

Chapter 10

Text Data and Computational Qualitative Analysis

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10.1 Introduction

Parts II and III of this book focussed on the interaction between state and civil society in an extortion racket system. In this part of the book we turn to the third corner of the typology discussed in Chap. 3, the criminal organisation itself. We approach the investigation of the modes of organisational behaviour in the crime field from its reverse angle: the breakdown of a criminal network in an escalation of intra-group violence. This chapter discusses background literature, the empirical basis of the investigation into the criminal organisation and a conceptual model extracted from the data. Chapter 11 presents an agent-based model resulting from this empirical basis.

10.1.1 Criminal Collapse: Analysis of the Breakdown of a Criminal Network

Specific problems of criminal organisations are only rarely investigated (comp. Diesner, Frantz, & Carley, 2005 for an example). However, as criminal organisations operate outside the legal world in which social order is secured by the state monopoly of violence (Sofsky, 1996) they face specific problems: In fact, while scientific research approaches criminals mainly as offenders, they are also

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potential victims (Putten, 2012). In case of a criminal offence reliance on the law enforcing agencies of the state such as the police comes along with high costs for criminals. For instance they might be subject to a criminal prosecution themselves or need to be protected against their former criminal comrades. This provides a source that criminals themselves are highly vulnerable against criminal offences. Therefore examining malfunction of a criminal group sheds light on the conditions for their organisational behaviour. For this reason we apply an organisational science perspective to the investigation of the intra-organisational norms in the criminal world (Gottschalk, 2010; Weick, 2007). For instance, in our examination of a case of extortion it turned out that the very term 'extortion' implies a perspective of criminal law on a certain kind of behaviour. However, from an organisational science perspective the very same activity appears as a run on the bank (Merton, 1968). Certainly this does not entail any justification of criminal activities but rather has to be perceived as an analytical concept for disentangling criminal norms.

The state of the art of research on the organisation of organised crime can be disentangled along the question of the degree of organisational growth and rationalisation of labour (von Lampe, 2015). Starting point for the academic debate has been the mafia as the paradigm of a professional, hierarchically organised crime syndicate (La Spina, 2005; Paoli, 2003). Whereas Cressey (1969, 1972) developed the thesis that like legal companies also criminal organisations tend to grow and develop an increasing rational management of labour, Reuter (1983) argued for the contrary thesis that particular conditions of criminal markets favour small and local enterprises. Chang, Lu, and Chen (2005) developed a model to determine organisational size as a variable dependent on environmental conditions. Namely, criminal organisations face a trade-off between efficiency and security (Morselli, Giguere, & Petit, 2006). While organisational growth, structural differentiation, and a rational organisation of the group management might increase returns, organisational growth comes at the cost of increasing danger of being detected (von Lampe, 2015). Small and local groups provide more security against criminal prosecution. Thus the specific condition of covertness shapes the kind of interactions and relations within and beyond the criminal organisations. It is argued that covertness favours flexible and adaptive networks without hierarchical relations. These might quickly emerge and dissolve for temporarily taking advantage of criminal opportunities (Klerks, 2002; Krebs, 2002; Morselli, 2009; Sparrow, 1991). For instance in the case of New York's heroin market Natarajan (2006) found only small groups of entrepreneurs rather than big criminal syndicates. Thus emphasis has shifted from studying organisations to processes organising (Hobbs, 2001). However, current research is focused on a static picture. Predominantly the structure of criminal organisations is perceived as a kind of rational or evolutionary adaptation, may it be to environmental conditions (favouring small networks) or conditions for the efficiency of production (favouring big syndicates). In contrast here we examine the dynamics of relations within a criminal group. Investigating the dynamics sheds light on the pitfalls in which criminal groups might be trapped. These are not based on deliberate decision but can be perceived as unintended consequences of actions. In contrast to the picture

of adaptive flexibility of small networks drawn in the literature, the case examined here reveals the negative side effects that organisational growth has on small and flat organisational structures.

10.2 Data Basis

Empirically, the chapter investigates the collapse of a gang of criminals involved in drug trafficking and laundering illegal money. The basis of the data are transcripts of police interrogations of witnesses as well as suspects in a number of cases that were related with each other insofar as a core group of persons were involved in all these cases. This core group consisted of ca. 20–30 persons. Some of these persons knew each other already for several decades, partly also by a record of co-offences in a longtime criminal career. In contrast to the Sicilian Cosa Nostra, the group had no hierarchical structure or formal positions such as a *capo di famiglia*, i.e. the head of a certain sub-unit of the Cosa Nostra operating in a certain district. Whereas the Cosa Nostra is a professional organisation (La Spina, 2005; Neumann & Sartor, 2016; Scaglione, 2011) the group subject to these police investigations was more of a network of old friends. While certainly some individuals gained more prestige than others the structure of the group did not consist of positions with managerial authority or right of command. However, at least for a decade the group operated extremely successfully in the drug market. The groups were formed presumably in the early 1990s and made a lot of money in particular with ecstasy. They made a profit equivalent to several hundred millions of Euros that had been laundered in highly professional, worldwide financial transactions (Neumann & Sartor, 2016).

However, in the early to mid-2000s the group collapsed in an escalation of violence. An informal network cannot terminate as, e.g. a legal company declaring bankruptcy. So collapse means in this case that the business relations terminated, either because they killed each other or because of a loss of trust, partly due to murders and other acts of violence including kidnapping, intimidation, and extortion. Collapse of trust is essential for the breakdown of the group. As already in legal organisations trust is essential for the efficiency of labour relations (Colquitt, LePine, Piccolo, & Zapata, 2012; Colquitt & Rodell, 2011), this holds even more in the case of illegal organisations operating outside the state monopoly of violence. In the legal domain organisations can at least ultimately rely on the state monopoly of violence: As labour relations are contractual relations norm enforcement can be delegated to the third party of the court. In criminal organisations recourse to the court is impossible. Thus a criminal organisation needs to rely on the commitment of the members to the organisation. For this reason, trust is essential. For instance, in case of money laundering black collar criminals need to hand over the money to their partners and trust that they will get the return of investment back from the trustee. In a covert organisation this cannot be secured by formal contracts. Once trust is corrupted the business relation breaks apart. In fact the collapse of the group triggered massive violence, including a large number of assassinations. For instance, three murders

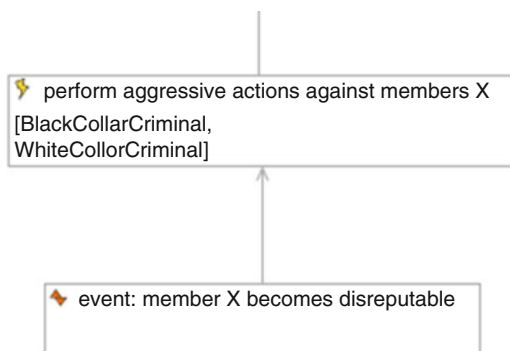
happened within one week. In turn the violence fostered further breakdown of trust. The escalation of violence has been described by involved persons as a ‘corrupt chaos’ governed by a ‘rule of terror’ in which ‘old friends are killing each other’. The notion of ‘chaos’ indicates that seemingly the ‘terror’ was not governed by an individual such as Nero burning Rome but—from the perspective from inside—by an invisible hand. The involved persons could no longer keep track of the complexity of incidences. This is an emergent phenomenon in which the macro level of the situational complexity generates a perception of the situation as a ‘corrupt chaos’ on the micro level of the involved individuals. This motivates the research question of the data analysis: dissecting the mechanisms of the chaos on a level of fine-grained individual interactions. For this purpose a phenomenological description is applied.

10.3 Methodological Approach

The analysis is based on several police investigations in which numerous interrogations are documented. Police interrogations can be described as situations of dialogical conversation. An in-depth analysis of subjective meaning attributed to certain situations brings the empirical analysis very close to the subjective perception of the actors. Certainly interrogations are artificial situations which might be alien for the respondents who might answer strategically or simply lie. Moreover the talk is guided by certain interests of the police. In this case for instance, the police investigations focused on persons related to money laundering and less on drug production. This uncertainty is typical for criminological data (Bley, 2014). On the other hand police interrogations differ from court files in which respondents can be put under oath. Moreover police interrogations are confidential. Many of the respondents were witnesses as for instance relatives of victims who were themselves interested in elucidation of the cases. This gives their statements certain credibility. For this reason the data provides a rather good basis for analysing the cognition of a certain situation as ‘corrupt chaos’. The aim is to infer hypothetical, *unobservable* cognitive elements from *observable* actions and statements to analyse cognitive mechanisms that motivates action in very confused and opaque situations.

Investigating subjective perceptions calls for an interpretive research methodology. For this purpose the research draws methodologically upon a Grounded Theory approach. In a first step the data was loaded into MaxQDA (www.maxqda.de) as a tool for qualitative text analysis and text passages were annotated which then were summarised into codes deriving concepts from data. Concepts stand for classes of objects, events or actions which have some major properties in common. This is a classical open coding of a Grounded Theory (see Corbin & Strauss, 2008). However, in a second step the research diverged from classical Grounded Theory. The coding derived with MaxQDA served as the basis for concept relation identification with the CCD tool which is software for creating a conceptual model of the process (Scherer, Wimmer, & Markisic, 2013; Scherer, Wimmer, Lotzmann, Moss, and Pinotti, 2015). This departs from a classical Grounded Theory approach by making use of an abstract framework of condition-action sequences (Lotzmann & Wimmer, 2013). The web of

Fig. 10.1 An example of a condition-action sequence



interrelated sequences is denoted as an action diagram. The concept of condition-action sequences is an a-priori methodological device to identify social mechanisms on a micro level of individual (inter-)action. Any process is initiated by a certain condition which triggers a certain action. This action in turn generates a new state of the world which is again a condition for further action. Broadly speaking a mechanism is a relation that transforms an input X into an output Y . A further condition is a certain degree of abstraction which becomes evident by a certain degree of regularity, i.e. that under similar circumstances a similar input X^* reveals similar outputs Y^* . In the social world it is typically an action which relates X and Y (Hedström & Ylkoski, 2010). This is assured by the concept of event action sequences. Whereas the data describes individual instantiations the condition-action sequences represent general event classes. For instance, in our case one condition is denoted as ‘return of investment available’. This triggers the action to ‘distribute return of investment’. Obviously this describes classes of events. Return of investment might be rental income as well as, e.g. purchasing of companies. However, empirical validity is ensured by tracing the individual condition-action sequences back to the coding derived with MaxQDA (Neumann & Lotzmann, 2014; Lotzmann, Neumann, & Moehring, 2015). This methodology enables controlled generalisation from the case which provides a proof of existence of the inferred mechanisms. In more technical terms a condition-action sequence looks like displayed in Fig. 10.1.

The diagram represents a condition-action sequence. The box with a red flag represents an event. The action is represented by a box with a yellow flag. Moreover, in brackets we see the possible types of agents that can undertake the action. The arrow represents the relation between the event and the action. This is not a deterministic relation. However, the existence of the condition is necessary for triggering the action. Once an action is performed a new situational condition is created which again triggers new actions. This is indicated by the stripe leaving the box which represents the action. The sequence does not represent a concrete event in space and time but a class of possible relations. Moreover, the CCD tool creates a code template which can be implemented in a simulation model. The model will be presented in the next chapter (Chap. 11). On the other hand traceability to the empirical data is secured by annotations that refer to the open coding performed in the first step of

the analysis. In sum, a web of condition-action sequences is generated that represents the conceptual model of the data. Developing the conceptual model is an iterative process: first the individual condition-action sequences need to be consistent with empirical domain knowledge. Second, the overall web of relations needs to provide a meaningful big picture that is sufficient to represent the overall corpus of the data. Therefore the development of the conceptual model has been a participatory modelling process, i.e. stakeholder knowledge of police experts went into the model. Several developmental stages of the model have been discussed with stakeholders until they perceived it as valid. This is an equivalent to the concept of theoretical saturation in a Grounded Theory approach (see Corbin & Strauss, 2008). Finally note that the data basis of interrogations allows including cognitive conditions (such as ‘fear for life’) and actions (such as ‘member X interprets aggressive action’). This is an important feature to achieving a thick description from a situational phenomenology. For understanding the chaotic terror it is essential to retrieve the meaning attributed to particular situations, observable at a phenomenological level.

10.4 Conceptual Model

In this section the conceptual model of the data and its empirical trace will be presented. The description concentrates on the relation between ‘black collar criminals’, involved in drug trafficking, and ‘white collar criminals’ responsible for money laundering. This means that the production and distribution of drugs, i.e. the source of the illegal money, is not taken into account. The conceptual model is realised in the action diagram of the web of condition-action sequences. In the next section the mechanisms of the collapse at micro level of single actions are investigated. In the next section a theoretical analysis of the conceptual model will discuss the mechanisms on the macro level of the structural properties of the criminal group which can be revealed from the micro-level analysis. First it has to be noted that in the investigated relations three kinds of actors are involved:

- ‘Black collar criminals’ who gained illegal money in the drug business.
- ‘White collar criminals’ with a good reputation in the legal society in order to be able to invest huge amounts of money in the legal market. These might not have a long record of criminal offences but might be pushed towards criminal behaviour on course of interactions (Gross, 1978).

So-called straw men which played a decisive role in concealing the source and target of the money flow.

Once the data has been transformed in an action diagram five phases in the process of the collapse can be distinguished in the analysis of the action diagram:

Ordinary business of money laundering: This is the status quo before the collapse took place. Note that production and distribution of drugs is not investigated.

A crystallising kernel of mistrust disturbing the ordinary business, initiating the collapse.

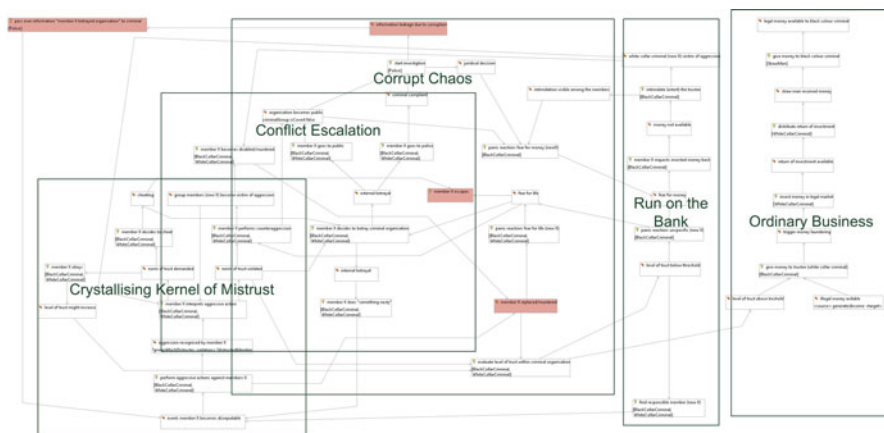


Fig. 10.2 Overview of the action diagram of the process

If the mistrust cannot be encapsulated a spreading of mistrust through the group generates a *conflict escalation* which finally leads to what has been denoted in terms of witnesses as a *Corrupt chaos*, including a *run on the bank*. This was part of the ‘corrupt chaos’. However, it can be analytically distinguished because the financially oriented relations of conditions and subsequent actions remain separated from the purely existential violence.

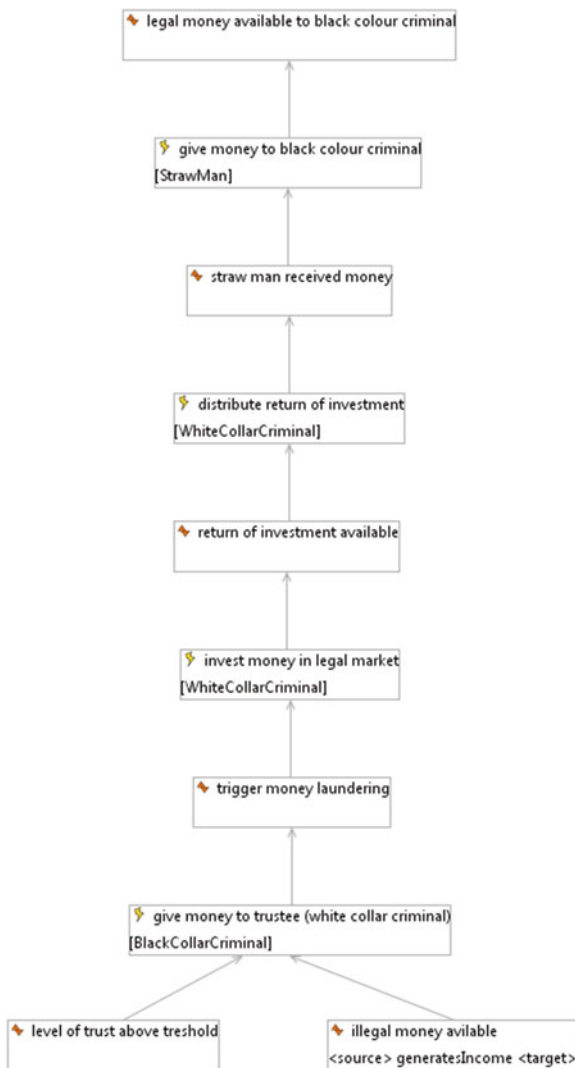
In Fig. 10.2 an overview of the condition-action sequences that could have been identified in the data is provided. Note that these sequences generalise from the empirical instantiations. Thus they are social mechanisms that are inferred from the data. However, transparency is ensured by tracing these mechanisms back to the empirical observations from which they are derived.

What can be seen from the overview is the fact that the relations in the ordinary business and the run on the bank, i.e. those actions that are related to financial transactions, remain rather isolated, with rather few links to the web of the other actions. In contrast, the actions in the process of conflict escalation are strongly interrelated. Next, the individual elements (from the ordinary business to the run on the bank) will be described in detail. First, the individual condition-action sequences of the process of the ordinary business of money laundering are considered. We describe the individual sequences and provide text passages in the police interrogations from which these sequences are derived.

10.4.1 Ordinary Business of Money Laundering

The process of money laundering, described in Fig. 10.3, starts with two conditions: Obviously, illegal money must be available. However, black collar criminals invested a huge amount of money in the business of white collar criminals. In the absence of formal contracts which are secured by the possibility that claims can be enforced by

Fig. 10.3 Money laundering



legal action, also trust is required in order to trigger a process of money laundering. These two conditions are inferred from statements in the police interrogation, for which the following two citations are exemplary.¹ The level of trust is expressed in the following statement of a witness, in which O1 is a black collar and V01 a white collar criminal,² that money was available is documented in the second report:

¹These are open codings derived with MaxQDA which are then inserted as annotations in the CCD framework.

²For reasons of protection of private data, names are anonymous and no reference to the source in the police interrogations is provided.

O1 and V01 seem to be friends for me.

In the period between 1990 and Feb 14, 1992 police investigations had been undertaken. These revealed a criminal organisation concerned with drug trafficking. The report from June 1992 estimated the income and the costs. It is estimated a transaction volume of nearly 300 million.

If these two conditions are fulfilled a process of money laundering is triggered. In this case illegal money is given to a trustee with a legal business who invests the money in the legal market. The trustee is the link between the illegal and the legal world. That illegal money has been available is testified by the following statement:

... inserted a significant value of black money in the structure of the company of V01.

The money that had been inserted in the company of V01 has been invested in the legal market, as testified in the following statement:

At the moment I paid 800,000 in the firm which are now worth several millions through legal trade.

The investment of the money triggers the redistribution of the now legal money back to the black collar criminals. However, it turned out that for the concealment of source and target of the money third parties had extensively been used. These need to be individuals which are not in the first instance visible parts of the criminal group but nevertheless are trusted by group members. We call them straw men.

Finally, V01 paid 59 million. The cash money had been invested through a construction in Curacao. Here the brother of V01 played a decisive role.

The brother is but one example. Another one had been, e.g. the girlfriend of a criminal. However, this example makes clear the two functions of (a) not being visible as part of the group but nevertheless, (b) being highly trusted by group members. Here the family ties play a decisive role.

10.4.2 A Crystallising Kernel of Mistrust

This process could have gone on without any specific terminal point. However, factually at some point in time a crystallising kernel of mistrust invaded the group. Obviously, this is a contingency of the investigated data: The interrogations are based on the fact that the group became visible and factually the group became visible only in and through the process of its collapse. This is a kind of happenstance. In particular the individual events remain contingent. The story of this particular case will be developed in the textual annotations below. These gave rise to the identification of the mechanisms of the decline of the group. However, it has to be noted that it is rather likely that in the course of time some such events happen that trigger follow-up actions. For this reason the conditions have been specified in the condition-action sequences in a very general way: It is simply stated that some member of the group becomes disreputable. In the first instance, this is due to the limits of the data. In the interrogation it cannot be identified unequivocally why and how this

happened. In the data only the follow-up steps can be found; that is, it is a theoretical inference that someone became disreputable. However, first, this is a very general condition which makes it rather likely that some point of time it will occur. Second, in a group some form of conflict resolution is needed. The crucial question is how the group handles conflicts. This is a critical juncture for the stability of the group.

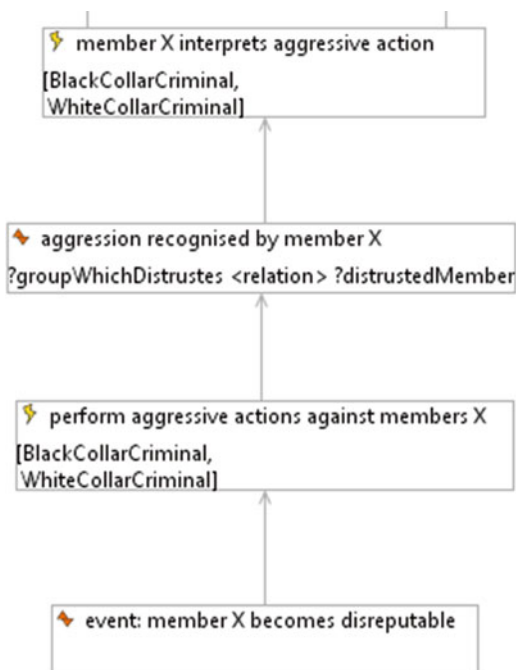
As justified above, the starting point of the process outlined in Fig. 10.4 is treated as an external event, namely that a member of the group becomes disreputable. This may be due to several reasons: for example a member may become too greedy. Once this event happened it calls for a mechanism of conflict resolution. Conflict resolution might trigger an act of aggression against this member. This might be an attempt to sanction this member or motivated by some causes such as, for instance, simply anger or irritation about him or her. However, it may also be the case that mistrust is based on other reasons or that the motivation is based on self-interest or simply remains unclear. In the following some examples of how an aggression might look like in the context of a criminal group are provided:

An attack to the life of M.

O1 had V01 in his grip. He shall do as told otherwise his family would have a problem.

...O5 came to my house in order to say that at 8 in the evening I should come to the forest. This is standard: intimidate and request for money.

Fig. 10.4 Crystallising kernel of mistrust



The aggression in these examples is of very different severity. Obviously murder is a severe aggression. It shall be noted that assassination might be motivated by several reasons, ranging from greediness to death penalty. In fact, M. survived the attack but had been killed some years later because he had been accused of stealing drugs. The latter can be interpreted as execution of a death penalty. In the other two examples the objective of the action is not the liquidation of the victim. If effective, the aggression is recognised by the victim. This triggers reasoning on the aggression. In contrast to (successful) murder, the aggression in the two other cases is intended to initiate certain behaviour or behaviour change respectively. In the second example O1 ‘shall do as told’, whereas in the third one the objective of the intimidation is a ‘request for money’. Recognising the aggression triggers a crucial cognitive process: namely, interpreting the possible motivation of the aggressive act (comp. the last action in Fig. 10.4).

The objective of the abstract condition-action sequences is not to tell the story of a particular case but rather to infer general social mechanisms. For this reason, the reasoning is described in a most general way. Two options had been identified which are characteristic for all cases in the data: to interpret the aggression as norm enforcement or norm violation. Norm enforcement is denoted as ‘norm of trust demanded’, i.e. as a form of punishment. As the condition of covertness of criminal organisations demands secrecy, it is an advantage not to talk too much. Moreover, norms are not codified. Therefore this is done typically without informing victim that he is being punished because of the violation of a certain norm. Norm violation is denoted as ‘norm of trust violated’, i.e. as violation of the informal code of conduct within the criminal group (comp. the first branching in Fig. 10.5). Obviously, this broad characterisation covers a number of concrete interpretations. For instance, norm violation might be some kind of self-interested action which can be due to an infinite number of intentions.

Dependent on the interpretation of the aggression different behavioural options are triggered. Obviously the reasoning is not documented in the data. However, what can be found is the reaction on the aggression. First we discuss the case of interpretation as norm enforcement (on the right-hand side of Fig. 10.5). In this case the

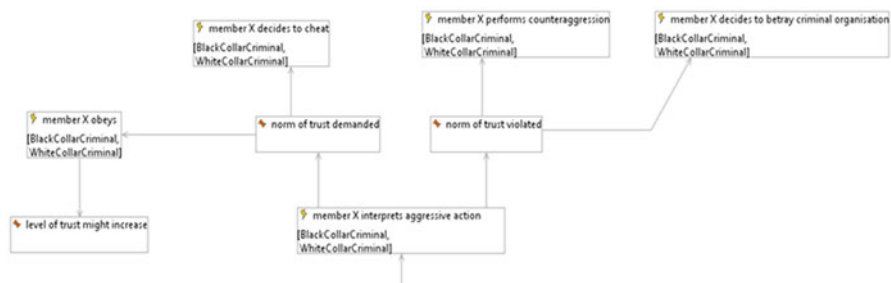


Fig. 10.5 Reasoning on aggression

victim may either obey or deliberately decide to cheat. Obedience may restore the trust in the organisation, or at least ensure that the code of conduct in the group is respected. This is denoted as ‘level of trust might increase’. In this case mistrust may fade away or at least remain encapsulated. Obedience is shown as an example of the reaction to the ‘request for money’:

I paid but I’m alive.

10.5 Conflict Escalation

In the case of interpreting aggression as norm violation (on the left-hand side of Fig. 10.5), the victim decides about the reaction. Two action classes had been identified, denoted as counter-aggression and betrayal. This shall be discussed by the first example: the failed assassination. This is an intricate case, demonstrating the pathway to the diverging interpretation, ‘norm of trust violated’. After M. survived the attack on his life, it is plausible that he lost trust in his business partners. The reaction was as follows:

M. told the newspapers ‘about my role in the network’ because he thought that I wanted to kill him to get the money.

This reaction is instructive: It allows reconstructing how he interpreted the aggression. M. interpreted the attack on his life not as a penalty for deviant behaviour from his side (i.e. death penalty as in his later assassination for being accused of stealing drugs). Instead he concluded that the cause of the attack was based on self-interest (the other criminal ‘wanted his money’). Thus he interpreted the attack as norm deviation rather than enforcement. Next, he attributed the aggression to an individual person and started a counter-reaction against this particular person by betraying ‘his role in the network’. This is an example of betrayal. An example for counter-aggression will be provided when the escalation of the conflicts to a ‘corrupt chaos’ is discussed. First, it shall be noted that this reaction caused another member of the group to become victim of an act of aggression. While it remains unknown who was responsible for the assassination, it was not this individual. However, the betrayal had severe consequences for this individual. Thus another member of the group faced an act of aggression which further caused the need of interpretation. This induces a positive feedback loop as outlined in Fig. 10.6.

10.5.1 *A Corrupt Chaos*

Positive feedback loops generate unstable systemic behaviour. This systemic property caused a spreading of mistrust throughout the group. It generated a cycle of revenge and counter-revenge, making the situation uncontrollable, as documented below:

There is a rule of terror in the town.

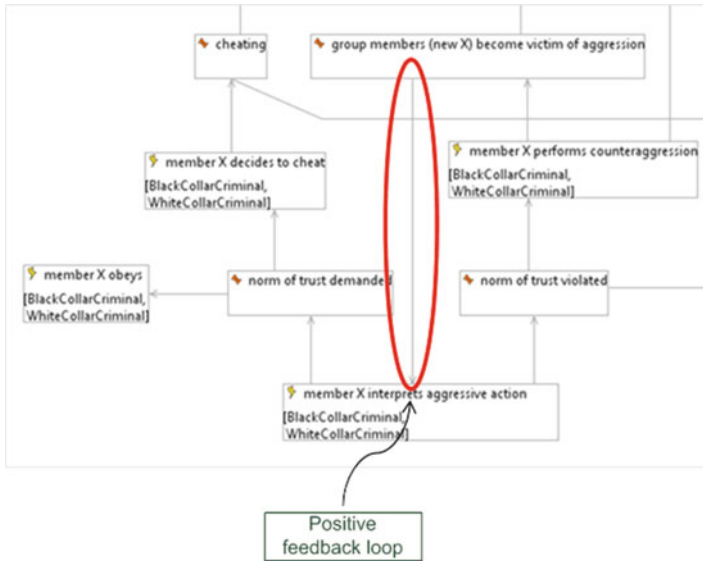


Fig. 10.6 Positive feedback loop

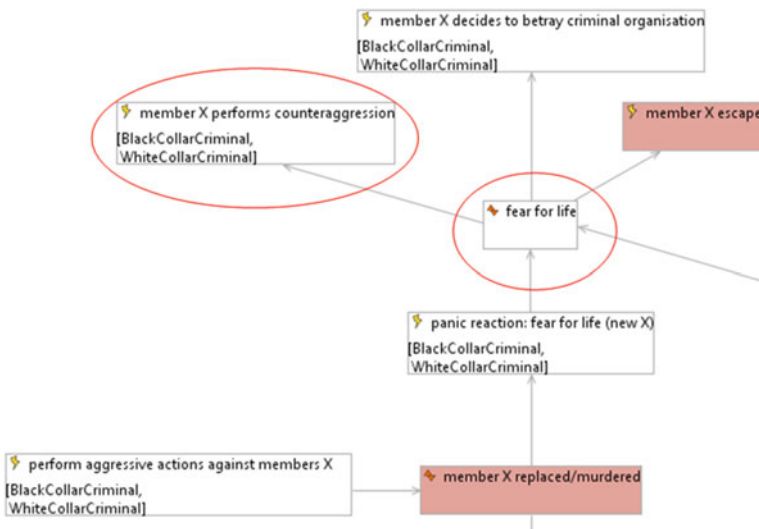


Fig. 10.7 Corrupt chaos

The feedback cycle generates a complexity that from the perspective of the people involved in the situation could not be attributed to a particular individual anymore as indicated in the following statement:

There is a corrupt chaos behind it.

In the following the condition-action sequences of this segment of the process of disintegration of the group are displayed in which the trust required for the covert activities breaks down. Not the overall diagram will be substantiated by textual annotations from the data. Instead only two elements, denoted as fear for life and counter-aggression, will be highlighted (Fig. 10.7).

Fear for life is proven in the following testimony of a witness:

V01 was in great fear of O1. When he had an appointment with O1 he was wearing a bulletproof jacket.

However, being thrown in a situation of existential threat is likely to initiate attempts of counter-aggression. This is demonstrated at two examples:

He was at a point in which he was in a totally despaired situation. HLJ had several times tried to counteract. He had a plan to approach O1 with a weapon. However, in the last moment he didn't dare. At a different time he had two pistols with him. He planned to shoot O1 to death and to pass the other weapon in his hand in order that it appeared as if he had shot in self-defense.

Presumably V01 asked the [Motorcycling gang] to make an operation against O1 in return for a huge amount of money.

10.6 Run on the Bank

Existential threats are likely to induce unpredictable behaviour. However, in the ordinary business of money laundering a huge amount of illegal money had been invested in the legal market through the white collar criminals. In a criminal organisation the investment could not be ensured by legal contracts. The black collar criminals needed to trust that they will get the return of investment back from the white collar criminal. In case of the breakdown of trust a well-known mechanism from legal financial markets becomes effective: fear for money provides an incentive to get as much money of the investment back as soon as possible. Moreover, if it becomes visible that one member attempts to get the money out, the classical mechanism of a self-fulfilling prophecy (Merton, 1968) initiates a 'run on the bank'. It is known from the legal world that this has a destructive effect on the market. In Fig. 10.8 an overview of the process in case of a criminal organisation is provided.

The overall process shown in Fig. 10.8 will now be documented following instantiations of single condition-action sequences. As approved by the following testimony fear for money initiated attempts to get money out of the investment:

Starting from Oct. XXXX S.K. came in the office. She told the employees that she needed to talk to me because her former man (who died) had 7 million active debts.

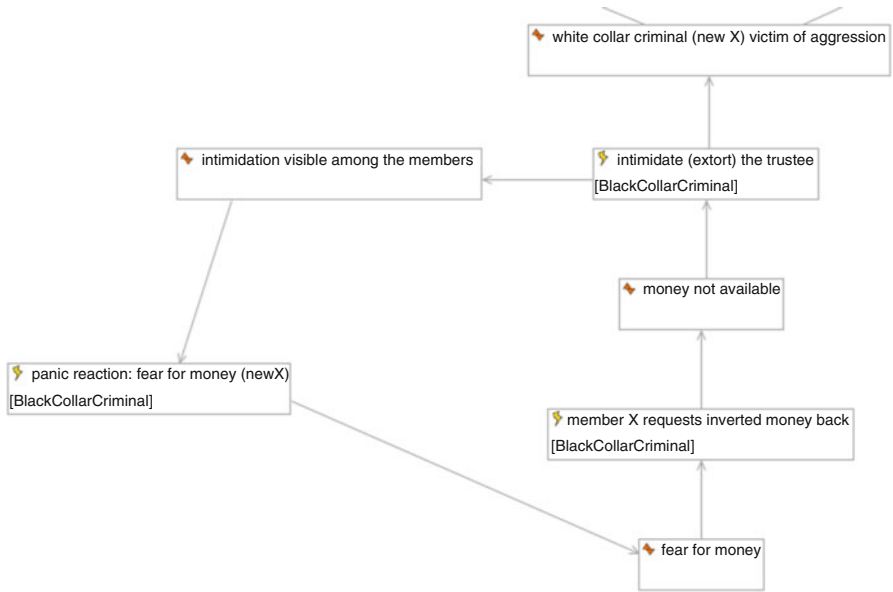


Fig. 10.8 Run on the bank

Fig. 10.9 Fear for money

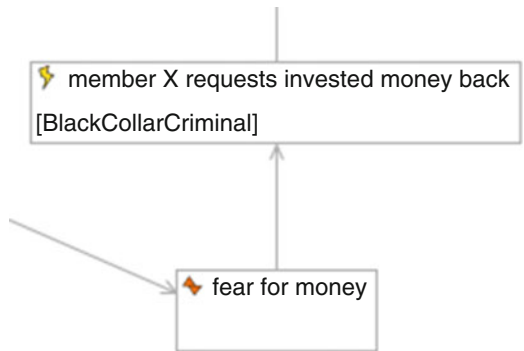
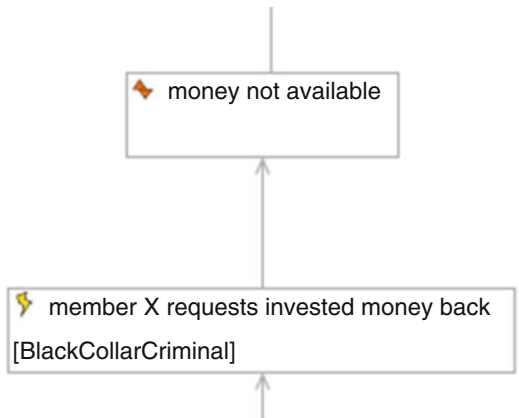


Fig. 10.10 Money not available



This is the beginning of the process as highlighted in Fig. 10.9. However, once money is invested in legal market such as e.g. constructions, the money is no longer immediately available. This is indicated by the condition ‘money not available’, highlighted in Fig. 10.10, which is testified by several witnesses:

At a certain point he had problems with his liquidity.
 There is a considerable backlog demand in the back-payment. The reason is twofold: first, it’s becoming difficult to gain new funding because of the negative reports in the media and second much of our liquidity has been lost in payments to O1.

Since financial claims cannot be enforced by recourse to the court in case of an illegal covert organisation, a run on the bank has the additional effect that the use of violence becomes likely to force the passing over of the money. An attempt to get the money back nevertheless might trigger intimidation of the trustee (the white collar criminal) who now becomes victim of aggression of his business partners. This is highlighted in Fig. 10.11. This results in extortion of the trustee to enforce the claim as testified in two examples below:

In the last year he was strongly under pressure because he had been extorted. That’s what he said to me.
 If I don’t pay, her Yugoslav friend O6 would kill me.

It is unlikely that intimidation remains secret in the closed community of a small group. Rather rumours might easily spread in the group. This is highlighted in Fig. 10.12. Once attempts to get money out of the investment become visible a new stage of the run on the bank is reached. The business partner might now get ‘in fear for money’ as well and the same loop as shown in Fig. 10.8 is initiated, now by a new member of the gang. Additional monetary claims generate a cycle of extortion

Fig. 10.11 Extortion of the white collar criminal

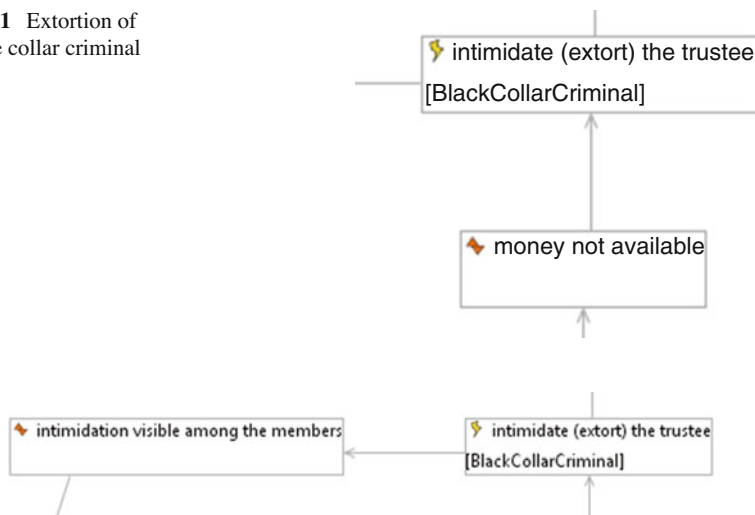
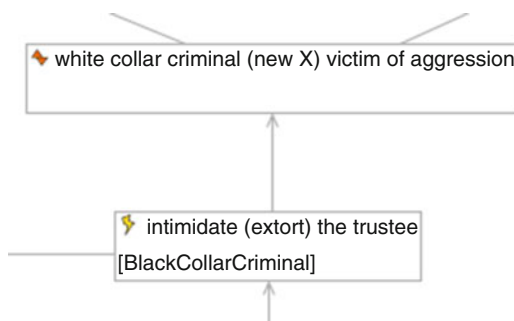


Fig. 10.12 Positive feedback of fear for money

Fig. 10.13 Victimization of white collar criminal



in order to get the money back. A positive feedback cycle is closed. An example is the second sentence in the following example:

Soon after his death the widow of K had an affair with O1. She extorted seven million from V01. Contrary to the claim of M. his entitlements had not been captured by this deal.

Thus intimidation stimulates further intimidation making the white collar criminal victim of aggression of his business partners and turning a formerly symbiotic into a parasitic relationship (see Transcrime Joint Research Center on Transnational Crime, 2008). An example of how payment had been enforced is provided below:

V01 was ordered to the office of his lawyer. However, when he entered the office the lawyer was not there. Instead O1 and seemingly 3 Yugoslavs were there. These ordered him to go on his knees and hold a machine gun in his stomach. (Fig. 10.13)

10.7 Structural Insights of the Conceptual Model

The thick description on the micro level of the *process* of the escalation of violence provides insights in the macro level of the *structural* properties of the group that reveal reasons which triggered the process that finally generated a situation perceived as a ‘corrupt chaos’. In abstract terms, the conceptual model describes a cascading effect: Mistrust generated violence which in turn enforced mistrust in the overall group. That such a cascading effect was possible can be ascribed to the organisational structure of the group. Since the group could not rely on formal procedures of conflict regulation, no mechanisms existed to encapsulate the mistrust. This was due to some characteristic features of the group structure which will be described in more detail below.

First it shall be noted that the ordinary business of money laundering reveals a triadic communication structure (see Simmel, 1908), consisting of black collar criminals, white collar criminals and straw men. This is shown in Fig. 10.14. Money is passed from the black collar criminals to the white collar criminals and back via the straw men. In such a situation it is likely that misunderstandings and misperceptions take place. The structure of the relations is a crucial trigger for the spreading of

Fig. 10.14 Triadic structure of group relations

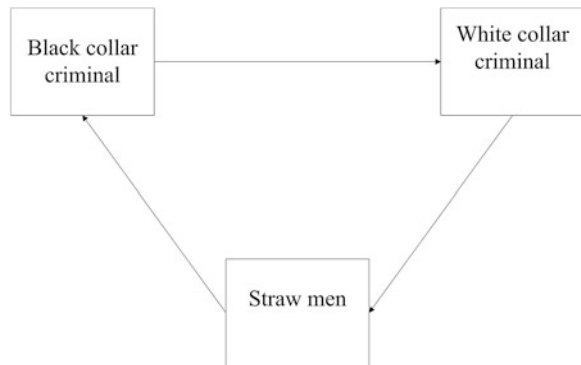
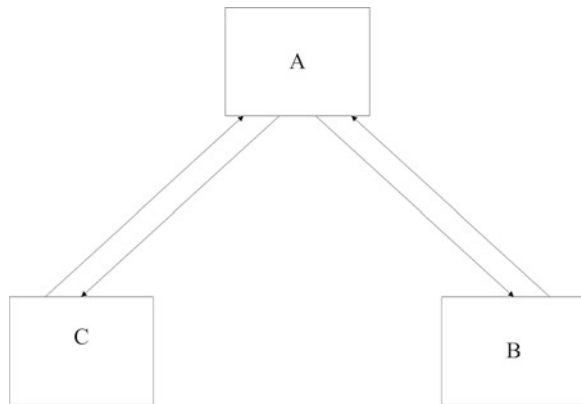


Fig. 10.15 Hierarchic dissolution of triadic relations



mistrust in the group, once initialized. For instance, if money (or drugs for instance) gets lost, the responsibility remains uncertain. The black collar criminal may accuse the white collar criminal or the straw men and both may put the blame on the other. Note that later M. had been killed in such a situation, when he was accused of stealing drugs. Whereas it remains unknown (at least for the ‘official world’) who was responsible that drugs got lost, execution of a death penalty is an ultimate solution to resolve ambiguity. Thus a triad remains a fragile and unstable structure.

As it is known from Simmel (1908) (see also Sofsky & Paris, 1994), one solution to re-establish stability of social relations is to decompose a triad into a hierarchy. A hierarchy resolves the indecisiveness of the social situation by cutting certain lines of relations. If relations between group members are controlled by a central node in the relational structure (i.e. the top person in the hierarchy), the definition of a situation remains unambiguous. The situation is simply defined by the top person. For instance, the top guy (say A) might convict, e.g. B (see Fig. 10.15) for being guilty of violating the code of conduct. This provides a mechanism of conflict resolution which preserves the secrecy of the group by keeping relations inside the

organisation. For this reason Simmel (1908) assumed that covert organisations tend to be hierarchically organised.

However, this is exactly what did *not* happen in this case. Data reveals no formal structures such as a hierarchy or any formal rules of conduct which provide a guideline to handle crisis situations in the group. The structure of the situation was characterised by the following elements:

- While a horizontal differentiation between the tasks of white and black collar criminals existed, on the vertical axis the group had a flat structure. Some informal hubs existed which characterise people involved in many of the actions which had been subject of police investigations. However, while the hubs might have had a certain prestige all members were equal insofar as no individual had a right of command.
- As a consequence of the flat structure of the group, trust was not secured by formal authority but simply based on interpersonal relations. Some individuals knew each other for quite a long time, whereas others such as e.g. straw men had been involved in the activities through a referee. An example is the brother of V01.
- This entails that the norms of conduct remained only implicit.

However, once an initial element of mistrust was intruded, the crisis was characterised by a highly unstructured situation and individuals could not rely on formal rules of crisis management. They had to improvise ad-hoc to react to unanticipated situations such as an attempt of an assassination or reading their names in the newspapers, even betrayed by a criminal comrade. The reaction had to rely on interpretations of the situation. Since the interpretation could not be guided by a formal code of conduct, it remained fallible. Factually the conflict escalation was characterised by misperceptions and diverging interpretations of the situation. The likelihood of such misunderstandings can be traced back to the organisational structure, characterised by a lack of authority which could reduce contingency by providing an unequivocal definition of a situation, simply by its normative power.

10.7.1 Socio-psychological Consequences of the Structural Properties of the Group

As a consequence of the organisational structure the differentiation of punishment and revenge remained blurred. In behavioural terms both actions can be described as an act of aggression. However, both terms constitute social concepts with essential differences with regard to potential follow-up actions: Whereas in case of punishment the aggression might stop once the punishment has been applied, revenge might lead to an endless circle. For instance, if wrong parking is sanctioned by a fee, the violation of the parking norms is compensated once the fee is paid. As endless cycles of blood revenge in traditional cultures demonstrate, the situation is different in case that the social concept of revenge is activated. If somebody becomes victim

of aggression it is legitimate and sometimes even prescribed to counter-react with an aggressive act to take revenge. Since in behavioural terms both punishment and revenge is an act of aggression, interpretation is needed to decide about how to react once an individual member of the organisation becomes victim of an aggression. Indeed, the data reveals hints to both interpretations. This is dependent on the subjective perception of the situation. Note that even in case of revenge the individual might be aware that he or she had been subject of aggression because of norm violation. One might recall blood revenge as a paradigmatic example in which people clearly know that they commit a crime which will cause another crime. However, in contrast to an interpretation as punishment the subject does not accept the normative authority of the aggressor.

The identification of the role of a normative authority on the level of the subjective meaning attributed to a certain situation refers back again to structural properties of the organisation. Namely, the validity of norms needs to be secured by a certain form of authority, may this be a formal hierarchy or the authority legitimate reason (Bicchieri, 2006). First and foremost the acceptance of aggressions as legitimate punishment implies that it is possible to identify (legitimate) reasons for the aggression. In a highly unstructured situation as outlined in the escalation of the corrupt chaos the identification for reasons becomes increasingly difficult and fallible. In such a case, namely if recourse to legitimate reasons for aggression become precarious, a formal authority of organisational hierarchies may serve as a substitute of the authority of reason. This role of authority can be illustrated as an example of the relation between parents and their children: At least for children of a certain age who are too young for normative reasoning, it is likely that the child perceives aggression of the parents as a punishment. Even if the parents are wrong or psychopathic alcoholics, children cannot judge if the parents are right or wrong. Conflicts between parents and children are asymmetric. For children parents are the normative power which defines the rules of the world. In other words the family represents a basic social structure. Thus typically aggression is interpreted as punishment. In contrast, in a quarrel between child peers aggression is likely to stimulate revenge since peers are not a normative authority. In abstract terms punishment refers to higher level in a hierarchy or at least to some kind of superior interests. Neither do subordinates punish their boss nor do children punish their parents. While certainly aggression of both children against their parents and subordinates against their boss exists, this is not punishment but rather a violation of the norm of respect to the hierarchy. Thus reasoning on aggression implies reasoning on social structure.

The criminal group had no social structure, except for being a group of peers. Certainly, they were aware of the necessity of their commitment to the group. This was in their interest of making money. The group was based on self-interest and not (as in terrorist groups) on a kind 'moral commitment' based on a certain ideology, may it be Marxism, religion or the nation (comp. also Morselli et al., 2006). Ideologies can provide legitimate reason. This can stimulate a commitment to an abstract higher level authority even in the absence of a formal, real life hierarchical structure. The absence of any formal or ideological authority makes it likely that aggression is countered by revenge rather than interpreting it as legitimate punish-

ment. As organisational science pointed out, a flat social structure has many benefits in terms of reducing transaction costs by providing quick and easy access to information (Williamson, 1981). However, in particular in covert organisations, organisational growth might lead to situations in which interpersonal trust is no longer strong enough to support the organisational structure. Relations of interactions become too complex to be overseen any more. For this reason it becomes increasingly unlikely that possible conflicts could be solved, e.g. by a mediator to which (a) both conflicting parties have a relation of personal trust and (b) which could give a 'wise' judgment that is appreciated by both parties even if this is not backed by a formal authority. Such a mediating process could encapsulate the cascading effect of counter-revenge. However, at a certain point informal conflict regulation becomes unlikely. In consequence organisational growth might reach a tipping point at which a flat structure becomes risky in times of crisis. Even more the structural risk of a triadic structure makes it likely that at some time something goes wrong and crises emerge. Examples from the case are aggression applied to the wrong person. Thus growth calls either for organisational innovation or might entail a risk of organisational failure.

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