

Russian Mafia: The Explanatory Power of Rational Choice Theory

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Many philosophers, sociologists, and political scientists defend the claim that rational choice theory can provide the basis for a unified and comprehensive theory of social behaviour. Rational choice models are theoretically generalized to explain the behaviour studied by nearly all social science disciplines, from political science to psychology and sociology. Specific applications include government decision-making; individual consumer decisions; social institutions such as the criminal justice system; and social behaviour in general (Zey, 1988:88). I will use the particular phenomenon of the Russian Mafia to test the conceptual and explanatory consequences of rational choice theory.

According to Gambetta, the Mafia's solution to the problem of trust is individually rational and collectively disastrous (Gambetta, 1988:158). Gambetta claims that forms of behaviour traditionally associated with the Mafia, such as their rituals, symbols, and ceremonies can all be explained by an economic theory of private protection as rational responses because they need to convince potential customers of the quality of the products that they provide (i.e. protection) in order to gain legitimacy (Gambetta, 1988:127). For Gambetta, the Mafia is a firm providing private protection in a society where state protection is unreliable. In this paper, I will explore to what extent the data available on Russia and the former Soviet Union are consistent with Gambetta's rational choice model of the Sicilian Mafia and can be used to explain the emergence of the Russian Mafia. I will try to determine whether post-Communist Russia is embarking on an 'Italian model' of divided and ineffective government, seriously compromised by pervasive corruption and by collusion with the forces of organized crime. If Russia experiences the same conditions as those that occurred in Sicily in the nineteenth century and a Sicilian-like Mafia emerges, then this will prove that Sicilian sub-cultural values are an unnecessary causal pre-requisite to the emergence of the Mafia. In order to demonstrate that Gambetta's model applies to present-day Russia, I will have to show that a Mafia did not exist before the end of the Soviet Union,

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before the state monopoly over the means of production and economic transactions ended. The roots of organized crime in the Soviet Union may have been firmly planted in the old Soviet system or may have been a direct consequence of the introduction of 'Capitalism' into Russian society, or a combination of both. If the roots of organized crime in the Soviet Union were a combination of both of the above factors, then Gambetta's model (which was later used by Varese to explain the case of the Russian Mafia) may have to be expanded upon to include the historical context that makes the Russian Mafia a unique criminal group because it is a product of Soviet reality.

This paper will begin by looking at the state of mind of the 'rational criminal'. Then, I will define the characteristics that distinguish the Mafia both from generic corruption and from other forms of organized crime by focussing on the prototype of the Sicilian Mafia and its relationship to the Italian economy and political system. Once the Mafia is defined in the Italian case, I will then be able to analyze the extent to which the Sicilian model applies to organized crime as it has developed in post-Soviet Russia. This will be followed by an analysis of cultural versus structural explanations of the origins of the Mafia and the degree of continuity or discontinuity between the 'traditional' and the 'modern' Mafia. Then, I will summarize Gambetta's application of the rational choice model to the Sicilian Mafia. I will then go on to apply Gambetta's model to the Russian Mafia in order to test the conceptual and explanatory consequences of rational choice theory for the particular phenomenon of the Russian Mafia. I will conclude by explaining how using the services of or joining the Russian Mafia and the coercion used by the Russian Mafia can be seen as rational processes.

STATE OF MIND OF THE 'RATIONAL CRIMINAL'

Rational choice theory assumes a state of mind of *Homo economicus*, an individualistic passive agent whose circumstances push and pull him around, and proceeds from these assumptions. "Rational man" is an 'economic man' that uses instrumental rationality to calculate the means and the ends to determine his actions and plot his life course. Choice is an active process in which agents weigh the pros and cons, and then come up with their decisions. An active agent weighs his or her current circumstances against the attainment of his or her goals, and he/she alone determines whether the price can be afforded (Archer, 2000). My goal is not to test the assumptions of RCT, but rather to see how they play out.

A central tenet of rational choice theory is a view of *Homo economicus* as the bearer of given sets of discrete, fixed, hierarchical preferences (Williams, 2000). The assumption is that the actor will choose the action with the best

(i.e. optimal) outcome, which maximizes the difference between benefits and costs (Coleman and Fararo, 1992:xi). To be 'rational', in this sense, is to act in a way which is consistent with one's stable preference rankings, establishing the optimal relation between the goals and beliefs of the agent (Elster, 1989:30). Actions which are 'rational' for actors at the individual level can combine to produce a variety of systemic social outcomes, which are sometimes intended by actors, sometimes unintended, sometimes socially optimal, sometimes non-optimal' (Coleman and Fararo, 1992:xii).¹

RCT wants to replace *Homo sociologicus* with *Homo economicus* because it takes individuals as the independent variable which is antecedent to social factors. The individual, for RCT, is conceptualized as a rational pursuer of self-interest. The rationality involved is instrumental rationality because it involves the most efficient means to the goal of realizing individual material interests. RCT studies how individuals seek to realize their 'preferences', which are taken to be stable. RCT cannot link preferences to the influence of a particular socio-historical context because this would violate the notion that individuals are the independent variable. For RCT, the social context – norms, culture and social structure – is the dependent variable. Social context is no more than the aggregate of individuals' actions. In addition to having preferences which are stable, preferences are also assumed to be ranked in order of priority. According to RCT, people seek to realize the fully ordered preferences, and thus to maximize utility, and these preferences have to be assumed to be stable. Rational choice theories seek to study the pursuit of preferences, which is assumed to result in instrumentally rational action. RCT studies the means to an end, rather than the formation of an end.²

In RCT, people are portrayed as rational, self-interested, instrumental, and optimizing, with a fixed set of preferences (Zey, 1988:41). Beccaria and Bentham argued that individuals, whether criminal or not, are rational decision-makers who respond to incentives and deterrents (Clarke and Cornish, 1985:155-6). According to rational choice theorists, those who commit crimes are rational, free actors, no different from non-criminals, except that they break the law (Einstadter and Henry, 1995:54).

Individuals are purposive and intentional because they have ends or goals toward which their actions are aimed. A person will act rationally by choosing from a hierarchy of preferences to maximize benefits and minimize costs.³ RCT reduces collective and group behaviour to individual action (Zey, 1988:8). Collective activities are engaged in by separate, rational, individual actors who have preferences (Zey, 1988:17). RCT claims that people are motivated instrumentally whenever they choose a course of action that they believe is the most effective means of attaining their goals in a given situation (Kiser and Hechter, 1998:800).⁴ Rational choice theorists seek to identify the

individual goals such as the pursuit of wealth, power, and prestige that people hope to attain by undertaking particular actions and the contextual circumstances that limit or enhance their ability to attain these goals (Kiser and Hechter, 1998:802).

When individuals make rational decisions they review the viable options, evaluate the consequences of alternative courses of action, judge the chances that certain events will occur, and choose actions with the best perceived outcomes (Turner, 1991:84).⁵ Rationality is a subjective orientation and process in which the individual takes several steps in reaching a decision, including being self-conscious about one's goals, identifying one's options (the various potential means for achieving one's goals), exploring and comparing the potential benefits and costs of each plausible course of action, assessing resources and constraints for each plausible course of action, and then making a decision (Turner, 1991:89-90).

RCT explains the causes of crime as resulting from free choice, lack of the fear of punishment, ineffective criminal justice systems, available unguarded targets, and opportunistic situations.⁶ Organized Crime, like any other crime is the outcome of the reasoning process of rational calculation, so that the perceived benefits of crime outweigh the perceived costs resulting from the consequences of it (Einstadter and Henry, 1995:54). Certain factors, such as a low perception of the probability of apprehension and punishment and high expected gains from illegitimate activities, such as becoming a member of organized crime will lead to criminal activity.⁷

Rational choice theories of crime explain criminality (the decision to become involved in a particular form of crime, such as organized crime) as a result of higher expected material returns from criminal activities relative to those from conventional pursuits.⁸ People living in low-income areas make rational decisions to pursue criminal activities because there are few legitimate alternatives to make as much money (Hechter and Kanazawa, 1997:202). Individuals continue to be involved in organized crime as a result of increasing professionalism (improved skills and knowledge and reduction of risk through planning and careful selection of targets), increasing financial dependence on organized crime (devaluation of ordinary work), increasing involvement with criminal peers, and fewer opportunities to obtain legitimate work (Clarke and Cornish, 1985:171-2).

Now that I have outlined the state of mind of the 'rational criminal', I can now turn to a specific phenomenon, the Mafia, in order to test the conceptual and explanatory consequences of rational choice theory for this particular form of collective behaviour.

THE MAFIA: A SPECIFIC CASE OF COLLECTIVE BEHAVIOUR

In his classic study, *Primitive Rebels*, Hobsbawm claims that Mafia are the “meeting places of all sorts of tendencies existing within their societies: the defence of the entire society against threats to its traditional way of life, the aspirations of the various classes within it, the personal ambitions of individual ... members.” He argues that a *Mafioso* makes himself respected by winning a reputation for toughness and courage, and settles his differences by fighting. Hobsbawm claims that a Mafia tends to develop in societies without effective public order, or in societies in which citizens regard the authorities as hostile. He argues that the Mafia provides a parallel machine of law and organized power in societies in which the official government is not effective, and most of the citizens in the areas under its influence believe that it is the only effective law and power. According to Hobsbawm, Mafia is not a medieval, but a 19th and 20th century institution. He claims that the rise of Mafia occurred with the rise of capitalism when power was transferred from the feudal to the rural middle class, and the rich tended to recruit the Mafia for the defence of their interests. Hobsbawm claims that the Mafia provides a means of safeguarding property and authority. He argues that the Mafia won its new power because it could promise security and intimidate. Hobsbawm claims that in the post-war (WWII) period, the Mafia discovered profitable economic activity, and Mafia groups have become international due to the large amounts of money to be made in black-marketing and smuggling. According to Hobsbawm, the Mafia is a parallel system to the state, capable of returning stolen property or solving other problems. Mafia evolved into a system of local extortion rackets, which could be hired by anyone needing to exercise local ‘influence’ for their own purposes, and it sells their influence to the highest bidders (Hobsbawm, 1959:30-51).

Varese defines the mafia as a type of organized criminal group specialized in protection. He claims that the mafia takes advantage of the inefficiency of the state in supplying efficient protection, so the more contradictory the legal framework of a country, the more incompetent the police, the more inefficient the courts, the more the mafia will thrive. According to Varese, the mafia offers protection the state refuses to supply and deems illegal. For instance, the mafia protects entrepreneurs against potential or real competitors and offers its strength to collect debts in ways the state would find unacceptable (Varese, 2001:6).

Gambetta defines the Mafia as an industry which supplies private protection (Gambetta, 1991:2). The Mafia produces and sells a very special commodity, *trust* or *protection*. Like ‘organized crime’ in general, the Mafia aims to produce, advertise and sell protection in conflict with the state. The Mafia

operate in those economic transactions and agreements where protection is either inefficiently supplied or cannot be supplied at all by the state, especially in transactions in illegal goods (Gambetta, 1988:128). The Mafia is an illegal organization with members involved in criminal activity. Organized crime is structured like a corporation with rigid rules enforced through violence, whose members amass huge profits by monopolizing numerous illegal activities (Morash, 1984:191-2). If a new market opens up which is in particular need of guarantees and protection, and the state is unable to provide it, then there will be a strong incentive for the Mafia, as for any other economic agent, to enter into it. The Mafia enters illegal markets because these markets are not protected by the state (Gambetta, 1991:141). Unemployment, poverty, conflict, and insufficient law enforcement intensify the demand for what organized crime can offer – drugs, arms, alternative forms of employment such as prostitution, and protection (Rawlinson, 1998:357).

Some experts, such as Finckenaur and Waring argue that the term, “Russian Mafia” is not appropriate because organized crime in Sicily and Russia is structured in fundamentally different ways. Lyman and Potter (1997) also argue that the term is not justified because in almost all cases, Russian crime groups are not structured within the same hierarchy as that of the Italian Mafias because they pay percentages of their earnings to *vor v' zakone* (“thieves in law”), which means that instead of being organized as a single family headed by a boss, Russian criminals pay off on “thief in law” on one deal while paying off another on a different deal. On the other hand, I will argue that, if all the factual conditions of Gambetta’s model do apply to Russia today, then I can justify the use of the term, “Russian Mafia.” I will have to show that the monopoly over the means of production during Soviet times inhibited the emergence of autonomous suppliers of private protection. Then I will have to demonstrate that the end of the monopoly over the means of production set in place the conditions envisaged in Gambetta’s model, the spread of ownership and the increase in the number of property owners and transactions in which individuals with property were involved. Then I will have to show that the spread of property ownership was not matched by clear property rights legislation and administrative or financial codes of practice, and the ability of authorities to enforce such legislation. I will have to demonstrate that the new owners found themselves powerless and as a consequence, fear of losing property and vulnerability to frauds increased as did the demand for protection. Then I will have to show that an independent supply of ‘protectors’ was also available. If I can show that the conditions which led to the emergence of the Russian Mafia are similar to the conditions which led to the emergence of the Sicilian Mafia, then this will prove that the use of the term, “Russian Mafia” is justified. I will try to determine whether in an untrusting

world like present day Russia as in former Sicily, it is highly rational to buy private protection, despite all the collective evils that it produces. In the case of Sicily and Russia, a hasty transition to the market (I will have to demonstrate that Russia is undergoing a transition to the market which is in some crucial respects similar to the one experienced in Sicily last century) which is not accompanied by clear property rights legislation and enforcement may lead to an environment where suppliers of private protection, such as the Mafia thrive (Varese, 1994:224-58).

CULTURAL VERSUS STRUCTURAL EXPLANATIONS OF THE ORIGINS OF THE MAFIA

Henner Hess proposes a cultural explanation of the Mafia because the Mafia must be understood as embedded in a particular culture, so it is a relation, rather than some sort of “conspiracy”. He claims that from the unification of Italy roughly to the beginning of the Fascist era the position of the *mafioso* is an essential characteristic of Sicilian social structure. During the Fascist regime, he claims that the *mafiosi* were almost completely eliminated with the strengthening of State power when private protection was no longer necessary. He labels the ‘new mafia’ as organizations of Italo-American gangsters that developed their illegal activity in the fields of bootlegging, gambling, prostitution, drug trafficking, the control of big markets, and the building trade (Hess, 1973:155). He claims that in all these illegal activities the use or threat of violence ensured for them an improvement or the monopolization of their profit prospects. Crime for these people and their families became a vehicle of social advancement (Hess, 1973:161). Hess argues that this type of the new *mafioso* has emerged in connection with the emigration of millions of Southern Italians to the USA, the formation of a specific sub-culture within American society, assimilation to new social, economic and technological conditions, and re-emigration. He contrasts the *mafioso* in Sicily with the gangster in American society, who he says lacks the sense of legitimacy of his action, and he has no necessary protective or mediatory function to fulfill within the American social system and he also possesses no legitimacy in popular morality. Hess claims that after the 1940s when Sicilians became Americans, the Italo-American gangster lost respect within the sub-culture of Italian immigrants because he was no longer seen as a symbol of the social advancement of the ethnic group (Hess, 1973:162). He argues that the Italo-American gangster is a specialist in a certain field, personally known only to the men within his own line of business, and to the general public an anonymous big-city criminal, so he has no resemblance to the

universally known and respected *mafioso* of the Sicilian village (Hess, 1973:163).

Hess characterizes the *mafiosi* as a protector, mediator, or collector of tribute, whose power and authority is based on the ability to use physical violence or instill fear in order to gain prestige or income, which enables him to decide any conflict or to enforce the sub-cultural norms in situations where the State is too weak to enforce its own norms. The *mafioso's* behaviour is regarded as illegitimate by the codified law of the State but conforms with the sub-cultural norms and enjoys legitimacy by public morality (Hess, 1973:169). The mafia's position is legitimated in popular morality, and its consolidation is due to the fact that his activity serves not only the satisfaction of his own needs but performs a function (a protective and intermediary function) for the entire sub-cultural system. The *mafioso* does not get into increasingly sharp conflict with the powers of the State but throughout his career strives to legalize his position, and he succeeds mainly because he commands a network of relationships with holders of institutionalized power (Hess, 1973:11-12). Hess claims that, "the moral, social, economic and geographical conditions of Western Sicily, combined with the decisive political factor of a weak central power (State) situated outside Sicily led to the emergence and continued existence of a *mafioso* self-help which stepped into a power vacuum and performed the function of protection through the application of force" (Hess, 1973:170). He claims that *Mafioso* behaviour is not possible when the State fulfills its economy-regulating functions and prevents all forms of private use of force (Hess, 1973:171).

Pino Arlacchi proposes a structural explanation (political economy model) of the Mafia and he makes a clear distinction between the traditional agrarian Mafia and the new urban Mafia. He argues that, until the 1950s, the *mafioso* was primarily a 'man of honour', whose main concern was competition for honour rather than accumulation of wealth, and who served in many ways as a proxy for the state in providing functions of mediation, protection and social and political control. According to Arlacchi, the social, economic and political transformation of Southern Italy in the post-Second World War period undermined the bases of prestige, social support and legitimation of the traditional Mafia. New sources of economic gain in the rapidly growing coastal cities (e.g. real-estate speculation and the booming construction industry) supplanted traditional Mafia activities like mediation, protection and extortion, while the state moved to assert its monopoly over the use of violence. As a result, the *mafioso* was progressively marginalized and transformed from a 'man of honour' into what Arlacchi terms a 'gangster-mafioso', concerned above all with the accumulation of wealth and willing to resort to increasingly violent means in order to attain and preserve it.

Arlacchi's most important contribution is his analysis of a new 'entrepreneurial' Mafia, which emerged in the 1970s, engaged directly in capital accumulation rather than simple mediation (Chubb, 1996:274-6).

Arlacchi claims that the 'entrepreneurial' Mafia is characterized by innovation, constituted by entry into economic competition; rationality and capitalist calculation; and the irrational aggressive aspect of mafia activity itself (Arlacchi, 1986:xv). He argues that the recent success of the 'entrepreneurial mafia' in legal business stems from the adoption of techniques for discouraging competition and violently ensuring a monopoly of resources and the exploitation of the labour force, rather than as a result of a larger process of economic development (Arlacchi, 1986:131). Arlacchi portrays the *mafioso* as a rational economic actor, combining modern entrepreneurial activities in the legal sector with traditional cultural values which give Mafia firms important competitive advantages over their rivals (e.g. discouragement of competition, holding down of wages, and money earned from illegal activities which can be reinvested in the legal sector) (Chubb, 1996:274-6).

In contrast to Arlacchi's thesis of the fundamental break between the traditional agrarian Mafia and the 'new' entrepreneurial Mafia of the 1970s and 1980s, Raimondo Catanzaro emphasizes continuity in *Men of Respect*. Catanzaro claims that the Mafia is 'a dynamic and pragmatic combination of ancient and modern' (Catanzaro, 1992:xi), which has the ability to adapt to changing social, economic and political conditions while retaining certain underlying values and behaviours. In contrast to Arlacchi, Catanzaro argues that, from the outset, the Mafia engaged in violence as an instrument in the competition for honour and also for the accumulation of wealth. Catanzaro claims that after 1860, the *mafia* emerges as the institutionalization both of private violence as means of social control for those who hold the monopoly of honour and of instrumental friendship as the means of penetrating the public administration for private purposes. The mafia functioned as intermediaries in the electorate, prevented peasant's rebellions and supervised management on the landlords' estates, assuming from the state the management of physical violence (Catanzaro, 1985:41-3). In addition, like Arlacchi's Mafia entrepreneurs of the 1970s, nineteenth- and early twentieth-century *mafiosi* employed their distinctive competitive advantages in both legal and illegal economic activities and in both intermediary/broker roles and more direct forms of entrepreneurship. For Catanzaro, what distinguishes Mafia firms from others is not their sphere of economic activity, but their resort to violence as an instrument of competition. Catanzaro argues that, after the coming to power of the Left in 1875, the Mafia played a central role in local government and administration, often as direct protagonists rather than simply as intermediaries or brokers, emphasizing continuity, and challenging

Arlacchi's thesis of the emergence of the political autonomy of the Mafia only in the 1970s and 1980s. According to Catanzaro, the economic and political autonomy acquired by the Mafia during the pre-Fascist period guaranteed its reproduction, and with the restoration of democracy in the post-Second World War period, these basic characteristics of the Mafia re-emerged (Catanzaro, 1992:99). He claims that under Fascism, the state's assumption of the monopoly of violence through police repression, and the suppression of the elections, took away the social bases of *mafiosi* as power brokers. The mafia re-emerged in 1943 with the same characteristics that it had at the beginning of the century (Catanzaro, 1985:44-5). From the 1950s on, after the state assumed the welfare-related duties of redistributing resources and social benefits, the Mafia began to undertake illicit economic activities (i.e. drug trafficking) and becomes more of a hidden power (Catanzaro, 1985:47-8). Catanzaro argues that political ties were strengthened by the granting of regional autonomy to Sicily, the Mafia's penetration of the regional government, the vast increase in patronage resources created by the expansion of the welfare state, and the Mafia's links to a mass-patronage party, the Christian Democratic Party, which dominated both the regional and national governments. He rejects the argument that the economic power resulting from the tremendous profits from the drug trade has reduced the Mafia's needs for political connections, and instead, he argues that the importance of political linkages has increased because of the need to turn illicit gains into legitimate economic activities (Chubb, 1996:276-8).

Catanzaro argues that mafia groups have been able to blend old and new through the use of market mechanisms and privileged relationships with the state bureaucracy to construct economic empires combining legal and illegal activities. He claims that instrumental friendship is changed into an exchange relationship between entrepreneurs and politicians and into alliances with business groups, political factions and parts of the apparatus of the state (Catanzaro, 1985:50). Catanzaro states that honour loses its cultural significance for regulating the competition for social mobility, and now since the mafia is oriented more towards accumulating capital than gaining respect, honour serves to promote internal cohesion within mafia groups, and is replaced by wealth as a standard of social status and symbol of power, and its former competitive function is assumed by violence. He claims that violence has become the basic instrument of economic competition among *mafiosi* to discourage competition from non-mafia enterprises (Catanzaro, 1985:51-2). Catanzaro claims that mafia violence in Sicily is increasingly becoming a political force entering into open conflict with the powers of the state, whose representatives have systematically become mafia targets and victims because the expansion of the illegal economy led to the need by mafia members to take

direct possession of the crucial parts of the state machinery (Catanzaro, 1985:52). He concludes by stating that the major difference between the old and new mafia power is that it now involves the entire Italian political system, so its presence is no longer restricted to a limited geographical area within the state, and it has become part of the economic, financial, and political systems (Catanzaro, 1985:54).

GAMBETTA'S APPLICATION OF A RATIONAL CHOICE MODEL TO THE SICILIAN MAFIA

Gambetta rejects the view of Mafia entrepreneurship developed by Arlacchi and shared by Catanzaro: 'Mafiosi are not entrepreneurs primarily involved in dealing with illegal goods, nor are they entrepreneurs in the sense of handling violently the production of legal goods. Mafiosi as such deal with no good other than protection' (Gambetta, 1993:9). He sees the Mafia not as a pathological product of a peculiar set of Sicilian cultural norms, but rather as a rational response to a social, economic and political context in which trust is lacking and as a provider of an economic good for which a genuine need exists. Gambetta does not agree with Arlacchi's notion of the Mafia as a loose association of independent families with no collective identity or stable organizational structure, which he took from studies of the traditional agrarian Mafia, which define it as an individual mode of behaviour or mentality rather than as a tightly structured, hierarchical organization. Gambetta argues that 'the shared fundamental ingredient (among Mafia families) is neither a centralized structure nor a well-defined and permanent organizational arrangement. It is rather a successful commercial identity as suppliers of genuine protection' (Gambetta, 1993:153). In Gambetta's model, the drug trade is an example of an illegal market where Mafia guarantees of protection are particularly valuable. Gambetta claims that Arlacchi fails to observe that only the access to cheap illegal money constitutes a novelty, and that the other advantages had always been available and were already specific to those rural entrepreneurs who formed the core of traditional mafia. Gambetta does not agree with Arlacchi's claim that the *mafiosi* is irrational because they engage in activities, such as reinforcing their networks of friendship and defining monopolistic territories, which are rational processes. Gambetta claims that 'irrational' features of their behaviour are at the core of the peculiar, if destructive, *mafioso* rationality, which make them successful. According to Gambetta, lucrative and successful criminal activities require a very high level of mutual trust as well as 'military' power, both of which can be provided by careful handling of kinship, and discouraging competition without some ruthless competition is difficult to imagine (Gambetta, 1985:244-48).

Gambetta argues that the Mafia should be understood as a rational economic actor: 'a specific economic enterprise, an industry which produces, promotes, and sells private protection' (Gambetta, 1993:1). According to Gambetta, 'mafiosi are first and foremost entrepreneurs in one simple commodity – 'protection – and this is what distinguishes them from simple criminals, simple entrepreneurs, and criminal entrepreneurs' (Gambetta, 1993:19). Since 'the main market for mafia services is to be found in unstable transactions in which trust is scarce and fragile' it thrived in a context like that of western Sicily, where for historical reasons the cultural and legal underpinnings of trust that regulate markets in other countries or regions of Italy were absent (Gambetta, 1993:17).

Gambetta explains the emergence of the Mafia in Southern Italy as the result of the lack of trust in the new Italian State, which produced a high potential demand for protection, and the Mafia supplied such protection to anyone who wanted to buy it (Gambetta, 1993:77-8). Gambetta's argument focuses on the distinction between the *demand* for protection and the *supply* of protection. Gambetta believes that the market economy will function properly if private property rights are well defined and enforced by the state (Varese, 1994:225-6). Gambetta argues that Sicily did not experience a smooth transition to the market economy and this was a significant factor in the rise of the Mafia. The introduction of private property rights greatly enhanced the demand for protection. Protection did not become the monopoly of the state, but was supplied by autonomous suppliers, who became today's Mafiosi. Gambetta claims that the absence of trust led to a high potential demand for protection, but this is only part of the explanation for the growth of the Mafia because demand for protection had to be met by a supply of protectors (Gambetta, 1993:78-80).

According to Gambetta, the Mafia does not emerge as ordinary criminals, acting in isolation as individuals, but rather as a group capable of enforcing public justice. The Mafia is successful at turning distrust into a profitable business by violent means, if necessary. Its most important activity is the enforcement of monopolies over the largest possible number of resources in any given territory because it doesn't tolerate competition. "Historically, the crime most characteristic of the Mafia is the use of violence to enforce the monopoly of otherwise legal goods." The Mafia has the ability to use direct violence or issue threats against victims, rival Mafia groups, officials loyal to the state, and defectors. The use of violence by the Mafia is rational because the goal is to attain trust and a reputation, reinforcing the bonds of economic cooperation (Gambetta, 1988:164-9).

Gambetta claims that in order to explain the persistence of the Mafia it is important to understand both its capacity for coercion and its ability to

satisfy economic interests by assisting in disposing of competitors and protecting against the risk of being cheated in the course of business transactions. If the Mafia does not offer protection, the absence of trust in business may lead to the collapse of market exchange. It is also rational for the seller to pay the Mafia for a service other than protection, such as directing the customer to his business rather than to another seller, or for helping him get rid of the competition. In order to stay in, or enter into business, other potential sellers are forced to buy protection from the Mafia (Gambetta, 1988:170-3).

According to Gambetta, the Mafia must show skills in violence in order to succeed in the protection business. The protected party pays to be protected, so they need to be able to count on the Mafia's ability to deter the other party from cheating, and violence represents an effective form of deterrence. Protection competes on the basis of toughness and violent conflicts, and those Mafia that are the strongest are able to beat out competitors and to gain more *honour*, so they are expected to be more reliable protectors. When the state acts forcibly against the Mafia, the Mafia uses violence as a means of self-protection. In order to be a credible protector, the Mafiosi must be stronger than his clients. Violence is a cheap strategy to 'settle' conflicts and to protect markets, and since the Mafia sell protection to criminal dealers, it becomes more important for them to have a reputation for extreme violence in the competition for the protection market, and this fuels the Mafia wars (Gambetta, 1988:139-142).

Gambetta claims that private protection, like any other market good is supplied strictly on the basis of opportunity and the decision of whom to protect and how is an economic choice for the Mafia. The greater the number of people buying private protection, the greater the need for others to buy it too. Competition among competitors in terms of toughness is the most common reason for the use of violence. The protection market is monopolistic, and within any context only one supplier has what it takes. Like any rational economic agent, suppliers of private protection have an incentive to enter the market because the state is unable to provide protection. The Mafia is not a generic protection industry but a historical form of private protection which emerged and developed in a specific context and period. The absence of trust is not a sufficient explanation for the growth of the Mafia because the Mafia may be a solution to the problem of distrust, but it is not the only one, and the demand for protection must be met with a supply of protection (Gambetta, 1993:24-79).

According to Gambetta, the reason the Mafia has become involved in protecting criminal as well as non-criminal markets is because illegal transactions take place in a market in which the threat of law enforcement, the

fear of deception, the absence of written contracts, the uncertainty of property rights all contribute to make the demand for protection significantly higher than in illegal markets. The feature which distinguishes the Mafiosi from simple criminals, simple entrepreneurs, or criminal entrepreneurs is the commodity that they provide, protection. The greater the number of people buying private protection the greater the need for others to buy it too because cheats and thieves are more likely to concentrate their efforts on the unprotected. The extortion perpetrated by 'organized crime' is not more common than that perpetrated by big business on a much larger scale. The reason why protection often resembles extortion is because protection as a commodity is likely to lead to the growth of monopolies in the protection market (Gambetta, 1993:129-134).

APPLYING GAMBETTA'S MODEL TO THE RUSSIAN MAFIA

The model of organized crime that follows is an extension of Gambetta's model in *The Origins of the Mafias* (1991) and the purpose is to explain the emergence, criminal actions, persistence, and composition of organized crime groups or the Mafia in Russia. Russia's underworld emerged out of a dysfunctional political structure that stretched back several hundred years. When monopoly over private property existed in the former Soviet Union private suppliers of protection could not emerge. When monopoly over private property ended it led to an increase in the number of people owning assets. People with property rights began to engage in more transactions. People could not trust the state to enforce property rights, so they began to seek private protection. Autonomous suppliers of private protection began to emerge. The Russian Mafia, in its present form, emerged to perform many functions that had once been reserved for the state, in addition to many other licit and illicit activities.

I have added the historical context, in particular, the former Soviet Union's dysfunctional political structure to Gambetta's model, which was later applied by Varese to explain the emergence of the Mafia in Russia because centuries of economic centralism, isolationism and autocracy have shaped Russian culture as a unique phenomenon. Gambetta's rational choice model and Varese's application of his model are useful in explaining how economic competition, the cult of the individual, and the dominance of materialistic values in the new Russia have combined with corruption to create the conditions necessary for promoting organized crime, but it is also important to understand that organized crime in Russia emerged as a result of the Soviet Union's dysfunctional political structure that stretched back several hundred years.

THE SOVIET UNION'S DYSFUNCTIONAL POLITICAL STRUCTURE

Russia's underworld emerged out of a dysfunctional political structure that stretched back several hundred years. The roots of crime were firmly planted in the old Soviet system. An effective and consistent law enforcement system has never existed for the mass of the people. The tsarist administration regarded itself as above any legal system (Yanney, 1965:385-7). The Mafia's roots can be traced to the penile colonies and exile settlements of the tsars. The most appropriate starting point for the Russian Mafia is the massive increase in the convict population of the Russian Empire that followed Alexander II's (emperor of Russia from 1855-1881) emancipation of the peasantry, which was an attempt to stimulate "industrial revolution" by forcing peasants into the urban labor market. The Emperor's Manifesto on February 19, 1861, made most serfs into a huge mass of rural proletarians who had little or no means of buying land from the owners. Many of these people had to leave the rural areas for the urban areas, where they often ended up jobless and turned to crime, as large-scale industry was only beginning. Interior Minister Pyotr Stolypin's reforms of 1907-11 led to the erosion of the peasant commune, which set off another wave of crime. The inmates of Russian prisons and Siberian penal colonies believed that the social system was no longer legitimate because it failed to fulfill its obligation to provide subsistence and care to the destitute, so they no longer believed in the state and its laws. The inmates decided to create a "Thieves' world" (*blatnoy mir*) with its own language, hierarchy, and unwritten laws (Reddaway and Glinski, 2001:110-11).

When the criminal underworld began to believe that the Soviet order did not fulfill its anarchical or communitarian promises, and even imposed greater disparities in wealth, cooperation with the authorities came to be seen as betrayal. A convict would be given the title, "thief-in-law" in recognition of his defiance of the system. The world of thieves often managed to gain indirect access through corrupt officials to government institutions (Reddaway and Glinski, 2001:112). The communist rulers constructed a hierarchy without a legal system, relying on arbitrary force to sustain their power (Yanney, 1965:388).

The criminal underworld (known to its members as the *voroskoi mir* or Thieves World) has existed on the margins of Russian life for centuries. The beginnings of organized crime in modern Russia can be traced back to the outlaw peasant bands of the early seventeenth century. In a society where the Czar controlled the land and its labourers it was difficult to distinguish between political resistance and criminal activity. The early gangs emerged out of communal peasant societies and this was reflected in an organizational

structure where profits were divided equally among their members (Handelman, 1995:9-32).

Throughout its history the Russian underworld developed a complex body of rules and traditions to distinguish itself from outsiders and to protect itself from infiltration. Thieves societies in the nineteenth century put prospective members through a six-year period of probation during which they learned the expected code of behaviour and were taught to give up the habits of normal society. Russian gang leaders in the nineteenth century encouraged followers to marry women in the criminal milieu, so that their children would continue in the criminal ranks and ensure that traditions would be followed. The underworld code formed over centuries of adaptation to the Russian political environment. The most important code was not to participate in any state activity, such as serving in the army, paying taxes, joining the Communist Party, and holding a regular job. To rise in the old criminal hierarchy, the criminal was expected to have avoided membership in the Young Pioneers, Komsomol (Young Communist League), and all the other organizations that were part of the Soviet Union's socialization process. Gang members swore allegiance before the crime boss, just as Soviet citizens swore allegiance to the cult of Lenin and Stalin. Most professional criminals in Russia served time in prison, which meant automatic exclusion from the right to a job and a residence permit (Handelman, 1995:30-6).

Vory-v-zakone (thieves-in-law) were a peculiar type of criminal that emerged in the Soviet labour camps in the late 1920s. The *vory* formed a society of criminals comparable to other secret fraternities, such as the Sicilian Mafia (Varese, 1998:515). Beginning in the 1930s, there was a hierarchy among the organized crime groups, and an estimated thirty senior leaders set general policies for the country's entire criminal class at private councils (Handelman, 1995:30-9). The *vory* formed a secret criminal fraternity, with its own code of behaviour and ritual for initiation of new members and they were a peculiar brand of criminal produced by prison culture, a feature that distinguishes them from Sicilian Mafiosi. The *vory* were forbidden to serve in the Red Army, pay taxes and work (Varese, 1998:517-18). They raised funds for *obshchak*, the communal fund to support group activities, bribe officials and care for the families of the imprisoned (Varese, 1998:520). The Gulag camp system supplied a source of contacts for criminals and an opportunity to share their experiences and devise ways of promoting their common interests. The total number of those repressed in Gulag camps and colonies in the period 1934-1952 reached approximately 18 million (Bacon, 1994:37). With the onset of the Second World War, roughly one million inmates left the Gulag during the war to enter the armed forces (Bacon, 1994:105). According to the thieves' laws, all the *vory* who fought for their country during the war stepped outside the

“law” (Varese, 1998:529). The fraternity survived until the 1950s, when it was virtually destroyed by a new generation of criminals who rejected the rules of the fraternity and killed most of its members (Varese, 1998:531). The Russian police reported that the number of *vory* went from less than one hundred in the late eighties to 740 in 1994, and then declined sharply to 387 in 1999. The new *vory* have less of a prison background, which is a departure from the past, when prison terms were regarded as an essential part of the *vor's* reputation (Varese, 2001:167). *Vory* formed territorially based criminal groups, such as the Solntsevo in Moscow, who are involved in dispute settlement and protection in drugs, prostitution, retail, oil and gas (Varese, 2001:169-173). Territorially based criminal groups, with an elaborate internal structure and the ability to resort to violence, dominate Russia. The traditions of the *vory* – their rituals and rules of interaction – are still used in the new environment (Varese, 2001:177).

Instead of using legal institutions and procedures, which serve to legitimate and to constrain state power, the political leadership preferred to apply force directly against society. When Stalin wanted to introduce new rules against the theft of state property in 1932, he did not bother to revise the criminal code, he simply wrote a decree and had the government enact it (Huskey, 1992:27). Law was only embraced when it could be mobilized, or amended, to support the campaigns of collectivization, industrialization, or proletarianization. When law impeded the leadership's goals, it was ignored or eliminated. In 1930, for example, Stalin eliminated many laws and decrees because they contradicted the policy of eliminating the kulaks as a class (Latsis, 1988:386).

After the Nazis invaded Russia in 1941, thousands of Russian gangsters joined their fellow citizens in the army because their patriotism outweighed the *vory* ban on association with government. After they returned from the war they were labeled as traitors by the *vory*, and many were killed by their fellow *vors*. Those that survived broke their ties with the old crime establishment, and they also began to break other Mafia codes, such as going into business and trade. They became the financiers of the black market. They established working alliances across the black economy with businessmen and government officials. The new Russian Mafia had less regard for gang traditions, and they began to engage in more risky spheres of criminal behaviour, such as bank fraud and drug trafficking, so they began to amass a large amount of wealth. Gangland competition began for post-Communist Russia as several Mafia groups, divided along ethnic lines and crime specialties, began to divide Russia into spheres of influence (Handelman, 1995:41-2).

Organized crime as it now exists in Russia originated in the capitalist shadow (black market) economy that first emerged in Krushchev's time and

continued under Brezhnev, but the Gorbachev era was the period when organized crime really became powerful (Grossman, 1977:25-40). In the Soviet era, representatives of the state apparatus were publicly against the capitalist shadow (black market) economy, but privately many of them demanded payoffs from the criminals who ran it (Vaksberg, 1991:22-3). Everyone from store managers to directors of state enterprises acted as racketeers and extortionists, permitting criminals to run the black market economy in exchange for the payment of tribute (Simis, 1982:87).

The official Soviet economy, which concentrated on heavy industry, military hardware, and staple agricultural products was never able to provide enough services and consumer goods to satisfy the needs of the population, and as a result, by the late 1970's as much as half of personal income in the USSR was made from illegal non-state operations. By the 1980's an estimated 20 million people were engaged in illegal non-state operations, and most of the black market economy was controlled by organized crime (Smith, 1990:266-9).

GAMBETTA'S MODEL IN RUSSIA: AN OVERVIEW

Organized criminal organizations became more prominent after *perestroika*. The monopoly over the means of production during Soviet times prevented autonomous suppliers of protection from emerging. The end of the monopoly set in place the first condition envisaged in Gambetta's model, the spread of ownership and the increase in the number of people engaged in economic transactions. Economic reforms from 1986 onward produced a dramatic increase in the number of property owners and transactions in which individuals with property were involved. The spread of property ownership was not matched by clear property rights legislation and administrative or financial codes of practice, nor were the authorities able to enforce such legislation. The new Russian State continues to have as much corruption as the Soviet Union of the Gorbachev era, and it is just as inefficient in producing clear legislation and in protecting property rights. As a result, the new owners feared losing property and vulnerability to frauds, so the demand for protection grew. An autonomous supply of potential 'protectors' appeared, such as dismissed officers from the army, the KGB and the police, who were looking for jobs, and the only skills they possessed was physical force (Varese, 1994:231).

Officials in charge of combating organized crime estimate that four to five thousand criminal groups are active in the former Soviet Union and organized criminal activity developed rapidly from 1986 onward (Serio, 1992:134-5). The end of the monopoly over private property following the

introduction of the Gorbachev reforms after 1985 allowed a private sector to emerge, which set in motion a rational chain of events that led to the emergence of the present-day Mafia as the new suppliers of private protection (Varese, 1994:233).

MONOPOLY OVER PRIVATE PROPERTY IN THE OLD REGIME AND THE SOVIET UNION

From the fourteenth until the eighteenth century, a patrimonial system existed in Russia, where there was no separation between the properties of the ruler and those of the state (Varese, 1994:234). In traditional Muscovite culture, the church and state were fused, and the tsar had the decisive role in all public and institutional matters. Society consisted of two classes of servitors, those who served by paying taxes – the common people – and those who served in person by performing military and administrative tasks – the nobles. The tsar was also the chief justicer and maintained law by enforcing the resolution of conflicts among his subjects. The basic framework of the Russian imperial regime during Peter's reign (tsar of Russia who ruled jointly with his half-brother Ivan V from 1682-96, and alone from 1696-1725, and in 1721 was proclaimed emperor) was the police state. The Petrine structure of government was highly centralized and he gave the sovereign the absolute right to exercise his power (Raeff, 1983:182-207).

In Russia, Catherine II only introduced private property in the second half of the eighteenth century. Catherine II introduced legislation designed to ensure the security of titles to property, as well as extending personal security through more effective administration of justice. The police and urban administration, which was dominated by state-appointed officials, but also included local representatives supervised law and order (Varese, 1994:232-43). Property rights were effectively enforced in Imperial Russia, and the state was the most effective organization in protecting property rights, and as a result, no private protectors, such as the Mafia emerged in Imperial Russia. In the USSR, some people earned very high incomes, so they could bequeath fairly large properties to heirs, and the Soviet State was effective in protecting the property of personal items. The Soviet army and the various police branches were able to maintain a monopoly over force. In the pre-Gorbachev Soviet Union, there were no autonomous suppliers of protection that were more efficient than the state (Varese, 1994:235-40). In the Soviet period, the strict system of control and repressive law enforcement agencies, including the army, the Ministry of Internal Affairs, and state security organizations impeded the development of organized crime.

MONOPOLY OVER PRIVATE PROPERTY ENDS: SPREAD OF OWNERSHIP

In the former USSR, industrial and agricultural production were the property of the state. The end of the virtual monopoly over property rights by the Socialist state has produced an enormous increase in the number of people owning assets. Large segments of the Soviet managerial elite, as well as the officials in institutions such as the CPSU, Komsomol, and KGB, were illegally or semi-legally privatizing economic property, a process that weakened the chain of command that had been holding society together, namely the CPSU apparatus. Massive privatization has taken place in Russia, and by the end of September 1995, 77 per cent of industrial firms were privatized, and as of November 1994, 78 per cent of personal service firms were privatized (GRF/RECEP, *Russian Economic Trends* 1994, 1995). The cornerstone of a market economy is the presence of property rights, enforceable through courts or equivalent agencies, and a criminal penalty severe enough to deter theft must also exist because if crime is not deterred, people would have no incentive to acquire property. In post-communist Russia, property rights are poorly defined; an unfair tax system prevents owners from legally deriving income from the assets they own; and the state apparatus is unable to effectively deter crime and corruption (Varese, 1997:581-3).

Gorbachev wanted his country to join the global economy, but he also wanted local economic autonomy and control. The economic setbacks of 1986 led Gorbachev to shift his economic strategy toward “perestroika,” a decrease in government intervention and strategic planning in favor of stimulating more initiatives by factory managers and economic bureaucrats. Important measures applied during *perestroika* period include: a November 1986 law governing employment of individuals that for the first time legalized private business; a law on state-owned companies in January 1988 that empowered the managers of state-owned companies to set wages for themselves and their employees, which contributed to the explosion of consumer demand and the growth of an inflationary spiral, and it also widened income disparity between managers and workers, and thus increased social tensions; the May 1988 law on cooperatives (non-state businesses), which partially legalized private business activity, but most investment capital was already in the hands of the *nomenklatura* and the forces of the shadow economy. State-owned import firms used public money to make purchases abroad, but these commodities were then appropriated by Mafia elements that had infiltrated the trading companies and were then sold on the domestic market for several times their original price. The growth in cooperatives led to price inflation and escalated social tensions (Varese, 1994:264-5).

Gorbachev's economic reforms, known as *perestroika* (reconstruction) introduced a series of laws designed to encourage business initiatives and economic self-accountability – the Law on Individual Labour Activity (1987) and the Law on Cooperatives (1988), which unintentionally provided the ideal framework for the expansion of organized criminal activity by creating opportunities for laundering capital acquired through illegal economic activity. The abolition of the monopoly over external trade; the establishment of joint ventures; the import of foreign capital; and the opening of boundaries for foreign travel gave the Mafia the ability to operate within the market economy with a large amount of capital. The new business conditions created by *perestroika* set the conditions for unrestricted profits, self-made millionaires, and protection rackets. From 1986 onward, economic reforms increased the number of property owners and their transactions (Varese, 1994:231-250). The law of 1 January 1988 on State Enterprises formalized the end of the Industrial Ministries' control over enterprises by giving enterprises the right to make production decisions, choose customers, retain profit, and set wages, and engage in foreign trade (Varese, 2001:30). Hyperinflation and contradicting private property rules caused private entrepreneurship to be tied up with speculation, black market and gangster activity, a connection between *perestroika* (change) and *prestupnosti* (crime) (Eberwein and Tholen, 1997:216-18). The emergence of organized crime was not a consequence of Gorbachev's reforms, but these reforms created the necessary conditions for promoting crime (Rawlinson, 1998:96-8).

Yeltsin's push towards rapid marketization after the 1991 August coup legitimized the illegal economic structures. For example, the voucher scheme introduced by Yeltsin to redistribute state property gave enterprises the opportunity to buy up shares from the public, transferring ownership from a corrupt state to an even more corrupt economic elite (Rawlinson, 1998:96-8). The drop in living standards for the majority of Russian citizens as a result of the liberalization of prices caused many commodities to be priced out of the reach of low earners. Yeltsin's decree on free trade (January 23, 1992), which liberalized any form of free trade, allowed Russian citizens to open shops and sell any goods without license. The percentage of private firms involved in Russian industrial production rose to 14% of the total in 1991, and in 1992, 33,000 small-scale enterprises were privatized. The presidential decree on privatization (December 29, 1991) forced most small enterprises to privatize, and by the end of 1993 one third of Russia's productive capital was privatized (Varese, 1994:239). Instead of pursuing an equitable denationalization of property and a level playing field for law-abiding new entrepreneurs, Yeltsin's regime accelerated Soviet-era elites' and the criminal underworld's accumulation of capital. Ordinary Russians had no money to invest in the

voucher-based privatization scheme, and some of the so-called Russian 'oligarchs' emerged as a by-product (Varese, 2001:32-3).

Enterprise managers were able to influence the initial distribution of property rights, prevented the clear definition of property rights, and lobbied the government in order to obtain protection against imports, government subsidies, nearly free loans and tax exemptions. Once these goals were realized, the remaining section of the private sector was exposed to an unfair tax system and was led to bribe officials in order to avoid paying taxes. This occurred at a time when there was an immense rise in opportunities to commit crimes and an increase in demand for trust and protection. Since the private sector was greatly involved in corrupt practices, it had an incentive to avoid courts and state-supplied forms of protection and seek extra-legal means to settle disputes (Varese, 1997:580). Both the enterprise managers and the new 'oligarchs' successfully managed to secure preferential treatment in the transfer of property and tax concessions (Varese, 2001:34). Oil and gas companies, such as Yuganskneftegaz, the automobile giant Avtovaz, and the gas monopoly Gazprom have paid hardly any taxes in recent years (ITAR-TASS Dec. 22 1996). Since major contributors have successfully avoided paying taxes, the entire burden switches to taxpayers with weaker lobbying power, and as a consequence, the tax burden becomes excessive and the private sector has strong incentives to avoid taxes and offer bribes to tax officials. Russia does not have a tax code and taxes are levied by decree. Business people in Moscow are subject to a total of approximately 51 different taxes (Varese, 1997:585). The extremely confusing tax system that is currently in effect gives enterprises no incentives to increase profits, and entrepreneurs are being forced to conceal income (Filippov, 1994). Russian tax police in the first half of 1996 uncovered about 12,000 cases of evasion resulting in 3100 criminal cases, raising 13 trillion rubles (Kisunko, 1996:13). The existence of an unfair tax system endangers the right to derive income from assets owned, which creates incentives for tax evasion, and pushes business people outside the provisions of the law, making them more vulnerable to criminal harassment. The sharp increase in cases of tax evasion prosecuted by the police is an indication that law enforcement has not broken down, but the effect of such law enforcement is to push legitimate entrepreneurs outside of the legal system (Varese, 1997:587). The collective outcome is a tremendous amount of tax evasion, as testified by data on tax collection (according to data released by the Federation Council, only 16 per cent of Russian companies honour their tax obligations, and as of October 1996, tax arrears reached 132 trillion rubles/\$US24.4 billion).

Instead of promoting the development of democratic institutions and a genuine separation of powers, Yeltsin and his associates disbanded the new

post-Soviet parliament by force and blocked the development of an independent judicial branch, and reduced the power and revenue base of local self-government. The end of the monopoly over the means of production and commerce increased the number of people owning assets and their involvement in economic transactions, which shows that these conditions in Russia fit with propositions (1), (2), and (3) of Gambetta's model.

The legalization of private enterprise in the mid-1980s and the mass privatization program begun in 1992 allowed the capital accumulated by organized crime to be placed into commercial businesses, so *perestroika* became a giant money-laundering operation (Brym, 1996:397). Money laundering is used by organized crime to enter legitimate structures by expanding beyond the confines of the black economy (Rawlinson, 1998:356). By 1993, organized crime took over 40% of all economic activity in the country. By 1994, half of investment capital was controlled by the Russian Mafia (Osipov, 1994:325). Russia's regulatory agencies are nonexistent or corrupt, and its law enforcement agencies have little or no resources with which to fight organized crime. Large-scale money laundering, homicide (estimated at 84 murders per day) go unpunished, and businesses have to resort to paying protection money to the Mafia (estimated that 4 of 5 businesses are paying protection money) (Richards, 1999:3).

According to Varese, the Mafia emerged as a consequence of an imperfect transition to the market (Varese, 2001:17). Varese claims that the spread of private property leads to a demand for protection against other people's attempts to capture the property and the profit that it generates. A substantial portion of the Russian economy is now in private hands. The virtual monopoly over property rights by the Socialist state has given way to an enormous increase in the number of people owning assets, and Russia faced the challenge of transferring rights from the nominal collective owner, the Soviet State, to citizens (Varese, 2001:22, 28). The cornerstone of a market economy is the presence of property rights, which include the clear definition of the title of property, the possibility to derive income from goods owned and an apparatus for deterring crime, so that when disputes arise between individual owners, or owners and the state, courts settle them (Varese, 2001:24). In Russia, the state did not emerge as an impartial and credible protector of property rights, and the titles of property were poorly defined and protected. The privatization process has given some enterprises special rights and tax exemptions, undermining the perception of the state as an impartial distributor of rights and resources, which overburdened the private sector that had not been granted tax exemptions. This has generated criminal opportunities to strip assets, corrupt officials, evade taxes, and illegally launder money. Ten years after the start of the transition to the market

economy productivity is down, inequality is up, laws contradict one another, and corruption and crime (as measured by homicide rates) are widespread (Varese, 2001:35-6).

Without clear rules or models, free enterprise allows criminal behaviour to prosper. The end of the Soviet Union and “democracy merely turned the underground culture of the black market into standard above-ground behaviour for the new society” (Handelman, 1995:179). Handelman sees the Russian state, like the Soviet state before it as essentially lawless. He claims that in the post-Communist state, as in Italy, the law is often unclear or contradictory, and legislation specifically directed against organized crime and against activities like money laundering does not yet exist, and the creation of the institutional/legal framework for a free-market economic system remains in its initial stages. As in southern Italy, this is a system where personal ties counted for more than the law, and legal rights were replaced by personal privileges, dispensed by powerful individuals or political parties. He claims that under the façade of Communism, power was controlled by the party nomenklatura, who developed close working relationships with criminal elements. Handelman argues that, “post-Soviet mobsters took advantage of the vacuum of power to create the only working system of authority in many parts of Russia, but unlike the Western Mafia, Russian gangs ... around the former Soviet Union were able to exploit the institutions, structures and civil servants of a state that was already criminalized by its previous rulers” (Handelman, 1995:335). Handelman claims that the ‘comrade criminal’, the former Communist Party functionary or industrial manager continues to exploit public resources, political connections, and the legal and institutional chaos of the transition for private gain, often with criminal elements. He argues that the new power structure is an alliance of bureaucrats, industrial managers and former KGB officials, which have joined forces with the Mafia to sabotage meaningful reform. Handelman claims that the unofficial working relationships between Communist functionaries and black-market crime bosses under the old system have been turned into business partnerships and political alliances in the new, and the outcome is a rapidly deteriorating climate of anarchy and violence. Unlike the Sicilian Mafia, there has not yet emerged an organizational structure capable of regulating spheres of influence and moderating conflict. The sudden sources of economic gain, combined with the legal/institutional void, has led to violent competition to maximize profits in the short run because of the uncertainty of the future (Chubb, 1996:286-88). Criminal behaviour became a legitimate and necessary form of survival. The disintegration of the USSR and the reforms that followed led to the weakening role of the state. Decentralization and the reorganization of power structures led to a weakening of social protection and to a growth in crime.

**PEOPLE CANNOT TRUST THE STATE TO PROTECT PROPERTY RIGHTS:
DEMAND OF PROTECTION**

After the spread of private property in the Soviet and Russian state, demand for trust and protection of one's property emerged, which proves that propositions (4) and (5) of Gambetta's model hold. In Russia the increase in property owners and economic transactions was not matched by clear property rights legislation. The Russian state was unable to protect its own citizens' lives, as evidenced by the fact that the 'serious crime' rate increased by 32% in 1989, the overall crime rate rose by 15.3% during the first three months of 1990, and the total reported crimes rose by 70.5% from 1989 to 1992. In ten years (1985-1995) registered crimes increased by 194.5 per cent, and the highest increase took place between 1988 and 1992, and these official crime statistics only include reported crimes. A study carried out in 1991-3 revealed that the level of non-reported (latent) crimes in the Russian Federation was 40 to 70 per cent, and the highest level of latent crimes were economic crimes (Varese, 2001:19-20). The absence of a credible state which protects individual property and safety undermines trust in the state and among its citizens. Many crimes were committed by business people against other business people to rid themselves of their competitors. The privatization of retail trade that started in 1991 has led to a dramatic increase in theft, robbery and murder. Present-day Russia is an environment that requires suppliers of private protection because the new owners of private property fear fraud and losing their property. A hasty transition to the market which is not accompanied by clear property rights legislation and enforcement leads to an environment that exists in present day Russia where it is highly rational to buy private protection, so suppliers of private protection, like the Mafia thrive (Varese, 1994:231-45). The criminal justice system continues to operate inefficiently and is susceptible to corruption at all levels, so organized crime has become the new arm of order (Rawlinson, 1998:110).

Law-enforcement agencies have not provided sufficient protection for private commercial structures. Arbitration courts have jurisdiction over commercial disputes, including claims arising of contractual breaches and property claims, and they are the place where a businessman having a dispute with another businessman would turn in order to settle a dispute (Varese, 2001:43). The system is inefficient in enforcing its decisions, and as a result, some entrepreneurs obtain an *Arbitrazh* court ruling and then use private means to enforce it. Large enterprises, which were formerly state-owned and were privatized in the 1990s, form the majority of the customers of the *Arbitrazh* courts. Smaller businesses in the private sector cannot afford to wait and forego assets as much as larger ones, which leads them to search for

effective enforcement outside the scope of the law (Varese, 2001:50-54). In Russia, laundering capital is still not criminally punishable and refusing to pay back loans is not considered a criminal act.

As business has evolved, state coercive structures and law enforcement agencies have stopped ensuring the safety of entrepreneurs, which has contributed to the development of Mafia organizations (Adabinsky, 1983). The government did not develop a legal framework for the new market era, such as enforcing property rights and property contracts, and laws designed to provide a secure, equitable working environment for commerce (Handelman, 1995:336-7). The majority of Russian companies no longer belong to the state, and prices are set by independent businessmen, rather than by the state. Limitations on all kinds of economic activities have been abolished or ignored. The state today plays a very minimum role on behalf of the economic interests of the citizens, which is unprecedented in Russian history, where the state always played the most important role (Reddaway and Glinski, 2001:305).

AUTONOMOUS SUPPLIERS OF PRIVATE PROTECTION EMERGE: SUPPLY OF PROTECTION

Even though lack of protection leads to a greater demand for protection, it does not follow that a Mafia-like solution will arise inevitably, and as Gambetta shows in his model in propositions (6) and (7), it is necessary to have suppliers of protection. Since the Soviet Union collapsed, *krysha* refers to protection against ordinary criminals and racketeers, unruly business partners, and competitors. The supply of private protection could come from a variety of potential suppliers: unemployed (it is estimated that in a span of three years [1987-1989] economic reform was responsible for 3 million people losing their jobs in industry, and only 20% of them were offered suitable alternative employment [Varese, 1994:248]), KGB (at the end of January 1992, staff was cut from 36,000 to 2,800), Russian armed forces (beginning in 1993, there was an annual discharge of 40-50,000 officers), policemen (25,000 were discharged from 1987-1988, and 32,000 were discharged in 1989) and young gangs (Russian youth face the prospect of unemployment, poverty, and social crisis as the country moves towards a market economy because they cannot earn enough money legally to purchase many goods, and enterprises are reluctant to hire youngsters, even for the most menial jobs [Vetrov, 1995:5]) (Varese, 2001:56). A report by the United Nations in 1995 placed the number of individuals involved in organized crime in Russia at 3 million, employed in about 5,700 gangs (*UN Crime Prevention and Criminal Justice Newsletter*, nos. 26-7, Nov.1995).

Private suppliers of protection also had the necessary equipment to provide protection because the local firearms black market offered weapons stolen from the army, KGB and police units (Varese, 1994:250). The liberalization of weapons laws has also contributed to the creation of private coercive structures. Russia is a world leader in the production of arms, which can be bought legally and illegally. Economic problems pushed many members of the security services and the army to sell a considerable number of weapons in the black market, and weapons are also stolen directly from manufacturing enterprises (Varese, 2001:58).

Protection is a commodity sold on the market by autonomous suppliers. In an effort to raise money and reduce the outflow of quality personnel to private security agencies, the state itself started to sell private protection. In 1989, the Interior Ministry (MVD) even encouraged private protection by allowing local Soviet policemen to enter into contracts with the cooperatives to provide security services for commercial establishments (Varese, 2001:59). Those people or businesses that are not protected are more likely to be victimized, which gives unprotected entrepreneurs a strong incentive to hire extra protection. Private Security Firms (PSFs), a feature of post-Soviet Russia, are another possible 'roof', and by the end of 1999, 6,775 private security firms and 4,612 armed security services were registered in Russia (Varese, 2001:61). A law passed in April 1992 allowed security firms to buy weapons. PSFs are staffed mainly by former KGB, the MVD, and the GRU, who offer private security and investigation services to individual and corporate clients for substantial sums of money (Varese, 2001:62-3). Major economic conglomerates are the only ones who can afford to have internalized protection, hire a host of bodyguards, commercial intelligence officers, and a system of secure communications. For example, the gas monopoly, Gazprom has a 20,000-strong security service. These conglomerates are also offered tax concessions, protectionist measures against competitors, and exemptions from duties (Varese, 2001:65). The additional 'tax' paid to criminal protectors, which is supposed to be a percentage of the profit of the business, usually within the range of 10-20 per cent of profits, 'leads to price increases of 20 to 30 per cent' (Varese, 2001:71). The losers are both the consumers, who pay higher prices for goods and services, and unprotected competitors. Criminal protectors compete with state protectors and legal security firms (PSFs) over price and services for clients. Police protectors can have access to police files and they can bypass restrictions, so PSFs have to expand the range of services by offering customers semi-legal enforcement and protection (Varese, 2001:71). It is estimated that 75% of Moscow's cooperatives and 90% of Leningrad's cooperatives pay protection money (Varese, 1994:252-7). A number of business people in Russia hire autonomous suppliers of protection

who perform a variety of tasks, such as making sure business partners comply with the terms of an agreement, obtain credits, and punish non-payers because the state does not enforce laws and contracts.

**USING THE SERVICES OF OR JOINING THE RUSSIAN MAFIA
AND THE COERCION USED BY THE RUSSIAN MAFIA
ARE RATIONAL PROCESSES**

I argue that using the services of the Russian Mafia or joining the Russian Mafia is rational. It is a rational decision for all those who share common problems because most of the people in the same predicament in Russia turn to organized crime for assistance. In the absence of clear moral values and beliefs, the Mafia has permeated the entire fabric of society because the laws of the state do not work, or work selectively, and almost everyone lives according to their own laws.

Rational choice theorists claim that regardless of the reason for committing crime, the decision to do so is a rational choice made after weighing the benefits and consequences of the action. Russian Mafia members are able to make rational decisions regarding their involvement in organized crime. Members of the Russian Mafia commit crimes after considering the risks of detection and punishment for the crime as well as the rewards (i.e. financial) of completing the act successfully. Financial incentives play an important role in the willingness of persons to engage in organized crime. Organized criminals believe that their criminal talents or the resources of the organization aid them in avoiding detection, so they feel that the crime can be carried out with minimal risk, and will bring in more benefits. Since the breakup of the Soviet Union, hundreds, possibly thousands of gangs extort money and steal as the underpaid and corrupt police look on. Russian economic laws are generally unclear and contradictory in nature. Businesses that pay the legally required import and export tariffs often have no capital left to reinvest. Virtually anyone who attempts to earn money through production or trade is targeted or victimized by the Russian Mafia. Those businesses that do not pay extortion money to the Mafia often pay police or security firms to protect them from the Mafia.

It has become easy not only for organized criminals to get rich quick in Russia by exploiting the collapse of the government's ability to keep the system in order, but also for many governmental bureaucrats and private business people as well. One of the most common ways that Russian government officials can profit off citizens is through the levying of taxes. In some areas, sales taxes are as high as 40%, so many people consider it better to pay the Russian Mafia for 'protection' than to be taxed by government

officials who can shut down a business by asking for high taxes. However, not all businesses fall victim to organized crime or tax collectors because many businesses can get away without paying any taxes at all, especially large Western companies that have many political connections (Lyman and Potter, 1997).

According to Gambetta, the reason the Mafia has become involved in protecting criminal as well as non-criminal markets is because illegal transactions take place in a market in which the threat of law enforcement, the fear of deception, the absence of written contracts, and the uncertainty concerning property rights all contribute to make the demand for protection significantly higher than in legal markets. In Russia, as more and more dealers buy protection, the risk to those who do not increases, because cheats and thieves are more likely to concentrate their efforts on the unprotected. As a result there will progressively be more incentive to buy protection which could act as a catalyst to a chain reaction in which everyone ends up buying protection simply because everyone else is already doing so. The greater the number of people buying private protection the greater the need for others to buy it too. Protection is a kind of public good. For example, if one store or business is protected and others on the street where the business or store is located share this protection because thieves are afraid to enter the street, then the protection firm would have an interest in exacting a tax from the neighbouring businesses as well. The owner of the business would also want other businesses on the street to pay their share, so the interests of the protection firm and its customers would coincide. One of the reasons that store owners pay for protection is to deter new competitors. When the state defines certain goods as illegal it opens up a market which is in need of guarantees and protection because the state is unable to provide protection. If a new market opens up there will be a strong incentive for Mafiosi, as for any other economic agent, to enter into it, and it is the good they sell that makes the Mafiosi enter illegal markets. By declaring a good illegal, the state indicates that those who, despite this illegality, still choose to deal in such a good, will be chased and punished, so if the Mafioso wants to protect these daring entrepreneurs, he will have to equip himself accordingly (Gambetta, 1988:127-45).

The Russian Mafia or 'violent entrepreneurs' convert organized force or violence into money or other valued assets. The legitimation of authority depends upon the capacity of the state to provide efficient protection from real threats, and provide some economic benefits. The decision to enlist the Mafia's protection is based on the assessment of threats, the availability of alternative options, costs and benefits for, and constraints on both parties. Protection can be analyzed in economic terms by shifting the emphasis from

the “racket” to “protection” and presenting this relationship as a contract between the “provider” and the “customer”. Customers not only carry the burden of protection costs but are also able to receive profits from being better protected than others. When there are few formal rules and formal institutions are inadequate in providing protection, individuals will sooner or later find it more efficient to entrust their protection to specialized protective associations. When a Mafia group establishes territorial control, it wages a war with competing Mafia groups. If it survives, it expands both in terms of territory and commercial opportunities. It creates an economic policy of reasonable taxation and reliable protection of property, thus creating a secure environment and competitive advantages for its business partners. In the longer run, protection rents and reputation result in growing capital accumulation and further economic expansion. Mafia groups then establish institutionalized relations with the legitimate regional government (Volkov, 2000:709-44).

In Russia, several years of market reforms led to hyperinflation, a sharp rise in unemployment and an overall drop in the standard of living. Since social guarantees and job security are no longer part of the present system, money has acquired the role of the sole guarantor of personal security. The speed of the social transformation resulting from market reforms has created wealth for the few and plunged almost a third of the nation below the official poverty line. Those who have accumulated substantial wealth are afraid of treachery on the part of their competitors, criminals, and state power, which they see as greedy and capable of depriving them of all their property. The working class is demoralized by declining standards of living, by the lack of prospects and social guarantees, unemployment and chronic non-payment of wages. Most of them would do almost anything to avoid poverty, which leads many to a life in crime. Under these circumstances, more people began to rely on private protection services. Many resorted to taking justice into their own hands with the help of the Mafia. Cases of violent attacks and assaults, kidnapping, murders have become common occurrences, especially in the major cities. The social changes which have been going on since 1990 have been conducive to the growth of criminality. A third of the Russian population is living below the official poverty line, income differentiation is growing wider, alcoholism and drug use are still on the increase. At the economic level, financial fraud, embezzlement of funds and stealing of public, private and state property are becoming more professional and organized. The growing poverty due to chronic non-payment of wages and unemployment produces a ‘reserve army of criminals’ (Frisby, 1998:27-49).

Criminal activity has become one of the most important methods of regulating the present-day economy and a method for solving economic

problems. The number of organized criminal formations has been growing. By the end of 1995 an estimated 30,000 individuals actively participated in organized crime. During the Soviet regime, legal institutions were able to maintain a relative level of law and order in the streets and control the spread of crime, despite their corrupt nature, the malfunctioning of the Interior Ministry, the MVD, and the rivalry between it and the KGB. Disputes over spheres of influence and control over businesses and territories often result in armed clashes between competing Mafia groups, and intimidation and violence against business figures, as well as administrative and state officials. According to analysts, Mafia-like structures control 400 banks and exchanges, and 50% of the capital of the whole economy. The inadequacy of legal mechanisms helps to create a system of administrative arbitrariness and corruption. According to the MVD figures for 1994, corrupt officials assisted one out of every seven organized criminal formations and gained from them 22 billion rubles in bribes. By 1995 almost 50% of criminal profits were spent on corrupting officials (Frisby, 1998:27-49).

I agree with Gambetta that the Mafia does not merely practice extortion but provides a real service. The Mafia does not offer protection from dangers, threats, and distrust which the Mafia itself creates. Extortion is not the primary concern of the market for private protection. Even if the process is initially triggered by threats and intimidation and can thus be seen as a form of extortion, once the process is underway it becomes very difficult to claim that the dealers are buying false protection. The police are not efficient in preventing stealing and cheating, so private protection is needed to reduce the risk. A shop window blowing up in Russia might simply mean that someone is being punished for free-riding at the expense of those around him, who are paying for a commodity – protection – from which he benefits without bearing his share of the cost. Even if protection firms were practicing extortion this would not be technically different from comparable forms of behaviour in legal business. For example, a company producing cars which puts pressures on politicians to encourage them to spend more money on motorways even if this is not in the public interest is, in economic terms, exactly analogous to a protection firm blowing up a shop window because both are trying to increase demand for its product by unfair means. Whatever the commodity, legal and illegal firms try to influence demand by improper means, so the extortion perpetrated by ‘organized crime’ is not necessarily more common than that perpetrated, on a much larger scale, by big business. If Mafia groups want to supply credible protection they need to be stronger than their clients. Mafiosi must show some skill in violence if they want to stand a chance in the protection business. Violence or the capacity to inflict costly punishments is a crucial part of the role of guarantor: the protected party pays to be protected

from potential cheating and it needs to be able to count on the Mafia's ability to deter the other party from cheating. If the Mafia were able to offer protection while avoiding violence it would seem rational to do so because the corresponding risks would be smaller. A Mafioso who can inflict more violence is expected to be a more reliable protector. The need to sell protection increases the importance of a reputation for extreme violence in the competition for the protection market and this in turn fuels the Mafioso wars (Gambetta, 1988:127-45).

CONCLUSION: CAN WE USE RATIONAL CHOICE MODELS TO EXPLAIN THE EMERGENCE OF THE RUSSIAN MAFIA?

The Mafia seems radically different from "us," so we label it as a subculture, associated with non-rational forces, when in fact the Mafia can be explained in rational terms. The Mafia is a specific economic enterprise, an industry which produces, promotes, and sells private protection. The state and the Mafia deal in the same commodity, protection. The market is rational in the sense that there are people who find it in their individual interest to buy Mafia protection. In both legal and illegal markets, it is rational for some people to use the Mafia's services in order to sort out disputes, to retrieve their stolen property, or to protect them from their competitors. When the state makes a certain transaction or commodity illegal, a potential market for private protection is created. The norms adopted by the Mafia are not part of a fixed and universally agreed-on code because protection is sold on a private basis to individual customers, and the prices and types of services required vary. The Mafia's protection succeeds in making a profit from distrust. Even the most violent behaviour of the Mafia can be explained as strategies that Mafia adopt in order to sell protection effectively. Becoming a Mafioso may not be a rational thing to do, but once in the trade, its members must run it efficiently or someone else will take their place (Gambetta, 1993:1-10). Those who choose to become members of the Mafia usually suffer from the absence of preferable alternatives.

In Russia as in post-1860 Sicily, what distinguishes the Mafia in both countries from corruption and from other forms of criminal activity is its willingness to resort to violence to achieve its economic ends, together with its penetration of the political system and the legal economy. In both countries the linkages between organized crime and the political system were institutionalized after the Second World War in single-party monopolies which permitted corruption of individual politicians and systematic penetration of the bureaucracy and the legal system. In the Russian situation, there is more corruption of politicians, law enforcement officers and judges, as opposed to

the stable alliances which characterized the Italian case. Russian organized crime also lacks the clearly defined regional strongholds of the Sicilian Mafia and its counterparts on the southern Italian mainland, and instead spread more throughout the entire country. The Russian Mafia is less tightly structured, more socially isolated, and lacks the social roots and popular legitimacy that the Mafia has achieved in certain areas of Southern Italy (Chubb, 1996:288).

The conditions which led to the emergence of the Mafia are not unique to nineteenth-century Sicily, and the Soviet Union is another example of a country in which the demand for and supply of protection were both originally present. In both Sicily and the former Soviet Union, very few people were entitled to own private property, and those who did also held a monopoly on the use of force. When the monopoly over private property ended it led to a dramatic increase in the number of property owners and transactions involving people with property rights, but the monopoly on the use of force was not transferred to the new class of property owners. This led to an increase in the fear of losing property and the demand for protection from whoever had the power to enforce property rights. A few years after the breakup of the Soviet Union there was still no clear property rights legislation or administrative or financial codes of practice, and no authorities to enforce them, so opportunities for private suppliers increased (Varese, 1994:252-3).

The three main building blocks of an effective system of property rights do not exist in Russia: the definition of property rights, the possibility of deriving income from the goods owned, and the presence of an apparatus that deters crime against property. In post-Communist Russia, some aspects of property rights are poorly defined, an unfair tax system prevents owners from legally deriving income from the goods owned, and the state apparatus does not effectively deter crime and corruption. A significant factor that accounts for the present widespread corruption in Russia is the presence of powerful lobbies able to get tax exemptions for a sizeable section of the private sector, while the remaining part of the private sector is burdened with an unbearable amount of taxation, which leads them to engage in corrupt practices in order to avoid paying taxes. The apparatus to deter crime has also had to cope with a massive increase in the opportunities to commit crime, which coupled with the end of the Soviet police state has led to a reduction in the state's effectiveness in protecting property rights. The transition to the market leads to an increase in the demand for inter-personal trust and state protection, and if effective protection is not supplied by state agencies, new property owners have incentives to search for alternative, non-state sources of protection (Varese, 1997:596).

Most of the conditions of Gambetta's model do apply to Russia today. Russia is undergoing a transition that is similar to the one experienced in Sicily in the last century. In Russia, a hasty transition to the market that was not accompanied by clear property rights legislation, administrative or financial codes of practice, and authorities who could not enforce them reduced trust in the state and created a demand for alternative sources of protection, which led to an environment where the Mafia flourishes (Varese, 1994:231). The price paid by entrepreneurs for the services of the Mafia has a rational justification in an untrustworthy world (Gambetta, 1993:28-33). Demand for protection had to be met by the presence of a supply of individuals already trained in the use of violence, who suddenly found themselves unemployed, such as the disbanded army soldiers, former KGB, army and police officers and criminals needing alternative forms of income. If Russia does not produce the basic goods and services associated with the enforcement and protection of property rights, then the future in Russia may look like what Sicily has already undergone (Varese, 1994:258). The Russian Mafia filled a need for security because authorities provided little protection to businesses and there was no legal way of resolving commercial differences.

The Russian Mafia is not a single crime group or national organization that emerged from the collapse of the Soviet Union (Varese, 2001:187). In post-Soviet Russia, many gangs control specific neighbourhoods or a number of 'clients', and each group is organized hierarchically and has its own army of enforcers. Some Russian crime groups have some of the trademarks from past Soviet criminal history, norms and rules that the *vory-v-zakone* developed. The peculiar Russian transition to the market has allowed legal and semi-legal providers of protection to flourish. Private protection firms, police departments, security services respond to market incentives and offer protection to legitimate and non-legitimate businesses, so they all compete with the mafias of Russia (Varese, 2001:188). The Russian Mafia has been able to forge some political alliances with a corrupt state that is run by powerful economic lobbies of the Soviet era and newly formed conglomerates run by the 'oligarchs'. Some Russian Mafia groups do provide a real service by collecting debts and settle business disputes, while others extract a vast amount of money from the business they protect and lead the business into bankruptcy (Varese, 2001:189-90). Those who continue to do business in such a world must be prepared to face potentially severe consequences, so many entrepreneurs may decide to leave the Russian market for other countries, or limit the scale of their economic operation to protect themselves from criminal rackets (Varese, 2001:190-1).

The future of Russia can be compared to Sicily, where for more than three decades its prosperity had depended upon a secret alliance between

organized crime, government, and industry. The situation in Russia looks even worse because of the unstable central government. The Russian Mafia's roots are deeply embedded in the political structure that created it, so a change in the situation can only be brought about by a change in the whole system. The system is organized in such a way that it allows incompetent leaders to control the country, and whose every step enriches neither the country nor the people, but the Mafia structure. The Mafia is intact because it grew up with the system and has become an inseparable part of it, which means that the Mafia will only collapse when the whole system itself collapses (Vaksberg, 1991:231-33).

In an untrusting world like present day Russia, it is highly rational to buy private protection, despite all the harm that it produces, and in such a world, suppliers of private protection, including Mafia groups, thrive (Varese, 1994:231). Choosing to obtain the Mafia's protection is individually rational, but collective disastrous leading to very high murder rates, high transaction costs, and poorer quality of goods and services (Gambetta, 1988:173). Since Gambetta's definition limits the Mafia to the protection industry, he fails to give adequate weight to the direct entrepreneurial involvement of the Mafia in the construction industry, the refining as well as the transportation of heroin, and the transformation of illicit gains through the national and international financial systems into many legal economic activities. Mafia entrepreneurs use intimidation and privileged access to public resources not just to provide protection, but also to accumulate capital through both legal and illegal economic ventures. Gambetta's approach also fails to explain adequately rising levels of intra-Mafia violence in the 1970s and 1980s, and he ignores the growing campaign of Mafia 'terrorism' against the state from the late 1970s on, and the central role played by the Mafia in the power structure of postwar Italy. By focussing primarily on a micro-analysis of Mafia intermediation in economic transactions and dispute settlement at the local level, Gambetta disregards the broader structural context within which the Mafia has flourished (Chubb, 1996:278-80).

I have added the historical context, in particular, the former Soviet Union's dysfunctional political structure to Gambetta's rational choice model because the collapse of the Soviet Union may have created the necessary conditions that made the Mafia a rational choice for potential suppliers of protection, but it is also important to understand that organized crime in Russia emerged as a result of the dysfunctional political structure that stretched back several hundred years. The specific case of the Russian Mafia demonstrates that rational choice models can in fact explain behaviour that seems to be at first sight highly irrational, but these explanations also have to take into account the specific historical context in which the behaviour emerged. The assumptions of rational choice models do apply to the

intentional actions of the Russian Mafia, but we are still far from being able to conclude that it is a complete theory of human behaviour because not all behaviour may be motivated by simple cost-benefit analysis.

FUTURE RESEARCH

The Russian-Soviet case of the Mafia shows that there is a place for rational choice theorizing in sociology. Calculation of means-ends rationality occurs in many spheres of life and social situations, such as the Mafia, but it is also important to take into account the specific historical and cultural context of the phenomenon being investigated, such as the crucial role that the Soviet Union's dysfunctional political structure played in creating the necessary conditions for the emergence of the Mafia, rather than just reducing complex social realities to the rational choices of individuals (Beckford, 2000:224).

In order to test rational choice models in the future, researchers can conduct more crime-specific studies that pay more attention to the offender's perspective and decision processes at the point of offending to determine if the crime can be explained with rational choice models. In the future, when conducting research using rational choice models, it is important for researchers to also look at the social, historical, and institutional context of the behaviour which they are trying to explain, and this will avoid the problem of overemphasizing intentionality. In order to understand similarities and differences in decisions to violate across social settings, we need to make cross-cultural comparisons of decisions to violate that take into account differences in institutional, organizational, and cultural context of offenses.

In the future, researchers can use the model of organized crime proposed by Gambetta and expanded upon in this paper to study how particular circumstances in their country of study, including the political structure, the monopoly over private property, the inability of the state to enforce property rights, and new suppliers of private protection led to the emergence of the Mafia. In the particular case of the former Soviet Union, it will be important to monitor the drastic changes in the economic and political structure, especially with a new leader in Russia, Vladimir Putin, and how these changes will affect the strength of the Mafia, and whether Russia will truly follow in the footsteps of Sicily.

Future researchers and policy makers can also use the model of organized crime proposed by Gambetta and expanded upon in this paper to develop measures to defeat the Mafia. In order to defeat the Mafia, it is necessary to go beyond purely repressive measures, and strike at the economic, social, political and cultural bases of its power. Where economic development remains elusive and levels of unemployment are high, organized

crime continues to exercise tremendous economic leverage. In addition, access to public resources, to national and international financial circuits, and to protection from prosecution remain critical to the Mafia's economic pursuits in both the legal and illegal sectors (Chubb, 1996:284). Most scholars have called for a strengthening of the central state (e.g. increased resources and manpower, centralized investigatory and prosecutorial structures, and new legislation to strike at the financial bases of Mafia power) in order to stop criminal organizations which have assumed not only national but international dimensions. The key to defeating the Mafia may lie not just in the creation of an effective repressive apparatus, but also in a profound transformation of the relationship between the state, political elites and ordinary citizens. The absence of clear legal rights and obligations has created the environment in which corruption and Mafia have flourished in both Sicily and Russia. It is necessary to restore the legitimacy and credibility of democratic institutions, seriously undermined in Russia by corruption and the dysfunctions of a bureaucracy where the citizen's basic rights are obtainable only with the help of a powerful protector, and by the ineffectiveness of government in dealing with a rapid deterioration in social and economic conditions. This means guaranteeing the safety of citizens, providing essential public services with efficiency, and instituting mechanisms of inspections and control (Chubb, 1996:289). In the vast Russian periphery beyond Moscow and St Petersburg, the forces associated with the old regime, often closely linked to organized crime remain firmly entrenched in power. In both Italy and Russia, the Mafia flourishes in a political context in which the citizen feels helpless, deprived of legal rights and political efficacy, and therefore condones corruption as the only means to achieve results. A firm commitment to fighting corruption and strengthening law enforcement at the centre must be accompanied by a revitalization of democracy at the local level (Chubb, 1996:290-91).

Hess claims that a strong State is meaningful only if it combines the struggle against crime with a struggle against its social causes by becoming an instrument of consistent social reform. The heroin trade, for instance, cannot be successfully suppressed by the use of more brutal methods against the crime syndicates but only by the removal of those conditions which drive the consumers to escape into drug addiction (Hess, 1973). Similarly, the Mafia cannot be successfully suppressed by the use of more brutal methods against the crime syndicates but only by the removal of those conditions which drive the consumers to use the Mafia for 'protection' and cause the Mafia to prosper in both its illegal and legal pursuits.

NOTES

1. Simon Williams criticizes RCT for neglecting the multidimensional (i.e. emotional, habitual and moral) elements in both 'rational' decision-making processes and other 'non-rational' forms of action.
2. Justin Cruickshank criticizes RCT for its behaviouristic conceptions of *Homo economicus* because it doesn't explain how individuals, who have free will, are enabled and constrained by an objectively real social context. He claims that RCT has to explore how individuals act, and explore why individuals act as they do, by exploring preference formation because the social formation of preferences and tastes of individuals have different values at different times and in different societies. Cruickshank claims that we need to study how both culture and structure are more than individuals, and how individual agents with free will are both enabled and constrained by culture and structure. He argues that we need to understand the social formation of preferences together with how individuals may be able to realize some preferences but not others, in particular social contexts.
3. Zey claims that most people have no set ranking of the numerous and complex options that exist to make rational decisions. She claims that RCT assumes that people have consistent preferences that lead to consistent actions. Zey argues that our present choices as well as our future choices are dependent on others, so not all outcomes are zero-sum. She claims that people do not always make rational choices, and individual preferences vary among individuals, and that all possible outcomes are not known, and outcomes attached to each alternative are not obvious. Zey claims that RCT sees everything social as the outcome of maximizing-purposive behaviour or its unintended effects, so it does not account for irrational or nonrational causes.
4. Margaret Somers (*We're no angels: realism, rational choice, and relationality in social science*) claims that one of the most important flaws of rational choice perspectives is that the explanations begin with the assumption that individuals are purposive and intentional actors who pursue specified goals, and it is committed to a causal mechanism in which people's intentions are posited to be the causal force that drives the social world. She argues that it is much more than just intentionality that explains or predicts human action, and that the motivating force for social agency cannot come from fixed categories. Somers concludes by claiming that, the social world cannot be theorized as comprised of universal, invariant entities with discrete self-propelling causal propositions and agents as causal mechanisms because our social world is embedded in time and constituted in relationships.
5. Ralph Turner claims that rational decision models assume a self-interested motivation and goal, but that the advancement of self-interest is not the dominant natural human goal in all situations, so behaviour can be natural without being self-interested. He argues that the use of rational decision models implies an individualistic approach to social behaviour, so it treats the individual as a fairly autonomous decision-maker, reacting to the situation rather than directly reflecting it. Turner claims that rational decision models do not account for the fact that individual behaviour is sometimes guided by motives of which the actor is unaware. He argues that people often act without a clear goal and with imperfect knowledge, so they are unable to assign precise values to costs and benefits.
6. Einstadter and Henry claim that RCT assumes formal equality between people and ignores inequalities between people and structures. RCT fails to account for the differences in people's ability to calculate their interests, and to set goals and objectives. It fails to consider irrational behaviour or spontaneous crimes and the role that peer groups play in effecting individual rational decisions.
7. See Clarke and Cornish (1983), *Crime Control in Britain: A Review of Policy and Research*.
8. Diane Vaughan (*Rational Choice, situated action, and the social control of organizations*) claims that institutional and organizational forces narrow options and shape preferences, affecting what individuals consider rational at a given moment. She argues that social action can result in unanticipated consequences, creating a disjunction between rational choice and outcomes. Vaughan claims that RCT emphasizes consequences, excluding how preconditions shape preferences. She claims that the weighing of costs and benefits does occur, but individual choice is constrained by institutional and organizational forces. Vaughan argues that individuals have limited knowledge of alternatives and outcomes may be less than optimal and unpredictable. She claims that decision-making cannot be separated from social context, which shapes preferences and affects what an individual perceives as rational, and individual calculations are influenced by history, culture, and structure. Vaughan claims that, when deviance becomes normalized, individuals see their actions as conforming, not deviant, so they see their actions as having only benefits, not costs.

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