incorporation of those immigrant circuits of capital into the more general circuits from which the state acquires revenue. Over the long term, capital accumulation in immigrant communities creates conditions under which states can resort to more routine forms of revenue extraction ala Mann. Pursuit of Mann’s infrastructural power is a sufficient condition for the emergence of mafias in immigrant communities. The next sections make this argument in more detail.

Go backwards to go forwards

To see how mafias help states balance the goals of revenue extraction and homogenization, let us consider the relationship between non-modern states and immigrant groups in more detail. Pre-modern, patrimonial states had relatively simple relations with immigrant and minority groups in their midst. Diasporic merchant communities – Jews in Europe, Chinese in Southeast Asia, Greeks in the Levant, the millet communities in the Ottoman Empire – were typically self-regulating, enforcing their own laws on their communities, self-taxing to provide public goods internalized by the community, and self-sequestered, to assure continued solidarity. They largely enforced solidarity through the threat of *social* violence – the threat of exclusion from the community and its networks, and thus social and economic death – rather than physical violence, although in some markets violence was part of the “means of production.” Majoritarian states found it too expensive to adjudicate disputes in these opaque communities. Whose rules should apply? Whose testimony was valid? Would intervention damage state power? Symmetrically, minority communities rarely brought their dirty laundry forward to local authorities.

Local rulers in effect granted these mercantile communities what we would consider an extraterritorial franchise, while self-segregated merchant communities offered a franchise fee – de facto, a tax – to the local ruler. Immigrant communities’ relative opacity meant that a negotiated franchise fee was the best way for a patrimonial

state to extract revenue. Elites, usually councils of merchants within these communities, were responsible for collecting the tax as well as for maintaining order within their quarter of the city, and adjudicating civil and criminal disputes in that community. These communities were tightly integrated economically with but politically autonomous from the majoritarian state in three important ways. First, they depended on a continuous flow of distant goods, intermediated by their fellow communitarians, and delivered to the majority population or other adjacent mercantile communities; this is now considered “international trade,” though at the time this label made no sense. Second, part of the profits from that trade was paid as tribute to the surrounding, majority state. Third, the community leadership constituted a corporate body intermediating between the majority state and the community population. Each activity suggests a dynamic through which modern states, which cannot tolerate open extra-territoriality, bring mafias into being in otherwise opaque communities.

Infrastructural power and revenue

Modern states developed through a series of responses to increasingly harsher challenges to their control over populations, territories and revenues. Though the outlines of this causal narrative are well known, it is worth repeating the usual elements: increasingly expensive wars in Europe forced states to develop and expand novel techniques for revenue extraction. States’ revenue extraction activities increasingly by-passed existing regional elites in favor of direct relations with their populations. States substituted excises on mass consumption commodities for traditional feudal payments, monetized peasant economies, and displaced traditional local tolls in favor of “national” customs levies. For Scott (1998, 2), the pre-modern state was blind: “[knowing] precious little about its subjects, their wealth, their landholdings and yields, their location, their very identity.” Making local populations “legible” – visible to state bureaucracies that wanted to identify, locate, and tax their time, wealth and bodies – was an essential part of this process.

The standardization of weights and measures that occurred under European Absolutism had as its counterpart a similar standardization of people through the homogenization of language, religion, education, local law, and diet. Norbert Elias (1982, 235) noted the connection between monopolies of violence and homogenization:

Only with the formation of this kind of relatively stable monopolies [of centralized violence] do societies acquire those characteristics as a result of which the individuals forming them get attuned, from infancy, to a highly regulated and differentiated pattern of self-restraint; only in conjunction with these monopolies does this kind of self-restraint require a higher degree of automaticity, does it become ... “second nature.”

Making local populations transparent took time and violence (Tilly 1992; Rae 2002). Local elites sometimes mediated that process, using their ability to speak patois and the national language. Those local elites cooperated in a project that inevitably would reduce their power as intermediaries because it gave them the opportunity to translate/transfer their ownership of local knowledge into a new and more mobile form of capital valorized by the state’s imposition of centralized systems of law, education, and taxation (DeSwaan 1988).

Modern states confronting large bodies of immigrants are much like those pre-modern states; mafias are like those intermediating local elites. Immigrant populations are essentially opaque to the modern state. If illegal, they lack “papers” – an identifying number, a registered existence, visibility in the statistical and revenue registers, a history on file with the state (Sadiq 2005). Even different languages, customs, skin tones, dress and habit make legal immigrants illegible to the state. Consider some situations central to our discussion. A white police officer attempts to penetrate a Chinese or Jamaican mafia; a non-Yiddish speaking Protestant attempts to penetrate one of the American Jewish mafias of the 1920s and 1930s. These state agents are immediately identifiable as such, and thus mafias exclude anyone coming in from the majority community as potentially a state agent (Gage 1971; Gambetta 1993). In fact, as of 2003, U.S. law enforcement authorities had succeeded only once in infiltrating their own personnel into a mafia family, as far as is publicly known (Paoli 2003, 28). Meanwhile, all immigrants are potentially mafia members. Lacking inside knowledge, the state cannot differentiate mafia insiders and outsiders.

Why do “stronger” states in Tilly’s sense not have an easier time controlling mafias? First, state efforts to homogenize and regulate behavior after the rise of direct taxation involved systematic efforts to limit access to (some) mood altering chemicals and to (mostly) confine sexual behaviors inside the bounds of marriage. State regulation raises the price of these goods in the market. But this encourages producers to enter those markets, despite their illegality. In turn, producers’ inability to settle contract disputes encourages private dispute settlement and market regulation by mafias. Prohibition of alcoholic beverages in the United States demonstrated this process clearly.

Contrary to Tilly, states with a high degree of infrastructural power are no more likely to be able to displace mafias and assert a monopoly of violence than weak states. On the contrary, strong states are likely to generate ever stronger mafias by increasing the differences between “domesticated” subjects and either new arrivals or older but undomesticated communities. These mafias profit from the ability to enforce contracts for firms that are arbitrating between the kinds of self-disciplines a state expects of its subjects and the kinds of disciplines those subjects are capable of generating. The impossibility of total self-discipline by a state’s subjects assures some demand for mafia services.

Conversely, mafias find their own immigrant communities perfectly legible. Indeed, their command of local knowledge allows them to arbitrate disputes, mete out punishment for infractions of community rules, and more accurately assess the “take” that can be extracted from immigrant community entrepreneurs. The greater the cultural/linguistic difference and economic distance between the native population and the immigrant group, the easier it is for a mafia to emerge on the basis of its superior grasp on the particulars of that community. This matters, because mafias are organized as status communities rather than weberian legal-rational bureaucracies, which is why initiation rituals and symbols – just as in fraternities and the military – loom so large in the formation of identity and loyalty (Gambetta 1993, 100-101, 127 *passim*; Paoli 2003, 65-84). The cultural and symbolic language of these organized groups rests on the cultural capital of unassimilated immigrants.

This probability has both supply and demand side elements. On the supply side, the gap between the native and the immigrant communities provides the nascent mafia

with a unique opportunity to recruit free of fear of state penetration. Indeed, the greater the disparity in cultural practices and family tightness relative to the external community, the more secure mafia recruitment is (Gambetta 1993). This disparity also helps the mafia overcome the natural principal-agent problems that arise in any organization. A steeper gradient between the immigrant community and the majority population lowers monitoring costs for mafia principals. Contacts with extra-communal actors will be obvious. At the same time, the police's reliance on informers within the community gives the mafia the ability to discipline its members (and to attack rival mafias) using selective leaks to the police (Anderson 1995; Fiorentini and Pelzman 1995, 11).

On the demand side, a greater gap between immigrant and native communities increases the probability that community specific businesses will emerge, in which case local business naturally will accommodate itself to mafia provision of contract enforcement services. Without sanitizing this too much, in the extreme example this conforms to the more or less consensual acceptance of communal authority in the pre-modern diasporic merchant communities, once the struggle for power and the right of representation is settled. These days, mafias organize parallel chains of people, money and goods linking immigrant sending and receiving areas.

Finally, immigrant provision of illicit services to the larger community and the continued deviation by immigrant individuals from nativist norms presents a dual challenge to the modern state that goes beyond Weber's apparently indivisible monopoly of violence. If the state's goal is efficient revenue extraction, then the natural rise of immigrant mafias does present a challenge, in so far as those mafias siphon off revenue from both their own community and the native community. This is especially so if the mafia uses its ability to enforce cartel arrangements to push prices above a market price (Gambetta and Reuter 1995).

What then is a state to do? Any all out assault on a mafia is likely to fail in all senses: first, because first generation mafias are opaque and thus difficult to combat; and second, because in the absence of contract enforcement immigrant community economic activity surely will shrink. In both cases the state is unlikely to gain much revenue, though it might deprive the mafia of some of its revenues. Instead, the logical and reasonable course of action is a system of organized corruption in which illicit activity is tolerated for a price. Organized corruption – the systematic extraction of bribes that are parceled out to all levels of the police/judicial hierarchy – channels revenues out of the immigrant community and into parts of the state apparatus. It is a second best taxation system, but a taxation system nonetheless. And it has the side benefit of spurring homogenization.

In 19th century California, roughly one quarter of the price paid to purchase indentured Chinese workers from traffickers went to the police and US consular authorities to secure their indifference (Hirata 1979:10-12). Similarly, Nelli (1969:376-379) suggests that efforts by immigrant Italian communities to self-organize "White Hand" civic organizations to displace "Black Hand" mafias often failed because of police protection of those mafias. Italian and Japanese politics were also characterized by the systematic transfer of cash from mafias to politicians who then tolerated mafia regulation of parts of the economy (and also occasionally enjoyed the mafia's ability to use violence and influence to affect election outcomes) (della Porta and Vannucci 1999; Kaplan and Dubro 2003:97-106).

The corruption of the public bureaucracy that always arises around mafias is not just as a tool the mafia uses to gain extra enforcement leverage over rival mafias and its fellow immigrants (as noted above). Mafias have even more obvious interests in corrupting the formal state apparatus. Doing so gives them access to information that allows them to exert power over their own community – after all the majoritarian state is as opaque to the minority as the minority is to the majority. Doing so also lowers the mafia's costs of production, by allowing them to go about their business without harassment.

But corrupting the formal state also creates a revenue flow into that state, albeit one that is captured more by state agents than the state as an organization. Nonetheless, state agents as a class benefit from this arrangement, even if the state as an abstract entity does not. Without the mafia, the formal state would have a more difficult and expensive time generating revenue from immigrant communities. VAT, sales taxes, and automatic payroll taxes do make it increasingly easier for states to capture revenues even from non-compliant populations. But the nature of illicit business puts large swathes of this off limits even to these tools. Recreational drugs are not usually subject to VAT; illicit gambling houses do not withhold taxes. Corruption is thus a form of despotic revenue extraction. This is particularly so – and particularly obvious – when corruption is institutionalized as a regular hierarchy of payments within the official (native) bureaucracies, as was apparently the case in many large American cities both before and after World War II. The contrast is with petty corruption, in which individual police officers or bureaucrats deal in favors for specific individuals.

Organized corruption is thus a second best form for revenue extraction. It is a risky strategy, because given access to sufficiently large revenues, mafias may be able to literally buy off state agents – that is, transform them into the mafia's agents. The relative scale of mafia and state resources thus matters. Where mafias rival the state in size and revenue, as in Serrano's description of Mexico, mafias and state can become purely rivalrous. But typically immigrant communities are not large enough to threaten the majoritarian state this way.

Homogenization of populations and mafias

States have a dual interest in the emergence of immigrant mafias: revenue and homogenization. A highly homogenized native population creates a steeper and more profitable gradient with the immigrant community and its associated mafia. This steeper gradient also can paradoxically hasten homogenization of the immigrant community. Mafia based contract enforcement makes capital accumulation possible in immigrant communities (Nee, et al., 1994, 850). But successful capital accumulation in turn generates greater and greater demands for both money laundering and new physical and sectoral locations for investment. The need to launder money leads to expanded contacts with the majority population's financial institutions and businesses. Simultaneously, the growing scale of immigrant enterprise at some point requires levels of capitalization that are beyond the capacity of that community. It is also possible that the scale of capitalization tends to create demands for more predictability – weberian formal rationality around capital accounting – than a mafia is capable of providing. Ronen Palan's chapter shows this quite clearly.

Paoli (2003, 11, also 17) notes that a mafia's own efforts to prevent homogenization necessarily trap the mafia in a limited number of small scale businesses: "Very strict recruitment criteria also hinder the internalization of the competencies necessary to compete successfully on international illegal markets and infiltrate legitimate businesses." Moreover, "modernization" – a desired for increased income on the part of the children of mafia members – dries up the pool of available recruits. In Italy, most "families" remain relatively small, with fewer than 100 members, and often only recruiting literally within the family (Paoli 2003, 28-31, 90-91).

The end result is what Light (1977, 469) calls "industrial succession," where illicit and opaque circuits of capital shift into businesses that are more transparent to the state. For example, Chinese capital operating in the U.S. prostitution sector shifted into the restaurant and other service businesses as demand for sexual services declined in the early 1900s. Highly successful immigrant business eventually outgrows its community, and when it does it is both forced to normalize itself (in order to get credit) and desires to normalize itself (to expand or cash out). For example, the collapse of Banco Ambrosiano cost Italian mafias substantial funds they were trying to launder (Paoli 2003, 92). The increasing salience of money as a motivation, and increasing accumulation of money, undermined Italian mafia solidarities in the 1980s and 1990s, opening the way for defections and prosecutions (Paoli 2003, 94-95). Money constantly sought ways to transform itself into capital, with its ability to grow outside the bounds of a small community.

Nee, et al. (1994, 851, 857) report the same process for workers. Immigrant workers who succeed in the informal labor market either shift themselves into stable self-employment or use their new qualifications to secure formal employment. Success gives them easier access to the formal economy, because it helps them acquire the language and social skills needed to navigate the job search process. Success spurs further desires to move on up into the better conditions of the formal labor market. Success also enables them to compete in the marriage market for native spouses, which further enlarges social connections to the formal labor market. And immigrant parents naturally seek to push their children into the formal economy, which offers more stability (Sanders and Nee 1996, 232; Paoli 2003, 11).

Mafias thus can be seen as part of states' repertoire for homogenizing populations. The strongest possible claim would be that states call organized crime into being as a way to incorporate deviant minorities into routine revenue extraction; a more limited claim would be that homogenization emerges as a by-product of state-mafia interaction. Mafias in this sense are self-destructive in more than the obvious sense provided by gang wars. By accelerating accumulation and maintaining employment in the immigrant community, they inevitably enmesh that community's second generation in normal state routines. Larger businesses need accountants and lawyers; acquiring accountancy and the bar normalizes immigrant children, just as the need and desire for access to larger circuits of capital normalizes immigrant businesses. In the absence of continuing immigrant flows that maintain/restore the opacity of the immigrant community, mafias become just another normal business, paying taxes and making campaign contributions rather than offering "bribes."

Conclusions

In this chapter I sought to argue that sufficient causes for the emergence of mafias in immigrant communities could not be sought solely in socially enforced exclusion of immigrants from native capital and labor markets. Instead I argued that the state has a qualified interest in the emergence of mafias beyond a response to nativist pressures to code immigrant economic activity as illicit or illegal. The greater the gap between native routines and immigrant routines, the less transparent immigrant communities are to state efforts at surveillance and revenue extraction. In this situation the second best alternative to no revenue is to code immigrant economic activity as illicit or refuse to provide contract enforcement in order to provoke the emergence of immigrant mafias. These mafias serve as the state's revenue collectors through orderly systems of corruption that supplement salaries in the core state. States also can use mafias in order to recapture revenues from the native population that they would otherwise lose in the purchase of illicit goods and services.

States also have a qualified interest in the emergence of organized crime because mafias speed capital accumulation in immigrant communities. In turn, capital accumulation creates pressure on and incentives for immigrants to enmesh themselves in the state's routines and in native circuits of capital. This homogenization then allows the state to shift from despotic forms of revenue extraction (corruption) to its first choice mode of routinized revenue extraction. Routinizing revenue extraction requires a degree of homogenization of the immigrant population, and accelerating capital accumulation in immigrant communities speeds homogenization.

Most of the time, social and state pressures work in tandem. The incentives inducing both state and (native) society to close markets and induce a mafia are a function of the gap between immigrant and native wage norms and immigrant and native compliance with state routines. The greater the homogenization of the native population and the greater the wage gap, the more likely it is that organized crime will emerge inside an immigrant community. This analysis reveals that states can construct immigrant communities and their mafias as a kind of "on-shore offshore," to steal a phrase from Palan (2003). Organized crime in immigrant communities thus does not reflect state weakness, but rather can be a time limited phenomenon induced by state action.

New bibliographic entries:

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