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The Relationship of State Political Instability and Economic Failure to Predatory Organized Crime in Multiple Nations: A Global Comparative Anaylsis

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THE RELATIONSHIP OF STATE POLITICAL INSTABILITY AND ECONOMIC FAILURE
TO PREDATORY ORGANIZED CRIME IN MULTIPLE NATIONS:
A GLOBAL COMPARATIVE ANALYSIS

by

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ABSTRACT

This dissertation examines the relationship of political instability and economic failure to predatory organized crime in multiple nations. This is an important issue since each year the increase in predatory crime networks contributes to international economic failure, security risks, and the spread of organized crime. In an effort to understand the relationship between state failure and economic failure on the one hand, and organized crime on the other, this study will seek to address three goals. First, the study tests the degree to which variables that imply economic failure and state failure correlate with predatory organized crime. Second, the study determines the extent of the relationship between the social and economic indicators and predatory organized crime in multiple nations. Third, the study examines the future implications of predatory organized crime predictor variables in the context of national strategies to eradicate or reduce organized crime.

This study investigates the relationship in failed states between predatory crime groups and various economic and state stability indicators. In particular, this study examines the impact of seven predictor variables on the variation in Predatory Organized Crime in 122 countries. The findings suggest that the state failure hypothesis correctly articulates the failure of the state to offer key social goods such as security, stability, and justice, thereby producing an environment where crime groups assume state responsibilities. The findings also support the economic failure hypothesis that poor economic outcomes such as high unemployment, low SES, and a dependency on an underground economy encourage the development of criminal groups.

The ultimate goal of this study is to assist policy makers, policy analysts, scholars, and officials at donor agencies and international financial institutions in establishing effective tools

for identifying and removing predatory organized crime units. Analytical results provide general support to all hypotheses. Moreover, policy implications for predatory organized crime control in developing countries are discussed. The author's objective is to increase understanding of this issue and show the need for further research.

support and has always been the source of my strength in time of difficulties during my doctoral studies.

   This dissertation is dedicated to God, to my brother Cory Ruth, and to Dr. K. King, who initially engendered the art of intellectual investigation in me.

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LIST OF ABBREVIATIONS

FSI – Failed States Index

GDP – Gross Domestic Product

IMF – International Monetary Fund

SEM – Structural Equation Modeling

UNAIDS – The Joint United Nations Program on HIV/AIDS

UNESCO – United Nations Educational Scientific and Cultural Organization

UNFPA – United Nations Population Fund

WEF – World Economic Forum

WGI – World Governance Index

WHO – World Health Organization

CHAPTER 1: INTRODUCTION

The conclusion to the Cold War has engendered the rise of global civil society. The end of the war has brought about the redistribution of power among states, markets, and civilization. Countries lost autonomy in both a globalizing economy and political environment. It is in this time period the conceptual paradigm of globalization increased its influences on economic and political forces across the world. Nation-states were sharing powers (including political, social, and security roles at the core of national sovereignty) with businesses, with international organizations, nongovernmental organizations and predatory organized crime networks. The steady concentration of power in the hands of states that began in 1648 with the Peace of Westphalia was replaced with a fluid network of transnational governance infrastructure.

Westphalia required that states become the primary institutional agents in an interstate system of relations. The "Westphalian" doctrine supports three principles of nationalism. The first principle agreed to the sovereignty of states and the fundamental right of political self determination. The second principle agreed to states equality. The third principle spoke to non-intervention of one state in the internal affairs of another state. The dwindling of this westphalian doctrine introduced a new paradigm of powerful states and corporations seeking to influence the affairs of others, allowing forcible intervention by one country in the domestic affairs of a weaker nation. Violation of the second principle that protects international equality produced strong and weak nations. It is in this interaction where the foundation of globalization theories explained and produced the ideas of internationalism as seen today. The isolationist concepts of the westphalian doctrine gave way to an international network of transnational actors. Globalization theories, in general, provide the DNA framework for transnational

exchanges between large corporations and failed nation-states. Predatory crime groups use this same theoretical skeleton to create thriving international businesses in poor countries. Global interaction offered a greater system for the purposes of manipulating influence over the economic and political platforms of weak nation-states for predatory crime groups.

Previous studies of predatory organized crime have focused on the sensitive relationship between economic failure and political stability on the one hand, and predatory organized crime on the other. Predatory organized crime networks have long survived by preying on the weak, such as failed nation-states, that suffer from poor economic and political development. Given the conditions that beset failed nation-states and make them havens for predatory organized crime groups, this initial chapter of the dissertation proposes a new agenda for the study of predatory crime. This chapter will consider the information of historical relevance to failed nation-states, the impact of globalization on criminal organizational characteristics, and identify the emerging transnational economic and political conditions which give birth to new predatory crime units.

Later in chapter one, building upon previous scholars' analyses of predatory organized crime and considering the aforementioned trends in the spatial distribution of failed nation-states, I will analyze trends in both the economic failure of failed nation-states and the political stability of failed nation-states within the expansive Failed States Index during 2008-2009. Additionally, chapter one seeks to ascertain whether or not trends in the patterns of 133 failed nation-states were accompanied by parallel trends in the organizational behavior of predatory crime networks. In doing so, this chapter (1) investigates the theoretical impact of globalization on the growth and expansion of predatory organized crime, (2) examines the specific factors responsible for economic failure and political instability within a state, and (3) assesses the extent to which

predatory organized crime is both explained by, and explains, the phenomena of economic failure and political instability.

Based upon research conducted by Hung-En Sung (2004) on predatory crime, the following chapter interrogates the meaning of the term "predatory organized crime," which has been defined according to both network governance and globalization theories. Predatory organized crime is identified according to its activities that illegally reduce competition in the market, corrupt government officials, and undermine the efficient performance of the economy (Sun, 1999).   Failing countries experience the overwhelming presence of predatory crime groups. According to the Failed State Index (2009), nation-states on the western regions of the African continent top the list in terms of volume.

Transnational crimes in West Africa have been in existence since the 1960's. Originally predatory crime groups were manifested in the form of individuals or groups of traders and business men and women smuggling goods across the borders, as well as cross-border syndicates who engage in the trafficking of drugs, small arms and human beings as a means of profit growth (UNODC, 2005). West African criminal networks are characterized by their flexibility and ability to take on various forms and modes of operation. The criminal enterprises in West Africa use similar techniques to that of legitimate traders and business people, typical of western influenced societies. The standard procedure entails an aggressive individual entrepreneur inviting junior partners to join in an illegal business venture. These activities eventually assumed alarming proportions when human trafficking, for purposes of domestic slavery and illegal sexual activities, accompanied such activities as the transporting of narcotics and the smuggling of imports among other things. The outbreak of intra-state conflicts in West Africa,

beginning with Libya in 1989, added mercenaries, small arms trafficking and recruitment of child soldiers and fighters to the transnational crimes.

Network governance theory refers to the organizational behavior of predatory crime. The flexible, informal, and relational collaboration of members of the criminal underworld enables organized crime groups to discourage market competition through deliberate and strategic contracting.   This strategic contracting does not merely seek out friendly competition; it also seeks to eliminate and monopolize local and international markets.   The theory of network governance, accounts for the partnership between criminal leaders and corrupt government officials, who work together in efforts to reach the highest earning potential for both parties. A second set of theories, globalization theories, explain the interdependence of countries due to advanced technologies for communication and transportation. Predatory organized crime groups have taken full advantage of the benefits of globalization and have utilized the tools to produce efficient, effective, and resilient legal/illegal companies. This study uses both network governance and globalization theories to identify the key elements that predatory organized crime groups need in order to start, grow and expand.

This dissertation addresses the relationship in multiple nations between states' political instability and economic failure on the one hand, and predatory organized crime on the other. This is an important issue since each year the increase in predatory crime networks contributes to international security risks and perpetuates global poverty. The present introductory chapter describes the organized crime problem, as well as this study's research objectives and hypothesis; it also outlines the rest of the dissertation.

Policy Problem and Study Overview

Predatory crime remains a topic rarely discussed in research articles and journals. However, the growth of this particular form of organized crime has exceeded the rate of growth for traditional illegal group activities. This growth may be credited to global networks of communication, global transformation of government structures, and global patterns of populations (Sung, 2004). Globalization has catalyzed a re-structuring of systems around the world. This evolution is evident in the way that an event in one part of the world becomes interconnected with events far away, and can impact both international powers and failing nation-states. Thus, isolationist policies cannot be an effective solution in combating transnational predatory crime units. The economies, cultures, and conflicts of the world have been merged into a single conglomeration.

The global financial crisis of 2008 has shown how interconnected national economies and stable political structures actually are. It began when the housing balloon burst in the U.S., plunging the entire global community into a recession (Homes, Jones, & Marsden; 2009). Additional evidence of an interwoven global community can be seen in the hike in food commodity prices in 2007 which was partly due to financial assumptions in wealthy countries, energy policy in the U.S., famine in Australia, and a long-term disregard of investments in agriculture and food security (World Bank, 2006). Furthermore, 100 million people were plunged into hunger by the resulting hike in fuel, food, and war costs (Grebmer, Nestorova et al.; 2009). The political and economic complications that reverberate within failed nation-states are interconnected with, and have effects on, more developed countries. Therefore, predatory crime groups can conduct administrative duties in failing nations while also satisfying consumers in more developed regions around the world.

The world has and continues to witness the disturbance in the living conditions of the most vulnerable populations within various social economic structures. Women and children are trafficked by predatory crime groups as virtual sex slaves for an international market, with consumers ranging from the poor to the rich. Immigrants all around the world labor in some of the most dangerous working conditions under the leadership of crime lords. Refugees die on the journey to escape near death living spaces created by the criminal networks to maximize productivity and reduce cost. Roughly 1.3 billion people live on less than one dollar a day (World Bank, 2006). Global capitalism becomes the engine of an assembly line in which government, corporate, and criminal networks collaborate in eroding the planet. Globalization has so disrupted communities around the world that people's desperation has left them open to various forms of abuse. "Population desperation" is exploited by predatory crime groups who wish to spread their economic and social influence across destitute populations in failed nation-states. However, the struggles of destitute populations have consequences that ripple throughout the entire global community.

There is a rising recognition amongst international policy makers that the prosperity of wealthy nations is entangled with the economic and political depression of poor countries (Lancet, 2008). The impact of crime, social revolutions, and the economy of developing countries reaches the borders of rich nations. Global economic and political tectonic plates are shifting, creating new global threats that would have been impossible to fathom in a pre-digital age.

The global economy has evolved more quickly than expected, leaving a short learning curve on how to manage change effectively. Governments, corporations, and even criminal networks are seeing their hierarchal business models become outdated in favor of a more fluid

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and flat organizational structure. Globalization has helped many countries to develop rapidly, but it has also exposed more nations to systemic risks that arise because of their lack of management ability. For any institution, building an organizational structure to manage the fluid, global political and economic landscape is critical. Leading legal and illegal institutions find it useful to shift to a network governance paradigm as a more adaptive model for managing change. Network governance is a concept that helps explain the necessity of flexible organizational structures in a global, fast-changing world.

This fast-paced global evolution benefits the predatory organized crime world just as much as it does traditional governments. The constant fluctuation in the political and economic landscape creates opportunities for predatory organized crime groups. The predatory criminal enterprises that operate on one side of the world impact the social, cultural, and economic environment on the other side of the world. Although globalization is a critical influence in the expansionist behavior of predatory organized crime groups, this criminogenic network is primarily concentrated in failed nation-states. Nonetheless, traces of organized crime groups can be located in developed nations as well as in failed countries. Scholars suggest that organized crime originated in developed nations due to the profit opportunities within a healthy economy (Sung, 2004). The market for underground crime groups resides predominantly in wealthy countries, which have citizens who can afford to purchase illegal products. Wealthy nations acquire the outputs of an international chain of criminal organizational structures. The production, transportation, and storage of illegal market items occur in failed countries, rather than in the   more wealthy regions where the items will be distributed, in order to reduce the cost and risk to predatory criminal organizations.

"Organized crime" is a general term that covers an extensive list of unlawful groups; however, the term "predatory organized crime" refers specifically to activities that have deliberate structural functions. Of particular functional interests are all the illegal activities which results in increase profit margins. These functions are accentuated by the surrounding population, economy, and governing structures. There are existing societal roles that contribute to the formation, operation, and expansion of predatory organized crime networks. For example, there are needs within the criminogenic groups that can be satisfied by the migration of certain people, like the lower working class. In other words, predatory organized crime groups prey upon certain entire segments of society, such as a group of working poor whom it would be advantageous to displace. Also, this concept of societal roles in relation to criminal opportunities is explored later in chapter two.

The structure of failed nation-states makes possible unique economic opportunities for predatory crime groups; in such nation-states, groups can operate without serious resistance from regional governments, citizens, or foreign countries. Due to their colonial history, inhabitants of failed nation-states are accustomed to foreign exploitation. This exploitation comes in various forms, including removal of natural resources, departure of higher IQ citizens, and depletion of high-paying jobs. Thus, economic opportunities for organized crime groups can include a cheap or free work force, unencumbered illegal trafficking of various products, and access to secluded regions of the world. The present study looks exclusively at failed nation-states, using a list of nation-states that was extracted from the Failed State Index (Shaw, 2003), and uses the failed nation-state as a unit of analysis.

The severity of a nation's failure is measured according to certain indicators. The indicators for a failing nation-state fall into three categories: economic productivity, institutional

stability, and political stability. For this study, economic productivity is measured through a nation's GDP and through its wastefulness of government spending. Institutional stability is measured through a nation's rate of human flight and refugee/IDP count. Political stability is measured through the number of external interventions, the level of voice and accountability, and through the level of political stability and non-violence.

For many failed nation-states, an assortment of crime, social-political change, violence, and societal problems occur in unhealthy numbers and structures, causing concentrated issues for governing systems in neighboring countries throughout the nearby regions (Anderson & Gunnarson, 2003; Shaw, 2003; Cole, 2006; Hamm, 2007; Phillips, 2007). Various forms of predatory organized crime thrive within failed states, and to some extent, throughout the global community. In more concrete terms, structured crime groups primarily subsist on transnational criminal activities such as the illegal sex industry, drug and human trafficking, identity theft, and other international activities (Newman, 1999; Abadinsky, 2006; Lunde, 2006).

Organized crime groups are traditionally hierarchical enterprises that are operated by unlawful individuals with the motivation of participating in illegal activity, most often for monetary benefit, in transnational, national, or local boundary networks. Unlawful individuals are criminals who are engaged in illegal activity for a living, and for the purposes of this study, the operation of predatory organized enterprises is the illegal activity of interest.

In recent years, the spot light has been concentrated on groups such as the Mafia and various cartels; however, in reality, ,various ethnic-centered groups and local gangs are key partners in the network of predatory organized crime (Soothill, 1996; Frisby, 1998; Finckenauer, 2004; Kraul, Connell, and Lopez; 2005). In general, where criminal enterprises are concerned, neighboring gangs collect and shift unprocessed materials and drugs in small quantities, extend

communication channels, recruit potentially useful emigrants, set up operational tools, and supply a diversity of services for the larger international crime groups (Shaw, 2008). Ethnic-centered gangs, based in their ethnically concentrated enclaves, control prostitution rings, amass money from illegal immigrants who sell drugs to users and individual small dealers, operate minor gambling institutions, have legitimate cover-up occupations, manipulate business disagreements for economic gain, and extort business establishments under the guise of being professional hired protection (Finckenauer, 2004; Shaw, 2008).

By creatively manipulating new communication and transportation technologies, most organized criminal enterprises are now able to widen their affiliations and partnerships and spread their business across regional and national borders (Aguilar-Millan et al., 2008)

Predatory organized crime groups feed like parasites upon developing nation-states that are in need of sustainable economic and political maturation. Parasites require that their host survive--but survive with minimum strength, unable to defend itself from the parasite. Actually, parasites attack the defense system of the host until the functionalities of the host are under the control of the parasite. In much the same way, predatory organized crime groups act as parasites, hijacking host nation-states' economic systems and state functions. This is accomplished by controlling them and by inspiring them with fear. A weak nation-state will continue to exist in form and structure, but it will not be capable of posing any threat to organized crime groups. This is the ideal environment for criminal groups that are seeking to build global and regional influence.

In contrast to illegal business exchanges in which services, prohibited products, and goods are exchanged among consenting individuals, predatory crime groups use extortion and fraud to inflict oppressive financial costs and physical risks on legal businesses. They are

therefore believed to be among the most difficult obstacles to a nation-state's economic development (Cheng, 1997; Kattoulas, 2002; Sun, 1999). These predatory criminal establishments wrest proceeds from victims through the employment of threats and violence against legitimate businesses, and they impede the nation-state's legitimate economic activity (*The Economist,* 2000; Schelling, 1971). Predatory organized crime continues to operate largely unnoticed, even though it has been a destructive force since the early 1990s (Sung, 2004; Cox, 1987). Some even argue that the roots of organized crime can be found in post-World War II colonial globalization strategies. The colonial paradigm has influenced not only the criminal population but also the impoverished population, thereby indirectly contributing to the predatory organizations' profit margins.

Failed nation states are residue of the colonial expansion and rule that took place throughout Africa and the Americas after the two major world wars. Small nations were born in this post-WWII period that operated with little efficiency, effectiveness, and sustainability. Nation-states that developed through colonial rule had inefficient economic plans based on the extraction of natural resources through local governing policies for the benefit of foreign global powers. Moreover, the nation-states had ineffective governing bodies that were mere shadow leaders operating on behalf of foreign governments that sought to manipulate local policy to improve their own wealth. The sustainability of each nation-state was compromised from its initial construction.

The governments of the states that are currently weak nation-states were designed to benefit foreign colonial powers, not the local citizenry. As a result, the objectives and strategies adopted by these local governments predisposed their regions to failure. Once each region failed, it would be primed for foreign exploitation. Over time, colonial rule dwindled and was replaced

by economic dominance over small nation-states by way of debt. The nation-states borrowed and owed vast amounts of money to ruling global powers. This began a trajectory towards failure and left a leadership vacuum within the failed nation-states. This is where organized crime groups such as predatory crime networks capitalized on the opportunity to expand their businesses at the expense of weak governments.

Earlier research on the methodical organized criminal behavior of nation-states was confined to the United States and Italy (Sung, 2004).However, work by scholars in the early 2000s has sparked new analysis of and interest in this issue (Shaw, 2008). Even though attention from government agencies and scholars will not be enough to solve this problem, it is a start; one hopes that eventually there will be global awareness of predatory organized crime and its correlation with populations in poverty. There remains an opportunity for more cross-national comparisons of predatory organize crime trends in poor nation-states. This is due in part to the noticeable national differences concerning the problem and the varying degrees of success with which predatory organized crime has been engaged across global communities.

The generality of this study's cross-national comparisons will allow for its conclusions to be transferred from one nation-state to another. Some societies that have minimized the harmful effects of criminal groups can thus offer potential policy recommendations to other countries seriously affected by the organized crime problem. Moreover, this study's statistical analysis will motivate other scholars to collect and examine data to extend critical understanding of the proximity factor, that is, the influence of nations with low levels of predatory crime on nations with high levels of predatory crime. Organized crime should be evaluated with respect to its organizational bases, criminal activities, structural models, and other essential patterns or characteristics. No data source exists that can measure the direct inputs and outcomes of an

organized crime unit; therefore, this study will investigate the patterns of governments and people in response to global crime. For a systematic understanding, a chronological and contextual review of organized crime and governing efforts to combat criminal groups is evaluated. Also in this study, attention is given to the major social forces surrounding and supporting organized crime. From political instability to economic failure, there are various indicators associated with the functionality of predatory organized crime. There have also been progressions in the communication and transportation due to globalization, and this has influenced profit growth for criminal organizations.

Study Objectives

This study tests the generalizability of two observations frequently reported in past single-society research in a sample of 133 countries (Sung, 2004; Shaw, 2003; Shaw, 2008). One observation is directed towards the health of economic indicators. While the second observation focus more on the health of political indicators. The key explanatory constructs examined in the study are extensions of state political instability and economic failure. Scholars agree that single-country observations indicate that a failure by the state to supply physical safety to the populace, and to honor commercial contracts and property rights, generates a social environment saturated by a deficiency of trust (Gambetta, 1993; Rabasa & Chalk, 2001; Varese, 1997).

Protection and enforcement systems conducted by organized crime groups become an alternative to the trust that evaporates in the failure of nation-states (Sung, 2004). To return to the parasite-host analogy, crime groups parasitically begin to perform the functions of the victimized host. As nation-states fail, criminal groups gradually garner strength. Criminal

organizations operate as an authoritarian "parasitic" state, and in the absence of any alternatives, can be mistaken for genuine by the desperately poor population (Shelly, 1999).

Through predatory criminal activities, these organizations infiltrate governmental agencies and produce avenues for abuse of state powers (Carter, 2001). When no battle is waged to control or minimize predatory criminal organizations' infiltration of legitimate, legal businesses, extortion becomes an ordinary method of conducting business. The efficiency potential of the nation-state's economy is exhausted, and its competitiveness - on the global market economy is compromised (Goldman, 1996; Meyer & Green, 1996).

Scholars insist that persistent organized crime groups grow parasitically due to a combination of deteriorating economic surroundings, shifting economic regulation, and confidence in an underground economy; these groups can ultimately give rise to self-perpetuating economic system that destroys some of its own productive processes (Lotspeich, 1995; Strange, 1995). Predatory criminal enterprises infest a nation-state while destroying its stability and economic potential.

The relationship between statistical extensions of state instability and economic failure, and the role of these phenomena in feeding predatory organized crime, is the primary interest of this study. In an effort to understand the relationships between state and economic failure, there are three goals that this study will pursue. First, the study will test the degree to which variables that imply economic failure and political instability correlate with predatory organized crime. The second goal of this study is to determine the extent of the relationship between the social and economic indicators and predatory organized crime in multiple nations. The final goal is to

examine the future implications of predatory organized crime predictor variables in the context of national strategies to eradicate or reduce organized crime.

This study intends to use theoretical evidence to identify the structural patterns within the organizational constructs of predatory crime. Theoretically, the research will seek to link behavior traits associated with predatory crime to concepts found in network governance and globalization. Globalization describes the landscape in which predatory networks currently exist: a landscape marked by rapid communication, advanced technology, and readily available transportation. Network governance theory speaks to the organizational structure adopted by criminal units to successfully maneuver through the fast-paced global landscape.

Once identified, the study will correlate the organizational behavior of predatory crime groups to economic and political outcomes. This project is framed as an ecological study because such a study design is suited to an examination of group patterns. This model will also make possible an analysis of the theoretical principles that formulate the global landscape and structure of predatory organized crime networks. In other words, this study design will enable you to analyze the underlying principles of how predatory organized crime works. The importance of using an ecological design is discussed in length in Chapter 3. The findings will prove useful for policy analysts who are working to create laws that will minimize or eliminate predatory organized crime.

Under the guidance of an ecological research framework, this study has formulated five different hypotheses regarding the association between the response variable (a latent variable of predatory organized crime) and each of the covariates. A cross sectional study design was formulated to investigate the ecological correlates of predatory crime rates in multiple nations.

The ecological design allows for an examination of the differences between groups rather than between individuals. The groups in this study are defined by the Failed Nation-state Index (multiple group design), and the units of comparison are group-level. There is at least one variable measured at the group level on indicators such as GDP, population size, crime rate, etc. Also, there are variables measured at one point in time in order to give snapshot results by way of cross-sectional design.

<center>Theoretical Framework</center>

The behavior of modern criminal networks is theoretically explained by network governance frameworks. In this section, the impacts of global technologies, communication, and transportation on organized crime networks are assessed. The global influence on the structure of predatory crime will give insight into which political strategies can best hinder this type of criminal organization.

Network Governance Theory

Predatory crime groups specialize in creating, through legal means, business ventures that promote government dysfunction. Each business venture is strategically processed, planned, and implemented in a failed nation-state in a way that is explicable through network governance theory. This theory is a hybrid between transaction cost economics and network theory. When we say that many organized crime groups operate within the channel of network governance, we mean that they practice a form of coordination that is characterized by informal social systems rather than by bureaucratic structures within groups and formal contractual relationships between them. Such cooperation is done in an effort to coordinate complex products or services in

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uncertain and competitive environments (Piore & Sabel, 1984; Powell, 1990; Ring & Van de Ven, 1992; Snow, Miles, & Coleman, 1992). A predatory crime group can take on the appearance of a corporate structure, but it actually consists of a network of closely related peers. The social system is informal and takes the form of relational associations. Coordination is a result of either family or relational trust amongst members.

Although crime groups have the potential to control an entire nation-state, such organizational growth is by no means assured. This uncertainty stems from diverse global policing efforts held together by loose ties among competent nation-states. A global justice effort focused on a specific region has the potential to shift the balance of powers in the organized criminal world. The potentiality of power shifts drives the competition in the organized crime network.

At any time, a particular crime group can fall from global prominence if a transaction fails, if a crime lord expires, or if the group becomes the focus of government regulation. A fall from power is linked to a crime organization's inability to increase its profit margins. The primary objective of predatory organized crime groups is to accumulate funds, and this is achieved through the work of a selective, structured set of autonomous groups engaged in manufacturing products and in sinking production costs.

The theoretical principle of network governance explains the operational behavior of predatory crime groups. Network governance is a fusion of social network theory and transaction cost economics. Transaction cost economics (TCE) offers a comparative platform for analyzing varying governance types (Williamson, 1994).The theory of TCE can be further used to forecast where network governance is likely to surface (Jones, Hesterly, & Borgatti, 1997).

Earlier scholars have suggested that TCE has provided evidence that relational contracting is the underpinning for an alternate governance type (Eccles, 1981; Jarillo, 1988; Mariotti & Cainarca, 1986). Blending TCE and social network theory with the network governance paradigm leads to an understanding of transaction costs and government influence in organized crime. The exchange or transaction of goods in an underground environment requires a trust that exists within embedded mutual parties. The term "structural embeddedness," in a social context, refers to the environment surrounding economic exchange, and it is a vital component to relational contracting (Granovetter, 1985). Structural embeddedness accounts for the existence of individual relationships that manipulate economic activity (Granovetter, 1992). The shifting of relationships among actors is reflected in the changing levels of economic transactions.

The network governance social context is further infused with the TCE framework through a description of the social apparatuses that influence the monetary value of economic exchanges (Jones, Hesterly, & Borgatti, 1997). In order for structural embeddedness to function, transactional environments require elevated levels of organizational flexibility, synchronization, and safeguarding influence (Snow, Miles, & Coleman, 1992). Structural embeddedness creates the social platform that hosts the exchanges described by network governance theory (Acevedo & Common, 2006). Structural embeddedness grants a basis for social mechanisms to coordinate and preserve exchanges (Burn, 2004). Social mechanisms interrelate to create an exchange system where coordination and collaboration among sovereign parties lead to customized exchanges. Predatory organized crime units (POCs) exploit their familiarity with the local citizenry, government officials, and business sector of failing nation-states to weave together networks of profit-driven partners. POCs embed themselves within the community by hiring,

protecting, and threatening the local people. A strong government can prevent POCs from appropriating the citizens' trust by providing the services that POCs would otherwise provide. However, POCs utilize structural benefits; influenced by network governance, which suffocates the resources of weak governments. Even in a nation-state with a relatively strong government, POCs can work to suffocate the legitimate government and sabotage its efforts to provide resources.

Global Networks

The concept of network organization (Miles & Snow, 1986) applies to inter-group associations that are characterized by informal social systems, as distinct from bureaucratic structures and contractual relationships (Gerlach, 1992; Nohria, 1992). The inter-group social system is referred to as network governance. Network governance represents a "distinct form of coordinating an economic centered activity" (Powell, 1990); it is a form of coordination that competes with markets and hierarchies. Global communities, corporations, and governments have all created links of cause and effect among fellow nation-states, regardless of proximity. The decisions and actions of one nation-state can cause a ripple of responses in neighboring or linked nation-states. For example, the economy of a government entity in one region can influence the economy of even a distant nation-state. As a result, constant change has become the new norm that defines the condition of interconnected economies and markets.

A new technology has the potential to revolutionize an industry in a short period of time, rendering an individual's expertise insignificant or an organization's mission obsolete, and possibly prompting a flourish of strategic innovations (Salamon, 2002). Globalization has

created a platform on which change can occur more rapidly and frequently than ever before. The new platform that is globalization has required changes in how people interact. To be precise, two revolutions had to take place in order for globalization to take hold: the growth of low-cost mass-transit facilities and the growth of international telecommunications (Aguilar-Millan et al., 2008).

As these revolutions — the freeing of markets, the transportation revolution, and the Internet revolution — were taking place, the way in which the world works was also changing (Aguilar-Millan et al., 2008). With globalization came a growing international economic, political, legal, and cultural interconnectedness based on advances in technological communications, the removal of trade barriers underpinned by neo-liberal economics and politics, and the formulation of directives in international law (Muncie, 2005). Interconnected international interactions involve various factors, such as global communication networks, an international surge of knowledge and data, and global civil societies (Kim, Tae, Karen, & Zurlo, 2008). Globalization has led to the interdependence of market systems around the world (Stiglitz, 2006). The location of various regions no longer presents barriers to communication, networking, or dependency.

Global networks influence social, market, and political demands, thereby causing shifts in international population patterns. The mass of refugees that has been stirred up by the constant change throughout the world serves as a constant *aide memoire* of what can happen to any person who is overtaken by the dynamics of the new global system (Gould, 2000). A new world order has emerged wherein stability and predictability are practically absent, and the only constant that exists is the change in organizations, communities, and nations (Balfour & Grubbs, 2000). Richard Sennett (1998) argued that changes to an organization, in particular to the

organizational structure, have ripple effects on the individual workers within the organization. Therefore, predatory crime lords have not only to adjust to external factors of change but also to internal factors of change; they must adjust both to structure and to workers.

The pace of change in predatory organized crime networks means that there is no long term consistency (Balfour & Grubbs, 2000). Flexibility and change at the organizational crime level, necessary to survive in the global economy, also mean that individual criminal members must be flexible and expect to change job skill sets throughout their illegal careers (Salamon, 2002; Balfour & Grubbs, 2000). Depending upon the nature and direction of the change made by an illegal organization, individual criminals may have to adopt totally new abilities and ways of thinking (Frahm & Martin, 2009). Under the worst circumstances, change indicators for a criminal organization may result in lower-level workers being no longer relevant (Sennett, 1998).

A transnational crime organization may move through networks of partners, collaborators, skills, objectives, and directional efforts, requiring a flexible organizational structure. Pressure is on predatory crime groups to continue adapting to the current field's organizational structure. The traditional hierarchical organizational structure, which is currently popular in organized crime, is being constantly improved by the influence of the governance paradigm. Elements within the governance paradigm will allow for global government networks to learn of the future potential growth in illegal organizations. The organizational structure and behavior of POCs enables them to manipulate the political and economic life in failed nation-states.

Governance

The days when bureaucracy, stable lines of authority, and routine were valued have passed. Today people value the flexibility to act autonomously within networks. Globalization has changed the demands upon and the expectations of organizations, supervisors, managers, and frontline workers even in the organized crime enterprises. Crime lords want workers who can think on their feet and adroitly adjust to swift change because criminal leaders retain the right (flexibility) to reduce the workforce at any instance for the benefit of criminal network (Balfour & Grubbs, 2000). Although hired staff is given freedom within limits, it would be erroneous to assume that more flexibility translates into more autonomy for workers. Instead, the progression away from bureaucratic structure to more flexible forms of organization has meant the substitution of one structure of power and control for another, less perceptible form of control (Frahm & Martin, 2009).

Sennett (1998, pp. 46-63) identifies three key interrelated mechanisms for creating and sustaining more flexible organizations: (a) discontinuous reinvention of institutions, (b) flexible specialization, and (c) concentration without centralization. According to Sennett, discontinuous reinvention refers to creating, in the name of greater efficiency and productivity, organizational forms and patterns of behavior that are more flexible than rigid hierarchies. Flexible specialization refers to being able to adapt to perpetual change by generating additional products to be introduced the market rapidly (Sennett, 1998). The last mechanism, concentration without centralization, refers to vertical disaggregation and delayering that keeps power concentrated in the center while decentralizing the operations of an organization (Sennett, 1998). These key mechanisms by Sennett are similar to the movement from a government paradigm to a governance paradigm. Constant change in the global economy is leading to more flexible

learning criminal organizations, described by Sennett, in both public and private sectors and falls within the descriptions of the governance paradigm.

Traditional criminal groups have adopted structures that shadowed the government under the government paradigm framework. However, global forces are making it much harder for predatory crime groups to function like top-down governments. The government paradigm is optimized when centralized hierarchical agencies are delivering standardized services. According to Salamon (2002), underlying much of the governance reform surge is a set of theories that depict government agencies as tightly structured hierarchies shielded from market forces and from effectual civilian demands and therefore free to serve the personal and institutional interests of bureaucrats instead.

Governance involves an elaborate system of third-party government agencies in which crucial elements of public authority are shared with a host of nongovernmental or other-governmental actors, frequently in complex collaborative systems that sometimes defy comprehension (Salamon, 2002). Third parties are as much or even more engaged in the implementation and management of the public's business than the government. In failed nation-states, the third parties are often corrupt criminal enterprises with more influence than any nearby government agency. Varying neoliberal theories would suggest that the third party collaborators are international corporations that benefit from corruption in isolated regions of the world. However, what is more important than who the third party is, is fact that the government is playing a diminished role in meeting civilian needs.

The selection of the five hypotheses, in the next section, derived from theoretical significant explanations. Theoretically as the Gross Domestic Product (GDP) for a nation

dwindles statistically the ability for that government to provide social services decreases. The concept of GDP in reference to imports, exports and transnational exchanges is evidence of globalization theoretical underpinnings. Globalization feed into the idea that the health of one nation is interdependent on the health of other nations. The unstable economic condition reflected in a drop of GDP causes a failing government to transfer social control to predatory crime groups through monetary waste of government funds on third party criminally produced services. Wasteful spending occurs when the monetary investment brings little to no value to the local civilian population. Wasteful spending is a reflection of political decisions. The decisions of uninformed corrupted governing officials results in economically draining partnerships, faulty political collaborations and deprived citizenry. Network globalization theory references the need for partnerships and collaboration rather than isolationist models of governing international interaction. In response to the poor living circumstances, and in line with globalization theory, underserved civilians turn to a migrant (human flight) lifestyle and become refugees in search of services and labor. The willingness to travel for labor is not exclusive to modern times but the idea of a vague association with a set land location or boundary is evidence of globalization. The remaining few citizens with influence shifted into the role of fractionalized elites and eventually eliminated. Fractionalized elites stand as growing obstacle by predatory crime networks. Predatory crime lords then establish loose aligned partnerships in efforts to expand their consumer base and profit margins internationally.

Sennett's key mechanisms reflect the governance paradigm of weaker hierarchy and looser partnerships. Predatory crime groups thrive as members of the third party collaborate with corrupt governments in solving public issues. Various components of the governance paradigm have been documented in global organizations (Martin & Stutte, 2008; Kettner,

Moroney & Martin, 2008; Abramson, Bruel & Kamensky, 2006; Agranoff, 2003; Goldsmith & Eggers, 2004; Daly, 2003; Salamon, 2002). Some aspects of organized crime have experienced and embraced the governance thought process while other sectors of organized crime have yet to even hear of the rising governance paradigm. Governance is concerned with the relationship between the government and the governed, and with how social and other public policies are conceptualized and addressed (Frahm & Martin, 2002). Sehested (2003) describes the relationships between government and third parties as a partnership in which "[n]o single actor, public or private, has the all-encompassing knowledge, overview, information, or resources to solve complex and diversified problems" (89).

In the governance model, input from each stakeholder is considered to be as valuable as input from any other voice in the network of actors. The implications of this governance paradigm for organized crime are major because solutions to complex social problems are not considered to be the eminent domain of government, but rather are seen to reside at the intersection of all disciplines and all sectors (Johansson, 2004). This includes criminal networks as well as corrupted governments. The paradigm shift is currently underway, so that right now - both the governance and government models co-exist. However, technology is gradually making the governance paradigm increasingly relevant for the growing predatory criminal enterprise.

Hypotheses

Based on the conceptual argument stated in the previous sections, hypotheses and research questions that deal with the institutional sources of predatory organized crime are formulated. First, though, three research questions will be posed in the following section.

The more impactful research question combines and compares political instability and economic failure. This question will help scholars, policy-makers, and officials to identify which aspects of nation-state failure should receive more focus in policy implementation. The three research questions are as follows:

- Is political instability more influential than economic failure in explaining the variability in predatory organized crime in multiple nations?

- Does political instability explain some variation in predatory organized crime in multiple nations?

- Does economic failure explain some variation in predatory organized crime in multiple nations?

In the following paragraphs, each hypothesis and research question will be discussed.

According to the null hypothesis, there is insufficient evidence to say conclusively that the association between Predatory Organized Crime and GDP, holding the other predictor variables constant, is different from zero.

$$H_0: \beta_1 = 0 \text{ vs } H_1: \beta_1 \neq 0$$

According to the null hypothesis, the association between Predatory Organized Crime and Wastefulness of Government Spending, holding the other predictor variables constant, is different from zero.

$$H_0: \beta_2 = 0 \text{ vs } H_2: \beta_2 \neq 0$$

According to the null hypothesis, the association between Predatory Organized Crime and

Human Flight, holding the other predictor variables constant, is different from zero.

$H_0: \beta_3 = 0$ vs $H_3: \beta_3 \neq 0$

According to the null hypothesis, the association between Predatory Organized Crime and

Refugees and IDPs, holding the other predictor variables constant, is different from zero.

$H_0: \beta_4 = 0$ vs $H_4: \beta_4 \neq 0$

According to the null hypothesis, the association between Predatory Organized Crime and

Fractionalized Elites, holding the other predictor variables constant, is different from zero.

$H_0: \beta_5 = 0$ vs $H_5: \beta_5 \neq 0$

State Political Instability

Political instability is defined in terms of a nation-state's ability to sustain political

functions that support and govern social services and citizen participation (Shaw, 2008). State

political instability is indicated through two themes, namely, institutional stability and political

stability. These two aspects of state functioning, institutional stability and political stability, will

be evaluated in terms of their relationship to predatory organized crime. Both combine to create

political instability. The stability of a state's institutions grants predictability to its political

processes, an impartial and effective judiciary guarantees individual rights, and the protection of political stability permits members of society to vote and to compete for public offices (Sung, 2004). The degree to which these political goals are accomplished is predicted to be inversely correlated with organized crime activities.

<p style="text-align:center">Economic Failure</p>

Economic failure is defined as a government's inability to sustain financial obligations and thus to provide resources for the benefit of its citizens and overall health of the country (Sung, 2004). Economic failure is indicated in this study through economic productivity. Wastefulness of government spending and GDP are the variables to be used in the present evaluation of a nation's economic productivity. An underground economy is interpreted as an indication of distributive inefficiency and weak public finance, while economic productivity and output are considered to establish a nation-state's standard of living (Sung, 2004). Whereas an underground economy is expected to directly vary with changes in the level of organized crime, productivity and output are anticipated to be inversely connected to organized crime.

CHAPTER 2: LITERATURE REVIEW

Predatory Organized Crime (POC) is associated with particular criminal actions and network formations (Shaw, 2008). Professional, structured crime groups strategize activities, locate new associates, engage affiliates, select missions, supervise criminal projects, and pursue monetary business ventures (Cohen, 1977). Due to their organized networks, criminal enterprises are capable of committing intentional acts with a global impact. Intentional actions may include the trafficking of drugs and human beings through astonishing techniques, including conspiracy with tarnished members of government, mass manipulation of a localized citizenry, public threats, and synchronized aggression (Edelhertz & Overcast, 1993). Organized crime appears in diverse forms that vary according to region and level of resources.

Historical Perspective

The Mafia

The Mafia has filled the research agendas of scholars more than any other international organized crime group (Shaw, 2008). A small island in Italy, Sicily, is the location of origin of the traditional Mafia. Sicily lies along a tactical Mediterranean trade route, which often placed the population of the small island in vulnerable positions (Albini, 1971). The term "Mafia" emphasizes that the group is a sort of family that provides a 'safe haven' for fortitude and endurance (Lewis, 1964; Inciardi, 1975). Over the centuries, the Sicilian territory has been overrun by consecutive foreign aggressors, including great nations such as the ancient Romans. Over time, Sicilians came to associate safety with the power of their family units (Block & Scarpitti, 1985). When Sicilians migrated to America, the harsh and unfamiliar new surroundings caused them to fall back on their families as safe havens (Ianni, 1972).

Paradoxically, Sicilian family units foundationally grounded in securing reliance, devotion, and allegiance also became a successful and dependable medium through which Sicilians were able to establish power and gain distinction in the criminal enterprise (Cohen, 1955). By the late 1940s, Sicilian crime families were thriving so much that they established the Sicilian Mafia as a legendary organized illegal crime community (Shaw, 2008). Ever since, the Mafia has defined organized crime in the popular imagination. However, in some ways the definition set socially by the Mafia stereotypically limited the scope of organized crime's evolutionary potential. In the minds of most people, organized crime is seen as the Italian families of the 1900s, in the US, operating interstate illegal activities. However, there have been expansions in size, location, and form of organized crime around the world. Over time, the traditional Sicilian family organizational structure has adapted to the new global economy, and this adaptation has influenced other criminal groups.

Crime Groups

Organized crime has evolved beyond the years of the early Mafia to include a variety of groups across various international regions (Gounev & Bezlov, 2009). Crime networks exist across the globe in territorial clusters, based in a given country, racial or ethnic culture, or geographical region (Paoli, 2003). There are criminal enterprise groups that concentrate their operations in counterfeiting, drug and human trafficking, extortion, contrabands, or gambling (Shaw, 2008). Additionally, there are criminal project-oriented networks that are amassed or dissolved in reaction to particular objectives or opportunities (Godson & Olson, 1995). As a result of transnational business maneuvers, organized crime groups institute and sustain

customized conditional relationships with other crime groups (Gounev & Bezlov, 2009).

Transnational crime groups are as dedicated to legal business transactions as they are to illegal ones. Eastern transnational criminal networks have many members in numerous sub-units that engage in prostitution, extortion, and the movement of drugs (Shaw, 2008). Other transnational crime groups are integrated business units dedicated to the administration of every facet of drugs, from growing and processing drugs, to transporting and distributing them to available markets (Aguilar-Millan et al., 2008). There are predatory organized crime groups that concentrate on an array of business ventures including illegal immigration, gambling, money laundering, prostitution, drugs, and racketeering to loaning money in indigenous communities (Shaw, 2008). Some criminal networks retain large numbers of recruits throughout several gangs in regions around or within a given controlled boundary (Finckenauer & Voronin, 2001). Predatory groups infiltrate local and foreign governing institutions and collaborate with other organized crime groups across the world (Shaw, 2008). Globally, organized crime benefits from various illegal activities, including prostitution, the drug trade, the exchanging of weapons, human trafficking, extortion, money laundering, counterfeiting, and delivery of nuclear equipment (Shelley, 2003).

Organized Crime Commonalities

Research indicates that most organized crime groups share the same essential elements. First, organized crime consists of conspiratorial activity (Maltz, 1994). In particular, the activity entails the synchronization of a network of criminals in the preparation for and administration of illegal transactions. Also, an organized crime group's activities may include the quest for a legitimate business by unlawful strategies (Maltz, 1994). Second, organized crime demands

loyalty and commitment from lead members and close affiliates, who provide expert talents and products (Cohen, 1955). Guiding principles and procedural regulations are precisely detailed throughout the organizational structure. Violations of customary protocol are immediately evaluated and addressed. Retributive punishment can come in various forms, including violent measures; some examples include substantive loss, bodily injuries, threats, and death, to the guilty individual and his or her associates (Short, 1991). Third, organized crime groups exist in hierarchical structure, although they do not necessarily operate hierarchically (Shaw, 2008).

Each organized crime group has a high-ranking member who leads committees, and the committee directs close subordinates in conducting illegal acts (Statewatch, 1994). However, networks and collaborative efforts are also a part of the operational process, so that different crime groups participate in shared criminal acts. The sequence of authority is preserved with profit sharing, various ranks, and status (Short, 1991). However, status and ranks are easily redistributed when lower members murder their superiors. Nonetheless, this organizational network can only be productive when inter-group trust, informal relational partnerships, and a sense of shared risk permeates the enterprise (Cohen, 1955).

Fourth, organized crime aims at economic gain as its primary goal (Shaw, 2008). While profit is the main goal, a desire for power and status are the byproducts that further motivate organized crime (Aguilar-Millan et al., 2008). To achieve or maximize economic gain, organized crime groups tend to maintain a monopoly on the illegal goods or services in which they specialize (Shaw, 2008). Fifth, exploitation remains a critical tool used by organized crime groups in the course of manipulating people's fear and greed with various predatory stratagems (Cohen, 1977).

Organized crime groups use arson, kidnapping, violence, and threats to diminish the effectiveness of legitimate businesses and soundness of the general community. In addition, crime groups often exploit the greed of government employees by offering financial contributions in order to corrupt them (Maltz, 1994). Sixth, the limitations of the criminal enterprises do not restrict their potential productivity in illegal business operations (Short, 1991). The illegality of these criminal organizations does not prevent them from operating in the world of legitimate business. Organized crime strategically utilizes legitimate businesses for illegal projects (Statewatch, 1994). In studying the history of organized crime groups in the United States, one finds evidence of their attempts to avoid the stigmatized image of the murderous gangster by using legal tactics whenever possible. Predatory crime groups engage in legal activities for illegal benefits (Edelhertz & Overcast, 1993). For example, a criminal enterprise might collect funds for unions and operate minor capitalization stock transactions on behalf of inexpert shareholders (Shaw, 2008). Finally, organized crime resembles organizational constructs that are described by network governance theory.

Network governance theory will be discussed later; for now, the key point is that this theory, if it can be applied to organized crime, indicates that organized crime groups will evolve over time into intricate new networks and criminal strategies. Evolving over time includes selecting and using modes of communication, means of transport, modern weaponry, strategic responses to social pressures, forms of business, and even styles of administration (Gounev & Bezlov, 2009). In the information age, various organized groups have already begun to actively utilize the internet for many different purposes, especially for the transaction of prohibited products (President's Commission on Organized Crime, 2001; United Nations Office on Drugs and Crime, 2005).

Context

The popular fascination with the mob has its roots in the news outlets and cover stories that have sensationalized violent criminal behavior. The mass media have predominantly influenced the public perception and reaction to organized crime, at least in America (Anderson & Gunnarson, 2003). The customary order in which people receive information about organized crime is, from first to last, as follows: news reports, academic studies, governmental investigations, enactment of laws, and finally, prosecution of criminal cases (Shaw, 2003).

The initial key investigations in the U.S. have transpired on the federal level, including those by the Committee on Mercenary Crimes in the 1930s. The Special Senate Committee to Investigate Organized Crime in Interstate Commerce in the early 1950s created limitations for criminal networks. The Senate Permanent Subcommittee on Investigations from 1950 through 1960 was revolutionary in its attempt to identify hidden crime groups. President Lyndon Johnson's Commission on Law Enforcement and Administration of Justice from 1965 through 1970, and the President's Commission on Organized Crime from 1985 to 1990, established fundamental rules for dissolving global underground commerce (Shaw, 2008).

The one inquiry that uncovered the criminal world and its organized enterprises occurred in the 1960s. The Senate Permanent Subcommittee on Investigations, in the early 1960s, acquired the witness of Joseph Valachi, a resentful ex- member of New York's Genovese crime Family (Shaw, 2003). Joseph Valachi's evidence was a clear breach of the loyalty, dedication, and trust elements of the family model adopted by crime groups. His testimony was the first instance of infidelity by an active member, and it provided decisive evidence for the administrative actions of an undisclosed criminal consortium by the La Cosa Nostra (United States Senate Committee on Governmental Affairs, 1990). The investigations were preceded by

news reports and academic research, and the investigations were preceded by the formation of new laws and prosecutions.

Laws and Legislation

Research suggests that governmental investigations tend to pave the way for formal lawmaking and institutionalized reaction (United States Senate Committee on Governmental Affairs, 1990). Indirectly, organized crime introduced a new way of making money beyond the control of government. The history of legislation documents the learning curve of the US in adjusting to this new breed of crime. As a response to legislation, organized crime groups were thrust into evolving global markets, global networks, and global productions.

Among the first acts of legislation intended to fight organized crime was the Interstate and Foreign Travel or Transportation in Aid of Racketeering Enterprise Act, passed in 1952 (Buscaglia & Van Dijk, 2003). The Act prohibits travel in interstate commerce or use of interstate facilities with the intent to endorse, transmit, handle, or assist unlawful activities. Gaming, subornment, extortion, property destruction, and liquor violations were all considered unlawful under this Act (Shaw, 2008). In 1970, Congress passed the Organized Crime Control Act (Buscaglia & Van Dijk, 2003). Title IX of the Act, known as the Racketeer Influenced and Corrupt Organization Act (RICO), attacks racketeering activities by prohibiting the use of racketeering as a means of bringing in revenue , accumulating advances, or conducting business, and prohibiting the transfer of funds derived from racketeering in any enterprise implicated in interstate commerce (Anderson & Gunnarson, 2003). To aid in prosecution, the Act even authorizes the establishment of a Federal Witness Protection Program under which witnesses

who testify in court are guaranteed new identities and other forms of protection against revenge (Cole, 2006).

The successful implementation of RICO also prompted the FBI to adopt an enterprise theory of investigation (Hamm, 2007). This theory, concentrated on the criminal enterprise, its subsystems, and their operational processes (such as day-to-day communication, transportation, and finance) builds a case against organized crime (McFeely, 2001). As the FBI developed an understanding of this expanding criminal world and created legislation in order to discourage such criminal acts, the rest of the world did the same, and an international defense against crime groups ignited.

International Prevention Efforts

Internationally, debates over a possible United Nations response to transnational organized crime, with its threat to the political, economic, and social fabric of member societies, began in the 1990s (Aguilar-Millan et al., 2008). The International Convention against Transnational Organized Crime was subsequently formulated, representing a strategic and historic step in the global fight against illegitimate activities by criminal groups and enterprises (President's Commission on Organized Crime, 2001). The Global Program against Transnational Organized Crime, established under the Convention in the United Nations Office on Drugs and Crime, has since worked on the ratification of the Convention by individual nations (United States Senate Committee on Governmental Affairs, 1990). To promote the ratification of the Convention, regional meetings were convened around the world (Shaw, 2008). Also, expert group meetings were conducted to prepare legislative guides to the Convention and its three

protocols (Anderson & Gunnarson, 2003). There were also national-level meetings in cooperation with member states (United Nations Office on Drugs and Crime, 2005).

The Global Program against Transnational Organized Crime has made specific efforts in the assessment of prevailing patterns and trends, the training of criminal justice practitioners, the development of tools and technical assistance, and the sharing of information among member states on transnational organized crime (United Nations Office on Drugs and Crime 2005). Multi-national efforts, such as the Global Program against Transnational Organized Crime, will need to devise a theoretical framework for understanding organized crime.

Before one can analyze particular types, patterns, and characteristics of organized crime, one must first understand in theoretical terms how criminal group members operate: to be precise, one must understand network governance theory. Many elements of organized crime resemble certain collaborative principles that can be described in terms of network governance theory. Network governance theory provides insight into the prewired flexible elements within the organizational structure adopted by predatory crime groups to optimize economic growth potential through weak governments. Also, globalization theories paint the layout of a modern neoliberal capitalistic world where predatory crime groups intertwine with one another and with legitimate governments and businesses through partnerships and business ventures.

Membership Types

Organized crime enterprises practice their conspiratorial activities for the purposes of profit, power, or status. Predatory organized crime involves a group of people in the planning and execution of illegal activities or in the pursuit of a legal business venture by unlawful means

(Shaw, 2008). The lowest level of assessment of organized crime groups are the people who are brought together for a task. Organized crime groups divide into four categories: the family-based crime enterprise, the age-graded group, the race or ethnically based group, and the group based on a shared language.

A family-based crime group is not essentially constructed on blood relations (Phillips, 2007). The historical foundation of this particular family-based category is the Mafia (Shaw, 2003). Members may come from a particular setting or association, sharing a distinctive recollection of a native land or some life journey (Cole, 2006). Members also call each other brothers and sisters (Hamm, 2007). They look up to higher-ranking members or to a leader as their guide (Newman, 1999).

Age is the second commonality that can unite the members of an organized crime group. An aged-graded crime organization attracts people from a specific age group (Abadinsky, 2006). Members in the age range share a similar level of experience, education, or energy (Shaw, 2008). The obvious example of groups in this age-centered category is a youth gang (Aguilar-Millan et al., 2008).

The third category of organized crime group is the race or ethnicity-based group. This category is characteristic of almost all organized crime groups (Shaw, 2008). Ethnicity-focused organized crime groups are centered on membership of the same race or ethnicity for greater mutual understanding, solidarity, and security (Soothill, 1996). Individuals of other races or ethnicities may be used only as sponsored associates, global partners, or paid specialists (Frisby, 1998).

The fourth category of group is based on a language connection. Although people of the same race might share a similar language, one can also share language with people outside one' own race. As English becomes the global tool of communication, there will be an amplified number of crimes directed towards tourists, migrants, students, diplomats, multinational corporate workers in the world and via internet by networks linked by the English language (Fiandaca 2007; Phillips, 2007).

Criminal Activity Patterns

Activity patterns of organized crime groups fall into two categories of business enterprises. One type is illegal business for big profit (Shaw, 2008). There are certain illegal products (i.e. certain drugs) that are forbidden by nearly every country. Another criminal activity, murder for hire, is seen as one of the most horrific crimes by law enforcement; organized illegal groups market murder for hire in response to the demand in both the criminal underground and the conventional world (James, 1975). Unlawful behavior such as prostitution is illegal and socially stigmatized (Shaw, 2008). Predatory crime networks send women from various small market countries to major metropolises to work as prostitutes (James, 2004). Gambling actions are prohibited in most places by government or governing institutions (Sung, 2004). Nevertheless, criminal groups create alcoves in which the development of monopolies on gambling rings throughout lucrative transnational market regions (Chin, 1999). The illegal activities mentioned above are not exclusively isolated to the large criminal groups; nonetheless, these illegal activities offer a wide range of profitable business opportunities.

The second type of criminal business enterprise for organized crime goes on largely unnoticed.   Organized crime groups conduct legal business using illegal methods such as violence, harassment, and threats (Juska, Johnstone, & Pozzuto; 2004). Participation in legal business is vital to organized crime groups. Such legitimate activities provide a business front to hide underground operations, transfer illegal gains, legitimize problematic transactions, and establish market influence (Kraul, Connell, & Lopez, 2005). For example, organized crime groups are capable of blending into their social surroundings, forming a kind of symbiotic relationship with law enforcement, political establishments, business communities, and the general public (Kaplan and Dubro, 1986; Shaw, 2003). Within the community and among local residents, organized crime groups settle disputes, engage in personal protection, and provide general security (Aguilar-Millan et al., 2008). In trans-border relations between two nation-states, within the corporate world and with various businesses, organized crime groups recruit day laborers to work for farms, shipping, and construction companies to evade the severe immigration laws (United Nations Office on Drugs & Crime, 2005).

In some poor nations, , organized crime groups can afford to influence politics by supplying services that range from financially supporting election campaigns, delivering sensitive messages, and blocking media releases of sensitive data, to orchestrating links to businesses and other lucrative interests (Aguilar-Millan et al., 2008). The larger and more influential criminal enterprises benefit from a sort of reverence from the police, who admire the groups' faithfulness to a feudal-era code of chivalry (Shaw, 2008). Periodically, these criminal enterprises offer up some of their lower members to assist the police in solving cases. More importantly, the police to some degree count on the existence of these criminal enterprises for dealing with street crime. When smaller criminal gangs come into a neighborhood and start

creating problems, chances are good that the larger organized criminal enterprises will take care

of it before the police need (President's Commission on Organized Crime, 2001).

Illegal Business Characteristics

An organized criminal enterprise generally takes on one of two different business

characteristics: either the multinational corporate style or the small business style (McFeely,

2001). The multinational corporate style is employed in human trafficking, the drug trade, the

smuggling of weapons or other military equipment; internet based illegal activity, and the sex

trade (Graeme, 1999). In the business arena, this multinational style connects suppliers with

distributors, with retailers, and eventually with the consumer (Lunde, 2006).

The division of labor in a criminal organization typically involves separate units to carry

out the duties of operation and management, production and planning, and finance and security

(Hamm, 2007). The organizational structure is hierarchical, with the corporate headquarters and

branch facilities or offices, with core members and hired associates, and with a semi-chief

executive leader and frontline workers (Paoli, 2003). An organized criminal enterprise under

the multinational corporate style can use scale, risk, international reach, social media influence,

law enforcement interest, and civic trepidation in its pursuit of high profit (Burton, 1997).

Influential criminal groups can effortlessly overrun a competing business, invade a market, or

oppress a group of competitors. Predatory crime networks, with their widespread control in

major transnational crime ventures, demonstrate the effectiveness of the multinational corporate

style in organized crime (Shaw, 2008).

As an alternative to the corporate style of organization, organized criminal enterprises might opt for the small business model, which flourishes on migrant labor, civil quarrels to promote disorder, gambling, smuggling of contrabands, and prostitution (Brownstein, Crimmins, & Spunt, 2000). The small business style affords organizations opportunities to have more specialized interpersonal relationships, inter-group interactions, and cross-border transactions (Burton, 1997). This style utilizes small teams, with each team member engaged in multiple functions for different projects (Anderson, 1995). The team leaders also carry out multiple functions, including initiation, planning, financial management, facilitation, and field supervision (Bovenkerk, 200). In contrast to corporate-style groups, small organized crime groups minimize cost through the flexibility of their transportation, the simplicity of their organization and operation, their low profile, avoidance of media attention, and their ability to ward off any possible law enforcement attacks (Sung, 2004). Although this small business style is not as large-scale, highly coordinated, or threatening as an international illegal network, this style does still permit the expansion of well-organized criminal groups that have lucid plans for increasing profits and well-thought out tactics for operation (Gambetta & Reuter, 1997). Successful criminal enterprises use the small business style to carry on as individual entrepreneurs thriving in the westernized portion of the world (Shaw, 2008).

Political Transition

Within failed states across the globe, organized crime groups thrive on war, political transition, economic development, cultural change, and social transformation (Lunde, 2006). T

Wars give birth to civic disorder and create gaps between demand and supply in labor, consumer

goods, and military assets (Frisby, 1998). Political unrest deteriorates the governmental

institutions and their ability to maintain social stability and deliver important services (Wallis &

Dollery, 2001). Wars not only fan insurgency and terrorism, but they also fuel organized crime

and underground activities (Shaw, 2008). In addition, political transition influences the division

of power and the allotment of public resources. Breakdowns in government allow for criminal

enterprises to use violence, corruption, and other means to challenge or influence state authority

in the redistribution of public properties, especially in the regulations the state has to make

regarding the processes and outcomes of privatization (Juska, Johnstone, & Pozzuto, 2004).

Organized predatory crime groups acquire profitable state properties through use of

unfair and illegal means and then redistribute the land for their own financial gain. These same

organized networks also employ representatives of governments as associates so that they, the

criminal groups, can have command of businesses that need organized crime security. Predatory

crime groups finance their loyal members who campaign for and hold political office. Also, the

groups use money to gain influence over states' domestic as well as foreign policies to the

benefit of the criminal enterprise (Shelly, 2003; Finckenauer, 2004). Opportunities for both

legitimate and illegitimate business undertakings are born out of economic development, cultural

change, and social transformation (Witt, Clarke, & Fielding, 1999). Organized crime groups

tend to be decisive in seizing new opportunities to obtain a profit in this ever-changing global

era.

A troubling pattern in organized crime is that it creates more violence in developing

countries than in developed ones. This is partly because of the stark economic contrast between

the rich and the poor; partly out of a reaction to police brutality, oppression by the regime, or

corruption by public officials; and partly because of a general state of cultural disorientation or

social maladjustment. Crime groups in societies with weak economies and stalled democracies often engage in kidnapping, assassination, massacre, and other hostile practices for monetary gain (Lloyd, 1996).

Failed nation-states witness a number of kidnappings annually. Various kinds of kidnappings occur, from expressive kidnapping to political kidnapping to kidnapping for money (United Nations Office on Drugs and Crime 2005). Expressive kidnapping primary goal is to deliver a message to a particular person or group. On the other hand, political kidnapping focus on key legislative leaders for political influence. Kidnapping for money is clearly indicated by its title. In addition to imposing immense pain on victims, kidnapping also spreads trepidation through the community, disturbs social stability, and discourages business investments that are so essential to societies that are struggling to develop economic development (Lotspeich, 1995).

In developed countries, by contrast, organized crime appears to develop into a form of high-tech structure with industry leading institutionalized business practices. Predatory crime enterprises have the capacity to penetrate unions, the corporate world, the governmental bureaucracy, or the stock market (Shaw, 2008). Predatory organized crime can intermingle with the corporate operations of developed nations.

<u>Larger Social Forces</u>

Identifying the larger social forces shaping predatory crime takes meticulous research. Some researchers indicate that a failure of the state to deliver essential political goods such as security, justice, and stability encourages criminal groups to step in and perform state functions. Across the globe are weak states, some that are still in the shadow of colonialism or strongly

under the influence of foreign interests, some that are caught between tradition and modernity, some that are over-involved in either autocratic recklessness or democratic indecision, and still others that are divided by civil wars or united as loose sovereign polities (Sung, 2004).

Political institutions that are engaged in battle against non-centralized armed rebels find it difficult to establish security enforcement for their civilians who live in close proximity to war zones - (Ejiogu, 2001). Civil and regional conflict generate ideal milieus in which both domestic and international organized crime groups can rule on matters ranging from business protection, local justice, shipments of arms, supplies of contrabands, and production of drugs to human trade in sex and slavery (Shaw, 2008). A general weakness of the state reveals itself in a variety of contexts, from the rigidity of bureaucracy to a lack of trained personnel, from massive waste to extensive corruption, and from decision-making mistakes to carelessness in policy implementation (Lipset, 1959). Crime groups may take advantage of rules, regulations, and bureaucratic gaps for tactical organizational endurance. Also, criminal networks manipulate corrupt officials into creating a passive government and favorable policy environment (Varese, 1997).

Parallel to the state failure hypothesis is an economic failure hypothesis on predatory organized crime (Sung, 2004). According to this system of thought, poor economic outcomes-- such as poor health, deprived living conditions, and dependence on an underground economy-- propel the expansion of criminal syndicates as suppliers of goods in demand, services, and jobs (Sung, 2004). Economic gaps that exist between rural and urban areas, developing and developed regions, and poor and rich societies are staggeringly wide (Aguilar-Millan et al., 2008). The rural-urban divide may alone account for much of organized crime in a variety of areas across the globe.

In major metropolitan areas with varying transportation units, political capitols, and international centers of commerce, there is not only a substantial middle class living in relative comfort, but also an elite class displaying their wealth through conspicuous consumption (Sutton, 2000). On the flip side, the majority of people in the rural areas acquire minimal income in their daily fight for living endurance (Karatnycky, 2002). According to Shaw (2008), a farmer who cultivates the earth laboriously from sunrise to sunset may still not be able to earn as much as someone who digs up a "harvest" in the piles of waste discarded by city residents. The disparity in income potential between rural and urban workers causes young, rural job seekers to depart their homes in hopes of becoming migrant laborers in larger cities (Rawlison, 1998). These migrant youths' rebellion against their customary upbringing includes joining and participating in organized criminal networks (Paoli, 2003). A massive pool of migrant labor is critical for organized crime organizations because it provides both objectives and resources for organized crime (Shaw, 2008).

In terms of objectives, the isolation of migrants in their new relocated area produces a naive employment pool that can perform in as prostitutes, servants, or slaves (Skaperdas, Stergios, & Syropoulos, 1995). Also in terms of resources, migrants are employed as aides, guards, associates, members, and even core leaders for various organized crime groups (Sung, 2004). This same migrant population is the key to an expanding organized transnational enterprise. When criminal networks connect between rural areas and urban centers, workers are contracted for large projects, and normally the rural workers must migrate to the urban regions to satisfy the details of the contract (Shaw, 2008).

Globalization

An additional element that enables organized crime to flourish is the spread of
communication and transportation technologies to even the inaccessible areas of the global
community (Weiss, 1998). Globalization has created concern in the form of national and
international reports from organizations that depict transnational organized crime as an inevitable
byproduct of increasing commercial, political, and social interactions across the globe through
contemporary technology, communication networks, and transportation (Passas, 1999).
Enhancement of communication and transportation technologies reduces barriers between states,
makes borders porous, and aids criminal groups in implementation (Mittelman & Johnston,
2009). Globalization has allowed for information to be shared over the internet, social media
platforms, and by mobile devices instantly collecting new ideas and plans for operations of
organized criminal enterprises (Bauman, 1998). Ships, buses, flights, and rails provide effective
vehicles for massive routine transactions for established and growing organized crime groups
(Shaw, 2008). Despite the range of economic progress, most nation-states utilize at least one
form of transportation technology to connect with distant regions (Beck, 2000). Like a
legitimate professional participant in international diplomacy, a member of an organized crime
group has a tool kit of mobile devices, the internet, laptops, various modes of transportation, and
multiple payment options when an assigned job is located anywhere across the globe (Burton,
1997).

Globalization brings different countries within proximity of each other regardless of
physical location. Globalization has made the world an open place for trade, cultural exchange,
and social cooperation (Karstedt, 2001). Nonetheless, globalization does not necessarily
equalize the various members of the world community. Globalization might push less developed

societies closer to the level of their more developed nations in the supply of labor, space, and raw materials, but it also continues to isolate the share of profits, power, and prosperity to the more developed nations (Yeates, 2002). Through the lens of globalization, inequality is more transparent, more visible (Sung, 2004). Immigrants suffer in their native land; therefore, they migrate to developed nations illegally to perform hard labor for the benefit of the nation's middle class citizens (Aguilar-Millan et al., 2008). Due to their illegal status, these immigrants are prohibited access to the perks associated with citizenship. Under these circumstances, opportunity for organized crime is created. Organized crime groups recruit migrant workers and provide them with transportation and lodging.

Predatory organized crime groups aid illegal immigrants by equipping them with false identity cards, false driver licenses, and false insurance policies (Aguilar-Millan et al., 2008). Overall, organized crime can prey upon the immigrants' sense of the deprivation, alienation, poverty, and injustice associated with being from the Third World (Abadinsky, 2006). Some organized criminal enterprises adopt a Robin Hood paradigm, using a mischievous logic to justify the removal of resources from the wealthy for the benefit of the poor (Shaw, 2008). In other words, citizens from affluent societies are targeted with a clear intent to create a social disruption in their sphere of influence. Drugs from the criminal groups act as a tool of redistribution of resources by draining rich countries for the wealth they have harvested, legitimately and illegitimately, from around the world (Barak, 2001).

Profit

Profit enables the formation and maintenance of an institutional structure and network. In theory, the potential profit that a predatory criminal enterprise can acquire is unlimited given the

fact that organized crime groups do not pay international transaction fees, unilaterally set prices for their goods and services, and have full control over member compensation (Anderson & Gunnarson, 2003). The high-risk activities performed by members of the organization require high rewards, that is, high profits. With innovative strategies for gaining money, criminal groups can keep members through attractive material incentives, train new recruits with advanced technology, fatally enforce rules, apply penalties effectively, and glorify leaders through excessive luxuries (Burton, 1997). Operationally, economic flexibility enables predatory organized crime groups to increase sales, broaden services, expand territories, solidify monopolies, take up new businesses, or boost their reputation or status in relation to conventional business, the government, or the general populace (Sung, 2004). Organized crime groups can specialize in a variety of areas, such as the drug trade, human trafficking, and arms smuggling. Profit makes some predatory organized criminal enterprises not only embrace globalization; it also causes these groups to become bold and aggressive in dealing with law enforcement, business rivals, and disloyal members. The larger-scaled corporate syndicates often have no hesitation in engaging in personal assassinations, suicide bombings, and militant strategies in their efforts to grow, process, transport, and distribute drugs (Kraul, Connell, and Lopez 2005).

<u>Cost</u>

While profit is often considered to be the primary goal of predatory crime groups, cost is understood to be part of the process of gaining income. Organized crime incurs high costs compared to conventional business ventures. Enticing corrupt officials, paying skilled operatives, eliciting membership dedication, and supporting leaders in their high-status lifestyles

means that an organized crime group may have to bear costs several times more than what a legitimate business has to spend on the delivery of a client-oriented service (Garoupa, 2000). To sustain the functions of the enterprise, the criminal organization must be able to reduce and soak up high costs. Operating as an underground enterprise, an organized crime group's secrecy depends on the power and protection of an institutional structure (Passas, 1999). Theoretically, network governance shows traces of its usefulness throughout predatory crime groups' organizational structure. It is only through an organized network that information can be gathered with a certain amount of independence, the core of command can be relatively sheltered from the team of operation, and on-field task execution can be buffered from post-incident evaluation (Shaw, 2008).

Increasingly, more organized crime enterprises are turning to small-business models to manage cost, maintain secrecy, and bypass scrutiny from law enforcement, the media, and the general public (Shaw, 2003). Using familial networks as well as fortuitous social contacts, organized criminal enterprises can assemble, disassemble, and reassemble groups strategically or tactically in response to business opportunities, market conditions, and social control reactions (Zhang & Chin, 2002). The ability to build up and shift human capital is a mark of an organization in a globalized world. The importance of profit in sustaining predatory organized criminal enterprises gives insight into the root causes of predatory organized crime.

Causes of Predatory Organized Crime

In contemplating the causes of predatory organized crime, there are forces beyond what have been other forces besides those that have been discussed. At the root of the debate over the

causes of human behavior is the social structure verses human nature argument. The argument

contrasts human nature with social structure, human needs with social supply, and human desires

with social constraints (Shaw, 2008). To some thinkers, the innate nature of the human heart

will draw it towards a selfish thirst for survival and maximum consumption. The makeup of a

community and society naturally struggles between the needs of the group verses the needs of

the individual. Often the group's needs outweigh the individual's, and therefore society

eventually places limits on goods and services for the benefit of the whole. The limits can refer

to how goods are delivered and to whether goods are rationed by age, gender, race, or

socioeconomic status (Schelling, 1971).

In theory, organized crime is a byproduct of unsatisfied human need and of the limited

resources available to meet that need. When a government fails to meet the demands and needs

of the people, it leaves a void. Criminal networks profit from the gap between universal human

demands and legitimized social supplies of goods and services (Shelley, 1981). The consumer

market for legal and illegal products primarily resides in countries where the average income

base is higher than the poverty standard. In the global community, the gap becomes widened

when people in developed countries can spend minuscule amount of disposable income to

acquire an illicit service or illicit goods from their counterparts in undeveloped countries (Sutton,

2000).

Organized crime exists and thrives simply because some criminal activities, which

include various cross-border transactions, lie beyond individuals and their individual capacities

(Volkov, 2000). Without networks, a single individual, no matter how ambitious, adventurous,

smart, or strong, cannot carry out certain complex criminal tasks all on his or her own (Hamm,

2007). Therefore, the entire global community is affected by predatory organized criminal enterprises in isolated sections of the world due to globalization.

State Political Instability

States become unstable when the central government ceases to provide political freedoms, civil rights, criminal and civil justice, personal safety, and collective security in an efficient manner (Sung, 2004). The transparency, equity, and effective delivery of these political goods legitimize the political system (Blackmon, 2006). Previous research has indicated that the electoral processes, partitioning of powers, and maintaining of a strong civil society are the best mechanisms to ensure the achievement of these political goals (Ejiogu, 2001). Failed states are characterized by heightened levels of crime and hostility, rampant corruption, and an inability of the rulers to exercise sovereignty without brutality. A failed state can also display an absence of consent among the governed public, an atrophied public opinion, and a pervasive atmosphere of uncertainty and instability (Shaw, 2003). Foreign interventions in internal crises, such as American aid, are also typical among the most serious cases of state failure.

Scholars suggest that the concept of state failure can also be viewed on a quantitative continuum that ranges from high state functioning to complete state failure, according to the degree of successful delivery of political goods (Sung, 2004). No evidence indicates that any state has ever achieved complete control of its jurisdiction, as crime, popular grievances, and abuse of state authority exist in every society to varying degrees (Skaperdas & Syropoulos, 1995). Extreme forms of state failures often lead to tragedies, such as virulent genocides. However, there are other failed states that manage to survive amidst perpetual political instability

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as no viable alternatives are available (Ejiogu, 2001). Failures of the state to implement desirable public policy or government reform are also ubiquitous among advanced constitutional democracies (Wallis & Dollery, 2001). Perfect state functioning is an ideal stage of political development that no country has ever achieved (Sung, 2004).

In this study, state political instability is predicted to have a statistical relationship with predatory crime. State political instability is defined through two criteria: institutional stability and political stability. The variable of economic failure is also predicted to have a statistical relationship with predatory crime.

Economic Failure

Economic failure transpires when a state has an acutely inefficient use of human capital. In other words, economic failure is reflected when there is an exceedingly unjust distribution of basic goods and services for subsistence (Sung, 2004). Economic failure refers to the unsuccessful outcomes of a national economy. Such failure differs fundamentally from the concept of market failure. Market failure focuses on the breakdown of the foundational mechanisms of a market economy. A market economy measures competition, perfect information, property rights, etc. Rising national income is neither the only nor the most essential parameter of a functioning economy, which is best described as an economic system that distributes material and financial resources in such a way that people can lead lives according to their needs and interests (United Nations Development Program, 2001). Some scholars indicate that social factors such as high levels of schooling and good health have been

found to be powerful propellers of economic growth, which in turn further improve social well-being (Barro, 1997).

Financial crisis, high unemployment, poor health, and scarcity of essential goods signal a severe breakdown of the economic system (Garoupa, 2000). Economic problems reduce people's material comfort and steal their sense of worth and dignity. The institutional infrastructure of failing economies is likely to be composed of fragile financial sectors, an inefficient tax system, and heavy government deficits (Fiorentini & Peltzman, 1995). In some of the more extreme cases, economic failure includes famine, hyperinflation, and high long-term unemployment, which if left unresolved can doom a population to permanent destitution (Sung, 2004). When a distressed economy is not aided with enough timely and adequate welfare spending for an effective social safety net, a substantial portion of the population may be diverted into the underworld and the prison system (Lotspeich, 1995; Sutton, 2000). A society weakened by chronic joblessness and poverty puts its youth at a very high risk of engaging in organized crime syndicates (Rawlison, 1998). Young recruits will participate in various local and transnational criminal behaviors, affecting the nation's economic trajectory for generations (Phongpaichit, Piriyarangsan, & Treerat, 1998).

An underground economy often emerges amid economic failure, where a shortage of consumer goods and services is rearranged outside government supervision. Furthermore, an underground labor market, associated with both the informal and criminal sectors, emerges to supply employment (Ghersi, 1997; Lotspeich, 1995). Severe forms of an underground economy constitute a black market, where activities are not only are hidden from fiscal authorities, but also involve the illicit trade in goods and services that are forbidden by regulatory institutions (Sung, 2004). Members of the underground economy deliberately seek to avoid official

detection prior to, during, and after transactions. Therefore, an underground economy

predisposes citizens to illegality by training large sections of the population to participate in

illegal transactions. This training is done by fostering a social morality supportive of activities

outside the bounds of legality (Lotspeich, 1995).

Vice industries and the trafficking of illegal merchandise encroach on economically

depressed regions and countries as alternative strategies of revitalization (Shaw, 2008). Even in

dominant countries, high unemployment and a thriving illicit drug economy are staples of

impoverished inner cities (Foster, 2000; Johnson, Dunlap, & Tourigny, 2000). Some scholars

even suggest that the failure of more prosperous countries creates an underground economy that

feeds into the less prosperous countries (Sung, 2004). In this study, the term "economic failure"

is used to refer to the status of nation-states that meet several criteria. . The economic failure

variable is defined in terms of three elements: the unemployment rate, the strength of the

underground economy, and the level of economic productivity. Coupled with the variable of

state political instability, economic failure is hypothesized to have a statistical relationship with

predatory crime.

Predatory Organized Crime

State failure generates the interest of predatory organized crime lords by raising the

general levels of violence and fear of violence, which in turn increases the popular demand for

security (Lee & Shihadeh, 1998). Security is the product packaged, advertised, and sold to

governments of weak nation-states. When the state capitulates to crime, social discord, and

decaying internal security, personal security convert into a profitable scarce commodity (Sung,

2004). Failing nation-states slowly shift confidence to predatory crime networks to protect sustaining markets. In this economical struggle, privatized security and policing flourish, delivering specialized technology and manpower to the market under the control of regulatory institutions (Shaw, 2008). However, it is critical that the region avoid a simultaneous collapse of the economy and of the government's social functions. If both the government and the economy fail to sustain a minimum amount of coordination, both safety and security will become an elusive good operated and produced by predatory criminal organizations (Lawson & Saltmarshe, 2000).

Extortion is a popular predatory activity of criminal influence. Extortion is a popular activity among both illegal immigrants and the criminal organizations themselves because it generates opportunity for the lower migrants and provides cash flow to the organization. The resulting growth in funds allows for the exercise of economic and political influence over a weakly governed territory (Burton, 1997; Jamieson, 2001). Predatory organized crime groups exercise a parasitic form of authority that traps businesses and civilians in an extortion-protection cycle (Shelley, 1999).

Scholars agree that the extortion-protection trap is a paradoxical condition in which a criminal enterprise is capable of providing effective protection merely due to the threat of untamed illegal aggression (President's Commission on Organized Crime, 2001). Extortion and protection rackets are detrimental to lawful business operations because the demand and supply of the illegal services are dominated by a few criminal units (United States Senate Committee on Governmental Affairs, 1990). Functional nation-states stifle organized violence through the regulation of illegal markets for outlawed services (Sung, 2004). On the other hand, failed

nation-states allow organized violence to leak into both the legal and illegal economic culture (Shaw, 2008).

The erosion of the economy caused by predatory organized crime does not satisfy financial growth plans with the opportunity cost that is lost by its existence (Garoupa, 2000). In other words, the economic erosion caused by POC is not compensated for by other forms of economic growth. Predatory crime customarily erodes economic production of local markets over time (Konrad & Skaperdas, 1998). As mentioned earlier, criminal networks lead to a collapse of governing institutions and security apparatuses, and eventually to the economic failure of the region (Sung, 2004). Once a state has suffered from a decaying economic and political environment, predatory criminal organizations assume pseudo-government functions (Fiorentini & Peltzman, 1995). Predatory crime groups assume the responsibility of guaranteeing public safety and monopolizing the security market (Shaw, 2003; Cheng, 1997; Gambetta, 1993).

Incompetent but progressing economies will have minimum technology, low-skilled workforces, and unionization. All three elements of a progressing economy also create a fertile environment for predatory organized crime (Gambetta & Reuter, 1997). Established networks of crime morph into professional and political sectors and become the foundation of legitimate corporations through strategic acts of fear (Cheng, 1997; Reuter, 1983). Violence as a business tool provides organized crime-related businesses with a competitive advantage in converting organized violence into wealth through successful integration of action strategies and commercial decisions (Volkov, 2000).

Predatory groups emerge within the confines of government leadership vacuums, which allow the groups to control entry into and conditions of operation of determined industries (Sung,

2004). Despite the expense accrued through the presence of a dominant organized crime network, a financial and logistical benefit remains for corporations who partner with predatory groups (Shaw, 2008). Aware of the potential illegal networks, predatory criminal organizations monopolize niche industries and drive up the costs of services (Anderson, 1995). The imbalance of market competition, the corruption, and the decaying of financial institutions are the symptoms of organized crime's destruction of economic forces (Jamieson, 2001; Kattoulas, 2002; Sun, 1999; Volkov, 2000). Weak governments pose no threat to criminal networks because the pseudo-governing functions adopted by predatory groups sustain the entire economy and government (Gambetta & Reuter, 1997). Strategically coordinated state and economic public policy reforms are critical to addressing predatory crime.

In summary, the literature focused on the analysis of criminal network behaviors that are predatory in nature. Attention was given to the effects of such predatory crime on weak governments. Examples of various corporate models adopted by organized crime units were described, establishing the differing expectations of consumers, the labor force, and the leadership structure. The impacts of the criminal expectations on economic and political stability were explored. This has led to the formulation of the three research questions, which ask whether or to what degree an economy, political environment, and predatory crime groups are interdependent of or correlated with one another.

Theoretical trends discussed earlier link criminal organizational structures to changes in global social patterns. Globalization is seen as a critical factor in expanding the business operation potential of predatory crime groups. The revolutions in communication, travel, and technology have benefited all forms of business ventures, including criminal ones. Predatory crime groups have taken advantage of this evolution and have restructured themselves in order to

maximize profit. Therefore, it is important to view predatory crime in an international and not just as an aspect of local or national dilemmas. The leaders of the international community do not have the luxury of ignoring the struggles of weak and failing nation-states. As a result, the literature helps to identify indicators that describe the struggles of failed nation-states and that led to the formulation of the regression equations used later in this study. In the methodology section to follow, the study design and variable definitions are laid out in such a way that is consistent with previous literature and theoretical trends in this field of study.

CHAPTER 3. METHODOLOGY

The purpose of this chapter is to describe the research design and method of data collection. The reason and purpose for this quantitative study will be revealed in reference to its relevance and theoretical consistency. Chapter Three reviews key predictor and dependent variables within the appropriate categories of economic failure and political instability. Finally, this chapter also describes the plan and purpose of regression analysis for addressing the research questions and hypotheseis.

Study Design

Cross-sectional studies (also known as cross-sectional analyses, transversal studies, or prevalence studies) form a class of research methods that involve observation of the entirety of a population, or a representative subset, at one specific point in time. In this case, we are getting a convenient sample at one specific point in time from all the variables involved in order to investigate the ecological correlates of predatory crime rates in multiple nations.

The ecological study design allows for the observation of differences between groups rather than between individuals. The groups in this study are defined by failed nation-states (multiple group design), and the units of comparison are group-level. There are various advantages to using an ecological study. First, ecological studies are convenient because they utilize simple analysis and presentation methods. Also, using this study design permits simplistic measurement at the population or group level rather than at the individual level, so that a wider range of exposures can be achieved. Ecological study designs have historically been widely used in the fields of economics and policy evaluation. Therefore, this study will prove

useful in studying economic and political patterns across various failing nation-states. The study design has a framework that permits an analysis of global patterns of nations in various social, economic, and criminal statistical trends.

This is an exploratory study, meaning that it has no aim of being applied to a bigger population of countries or years. This is due to the type of sample that was taken, which in this case was taken for convenience and is by no means a representative sample. The results from this study should be taken as an invitation to design future studies with representative samples. They describe only the countries involved in this specific study at the specific time in which the sample was taken.

<center>Data Source</center>

"Failed" or failing has become key words in international development and security. Fragility of economic and political apparatuses refers to the issue of dysfunctional states and societies, which re-emerged in Western thought as one of the major global challenges. Failed nation-states are said to threaten industrialized nations by providing unprotected territory for predatory crime groups. They are said to pose a central obstacle to fighting poverty and securing peace across the globe, thus potentially provoking migration (OECD 2008, p.11). The rise in relevance of the concept of failing nations in the perception of the Western world engendered the development of a number of indices attempting to quantify fragility. Below are a few descriptions of the indices used in quantifying the concept of political stability and economic failure.

Failed State Index (FSI)

The data used in this analysis has been collected from a variety of national survey instruments ranging from the years 2006 to 2010. The data was cleaned, outliers were modified, and errors were corrected.   The primary data source is the Failed States Index (http://ffp.statesindex.org/), which is an annual ranking of 177 nations based on their levels of stability and the pressures they face. The Failed State Index scores should be interpreted with the understanding that the lower the score, the better. Therefore, a reduced score indicates an improvement, just as a higher score indicates greater instability. The Index is based on The Fund for Peace's proprietary Conflict Assessment Software Tool (CAST) analytical platform. Based on comprehensive social science methodology, data from three primary sources is triangulated and subjected to critical review to obtain final scores for the Failed States Index. Millions of documents are analyzed every year, and by applying highly specialized search parameters, scores are apportioned for every country based on twelve key political, social, and economic indicators and over 100 sub-indicators that are the result of years of expert social science research.

Global Competitiveness Index (GCI)

Since 2005, the World Economic Forum has based its competitiveness analysis on the Global Competitiveness Index (GCI), a highly comprehensive index for measuring national competitiveness. This Index captures the microeconomic and macroeconomic foundations of national competitiveness. Competitiveness is defined as a set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the sustainable level of prosperity that can be earned by an economy. More competitive economies

tend to be able to produce higher levels of income for their citizens. The productivity level also determines the rates of return obtained by investments (physical, human, and technological) in an economy. Because the rates of return are the fundamental drivers of the growth rates of the economy, a more competitive economy is one that is likely to grow more quickly in the medium to long run.

Worldwide Governance Indicators (WGI)

The Worldwide Governance Indicators project reports aggregate and individual governance indicators for 213 economies over the period 1996 to 2010, for six dimensions of governance: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. The aggregate indicators combine the views of a large number of enterprise, citizen, and expert survey respondents in industrial and developing countries. The individual data sources underlying the aggregate indicators are drawn from a diverse variety of survey institutes, think tanks, non-governmental organizations, and international organizations.

Additional data sources include the following. The International Monetary Fund (IMF) produced data on economic conditions of nation-states. The United Nations Population Fund (UNFPA) produced the population in millions. World Economic Forum (WEF) produced the rate of wastefulness of government spending. World Bank, as well as the United Nations Educational, Scientific and Cultural Organization (UNESCO) contributed to the variables used in

analyzing both the predictor and dependent variables. Each of these sources also shapes the context of this study by helping to define the nature and characteristics of failed nation-states.

Knowledge about the quality of current indices is still fragmentary and primarily limited to conceptual issues. Most indices do not provide original data, and therefore it is difficult to uncover the relevant measurement decisions in detail. An ultimate assessment of the validity and reliability of fragility indices is complicated because any assessment of measurement quality needs to be made with reference to the intended application (Adcock and Collier, p. 533). There is no appropriate reference application in the field of fragility research.

Conceptualization

Most indices refer to state functions conceptually. Frequent concepts across indices on failed nation-states include: sovereign state, public services, and legitimate political institutions. There are indices which rates high in conceptualization by creating the most comprehensive definitions holistic indices. They include the Failed State Index, the Global Competitiveness Index, and the World Governance Indicators. The holistic indices are policy concentrated. As their primary objective is identifying states that pose obstacles to promoting development and to consolidating peace, they are very inclusive and aspire to cover a broad range of deficiencies which can affect a state and its society. Therefore the indices have to trade political, social, economic and security concerns against each other. It requires careful theoretical consideration or substantial empirical evidence to convincingly argue how these nations perform with respect to each other. This consideration is not provided by the holistic indices. The producers, in an attempt to build their index in a straightforward and transparent fashion, measure each of their

attributes with five indicators. However, it is important to theoretically tread carefully as to avoid conflation, redundancy due to the compact dimensions that are measured with exactly five indicators.

Measurement

Many indices do not discuss the selection of indicators or even highly transparent indices do not explain their choice of indicators in detail. The largest concern is in the allegation that indices are subject to a cultural bias inherent in their indicators which are based on expert survey data. Even the most respected indices provide little or no documentation on whether indicators actually measure the correct thing. The selection of indicators is determined by conceptual reasoning. The choice is severely restricted by data availability. Therefore, many indicators measure what is actually available in the countries affected. Indices measuring fragility draw data from a common pool of sources, making it improbable that resulting scores will differ significantly. Most indices are highly aggregate socio-economic measures which are proxies for theoretically relevant attributes of failing nation-states.

Aggregation

Most indices apply similar aggregation methods based on the simple addition of equally weighted attributes. Additive aggregation rules imply that low values on one indicator can be partly compensated by high values on another indicator (Munck, 2009). Whether compensation is valid depends on the number of dimensions specified in the index concept. Aggregation can be justified either by claiming that all selected indicators describe the same unidimensional phenomenon or by claiming that the indicators are parts combined to form a whole (Munck, 2009). In the measurement process, assumptions about causes and consequences of failed

nation-states are implicitly introduced. For example, repressive capacity is mostly measured indirectly by GDP per capita (which leads to higher tax revenue which leads to increase military force provided directly or indirectly by governments).

Reliable data is important in the process of identifying trends and slowing down the growth of predatory organized criminal enterprises. Information about the growth, movements, structures, living conditions, spatial distribution, and natural resources of failed states is vital for the formulation of relevant policies, for their planning and implementation as well as for their monitoring and evaluation. For this reason, collection and analysis of data on population and development-related issues play a fundamental role in policymaking. Generating, analyzing and disseminating population data is a critical process for the sound and successful development of policies and programs.

Sample

One of the most comprehensive and well-respected systems for evaluating state performance is the Failed State Index, which ranks 133 nations and is produced by the Fund for Peace organization. The Fund for Peace is an independent, nonpartisan research and educational organization that works to prevent violent conflicts and promote sustainable security. The Index ranks a variety of nations, ranging from relatively stable to wavering. A nation must qualify as failing in order to be listed on the Index of failing states, as mentioned in the data source section. As a result, this list is not inclusive of all countries and nations. Thus, this failed states list is considered to be purposive sample and not a universe of the sample.

Power analysis is the process used in this study for determining the sample size. Power is the probability of detecting an actual effect when it exists. In other words, it is the probability that the study will have a significant result if the research hypothesis is accurate. For model 1, the results reveal that a sample size of 108 is required in order to achieve a nominal power of 0.4000 and an actual power of 0.3541 with an effect size of .056. Therefore, the opportunity of detecting an actual effect when it exists for model 1 is statistically probable. For model 2, the results reveal that a sample size of 108 is required in order to achieve a nominal power of .999 and an actual power of 0.999 with an effect size of 0.373. Similarly, the chance of detecting an actual effect when it exists for model 2 is statistically probable. The final model revealed that a sample size of 108 achieves a nominal power of .999 and an actual power of .999 with an effect size of .403. The chance of detecting an actual effect in the final model when it exists is statistically probable.

Variables

The more critical set of variables was gathered from the Failed State Index (FSI), as issued by the Fund for Peace. This index characterizes states as failed or failing according to whether they possess twelve different indicators. The Failed State Index classifies these twelve indicators into three main categories: Social factors, Economic factors, and Political factors. By using these twelve indicators, the FSI is able to rate states on a scale from one to ten (ten being the highest) to identify which nations are having the most trouble in their progress toward becoming successful states. This study analyzed each failed state indicator to determine whether each one has a statistical relationship with predatory organized crime. The dependent variable, Predatory Organized Crime (POC), resembles aspects of white collar crime. In particular, various dimensions of criminal behavior involve breakdowns in government regulations and

security. Therefore, the following list of dependent variables is consistent with the literature in defining POC.

- Total score on the Efficiency Legal Framework (lgldspt)
- Business Cost of Crime, Reliability of Police Services (policsvc)
- Ethical Behavior of Firms (firms)
- Control of Corruption (wgicorru)

Table 1 Predictor Variable List

Category	Variables
Underground Economy	Total score on the Economic Decline Property Rights Intellectual Property Protection Division of Public Funds
Economic Productivity	Total score on the Uneven Economic Development GDP Inflation Wastefulness of Government Spending
Institutional Stability	Total score on Public Services Human Flight Demographic Pressure Refugees & IDP's
Political Stability	Total score on Human Rights Fractionalized Elites External Intervention, Voice & Accountability Political Stability & No Violence
Control Variables	Population in millions 2008 (UNFPA) Government gross debt as a percentage of GDP 2008 (IMF)

Analytical Methods

Initially, structural equation modeling (SEM) was used in an attempt to evaluate a second order latent factor model of Predatory Organized Crime. Structural equation modeling is a powerful analytical tool; this tool was selected for four reasons.

The first is that researchers are becoming more aware of the need to use multiple

observed variables to better understand their area of predatory crime and failed states. Basic

statistical methods only utilize a limited number of variables, which are not capable of dealing

with the sophisticated concepts being developed in this study.

Structural equation modeling permits complex phenomena to be statistically modeled and

tested in a quantitative fashion. However, the data set contains many missing values, and the

data are not normally distributed. These limitations prevent the use of predatory organized crime

as a latent variable or construct. Instead, predatory organized crimes were analyzed by multiple

regression. All the statistical analyses were performed using the software R-Studio Version

0.96.330 (http://www.rstudio.com/).

Multiple Regression

Multiple regression is one of the more important statistical techniques because it helps to

describe the linear association between a dependent variable and a group of predictor variables or

covariates. In this case, this statistical method will help the study to determine how strongly the

set of variables are associated with predatory organized crime. It can determine which variable in

the set of variables (representing political instability and economic failure indicators) is the one

that has the highest association with predatory organized crime, but it will not specifically

determine any causal relationships, as SEM.

Regression makes various assumptions about the data set with little room for violation. It

is suggested that this technique should not be used on small samples with skewed distribution

(Tabachnick and Fidell, 2001). In the present study, regression accommodated the model after

failing to meet the necessary requirements for confirmatory factor analysis of the constructs in SEM.

After researching the possible use of truncated regression this methodology did not meet the criteria for this particular study. For one, truncated regression is used to model dependent variables for which some of the observations are not included in the analysis of the value of the dependent variable. In other words there must be clearly defined criteria by which the value of the dependent variable is clustered at a lower threshold, an upper threshold, or both, while the value for the independent variables is available.

Currently there are no indices that indicate a clear distinct threshold by which a failed state is labeled failing. Furthermore, the threshold of whether a country can refrain from failing is dependent upon factors isolated to that particular region and may not apply to other nations on the brink of failure. There are only similar attributes of failure but it does not promise uniformity to the progression of failure in any particular country.

Due to the unique nature of each nation-state and its economic/political environment there are varying degrees of slight differences which makes it difficult to provide a standard in which to measure which independent values should be truncated. Therefore, complicates will occur in selecting what value is used as the truncation value, because it affects the estimation of the coefficients and standard errors. Nonetheless, there was no theoretical or statistical reason to run an analysis using truncated regression while maintaining the integrity and fidelity of the study. Therefore, standard multiple regression was selected as the appropriate analytical tool.

In standard multiple regression, all the independent variables are entered into the statistical equation simultaneously. The results of a multiple regression analysis indicate the total

proportion of criterion variance explained by all predictors and the relative importance of each predictor. Each standardized regression estimate indicates the net association of a predictor variable when the effects of other predictors are simultaneously and statistically controlled on a dependent variable. We will look at the direction of the relationship between variables by reviewing the regression coefficient associated with each variable. There are two kinds of regression coefficients: B (unstandardized) and beta standardized. The B weight associated with each variable is given in terms of units of each variable. The beta uses a standard unit that is the same for all variables in the equation. Beta weights are useful because you can compare two variables that are measured in different units. The squared multiple correlation coefficient (R-square value) indicates the proportion of the dependent variable's variance explained by all predictors included.

<div align="center">Dependent Variable</div>

Because there are multiple indicators of predatory crimes observed at the national level, the construction of an aggregated and weighted index of predatory organized crime is necessary. Principal Components Analysis (PCA) is used. PCA is a technique used to reduce the dimensionality of variables collected from the same subject, or nation-state in this case, and extracting the smallest number of components that explains the overall variation. A principal component was defined as a linear combination of optimally weighted observed variables (Hatcher & Stepanski, 1994). Linear combination refers to the fact that scores on a component are created by adding together scores on the observed variables being analyzed (Kaiser, 1960). The term "optimally weighted" refers to the fact that the observed variables are weighted in such a way that the resulting components account for maximal amount of variance in the data set

(Cattell, 1966). Thus, we took the following variables from the theoretical construct of

Predatory Crime:

- Total score on the Efficiency Legal Framework (lgldspt)
- Business cost of Crime, Reliability of Police Services (policsvc)
- Ethical Behavior of Firms (firms)
- Control of Corruption (wgicorru)

Having taken these variables, we obtained a linear combination that will define the measure for

predatory organized crime.

Independent Variables

A total of seventeen variables were evaluated as predictor variables for the response.

Because these seventeen variables come from two main categories (economy and politics), a

separate regression analysis was done for each, including the variable selection process. Then,

with the final variables from each model, a final model was fitted. Control variables were then

included in the three models.

Table 2 Models 1 & 2 Key Variables

Category	Variables
Economy (Model 1)	Total score on the Economic Decline
	Property Rights
	Intellectual Property Protection
	Division of Public Funds
	Total score on Uneven Economic Development
	GDP
	Inflation
	Wastefulness of Government Spending
Politics (Model 2)	Total score on Public Services
	Human Flight
	Demographic Pressure
	Refugees & IDPs
	Total score on Human Rights
	Fractionalized Elites
	External Intervention
	Voice & Accountability
	Political Stability & No Violence
Control Variables	Population in millions 2008 (UNFPA)
	Government gross debt as a percentage of GDP 2008 (IMF)

Relative Importance of Predictor Variables

In order to do the variable selection process, the multi-collinearity was analyzed first, and the variables with high correlation with other predictors were separated from the model, using the indicators explained in the next section. After this, the regression assumptions were evaluated, to finally choose the variables that were significant at a 0.05 level.

Multiple Regression Assumptions

Researchers using multiple regression make certain major assumptions that need to be addressed when conducting this analysis. One assumption concerning the error terms and the Y values is that they are normally distributed but remain unrelated. A second assumption is that

there is constant variance across the error terms and Y values. Third, it is assumed that the error terms and the Y values are independent of each other and are unrelated.   It is also assumed that each X is a fixed variable with the predictor values being constants that would not vary with a different sample. Finally, it is assumed that the predictor variables must be uncorrelated with each other. This assumption is also called multi-collinearity. The number of observations must exceed the number of predictor variables. Green suggested specific minimum ratios of observations to predictors (1991); however, sometimes meeting this assumption is difficult. The following assumptions will now be discussed: sample size, multi-collinearity, outliers, and normality.

Sample Size

Scholars vary on acceptable guidelines concerning the number of cases required for multiple regression. Tabachnick and Fidell (2001) suggested a formula for calculating sample size requirements, taking into account the number of independent variables that will be utilized: $N > 50 + 8m$.

Multi-collinearity

Multi-collinearity occurs when the independent variables are highly correlated with an r of .9 or higher. Singularity exists when one independent variable is actually a combination of another independent variable. Multiple regression does not accept singularity or multi-collinearity because these phenomena do not produce an acceptable regression model. A

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statistics to quantify the severity of multi-collinearity is called variance inflation factor, and for this study, a threshold of 10 is used.

Outliers

Scores that are either too high or very low create a disturbance in the multiple regression statistical technique. Multiple regression is fairly sensitive to outliers. Outliers are those with standardized residual values above roughly 3.3 or less than -3.3.

Normality

The concept of normality refers to the distribution of scores and the pattern of the underlying relationship between the variables. Identifying and reviewing the residuals can assist in testing this assumption. Residuals are the differences between the obtained and predicted dependent variable scores. The normality residuals are normally distributed about the predicted dependent variable. The linearity residuals have a straight-line relationship with predicted dependent variable scores. In terms of homoscedasticity, the variance of the residuals about predicted dependent variable scores should be the same for all predicted scores.

CHAPTER 4. ANALYSIS OF FINDINGS

In this chapter the results of the data are presented. The data were processed in response to the research questions posed in Chapter One. Three fundamental questions drove the selection of data and the data analysis.

The first question asks whether political instability was more influential in explaining the variability of Predatory Organized Crime (POC). The second question asks whether Political Instability explains the variation in POC in multiple nations. The third question asks whether Economic Failure explains the variation in POC in multiple nations. These questions were answered. The findings presented in this chapter demonstrate the potential for merging theory and practice in identifying POC criminal elements.

Descriptive Statistical Analysis

The first result was the index to measure the response variable. As explained in the previous section, a PCA was calculated with the following linear combination as a result. The model consisted of twenty variables with 133 observations. Ten variables had no missing data, while the other ten had, a maximum, five missing values, and at the least, one missing value. Histograms are included to help give clarity to the nature of the data set used in this study. The index explains roughly 90 percent of the variation of the group of variables:

Response = 0.487*lgldspt+0.499* policsvc+0.520* firms+0.495* wgicorru

$$(4.1)$$

Histogram

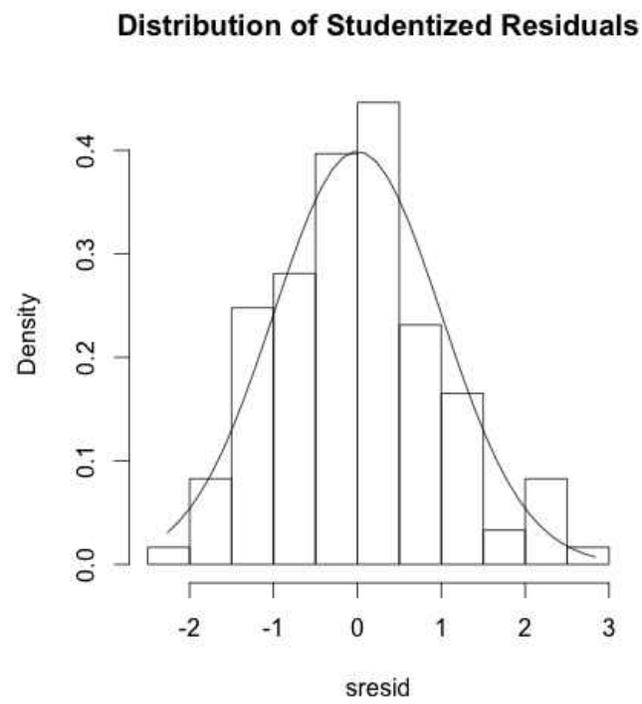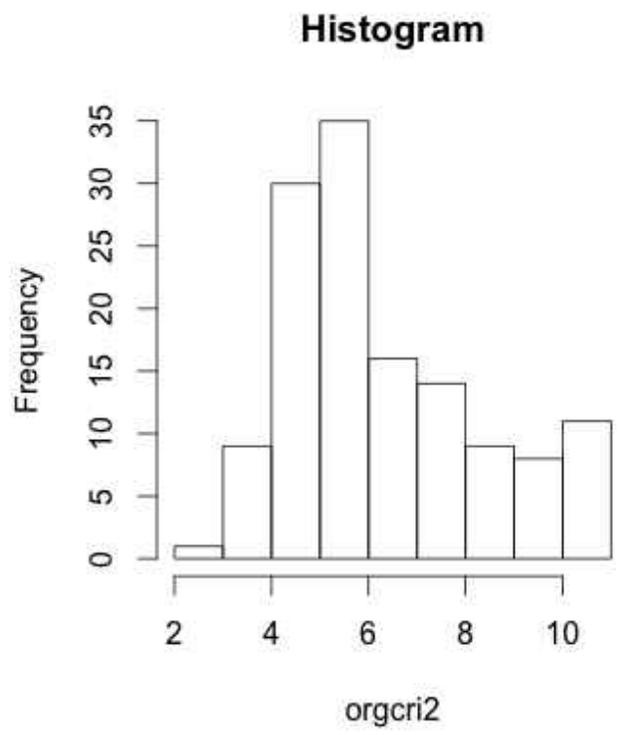Distribution of Studentized Residuals

Figure 1 Descriptive statistics of the response variable

Although the index does not have a normal shape, it is clearly evident that the errors in the model are normal after all. Also, the response has a high correlation with most of the predictors, except for the control variables, as can be seen in the next section. For the final model, a Shapiro-Wilk normality test was conducted with W=0.9856 and a p-value equal to 0.2282. Also, the Durbin Watson test for autocorrelation resulted in a W statistic of 1.9857 and a p-value of 0.958. The distribution of residuals for the final model satisfies the normality assumption for a regression analysis.

An assessment of the linear model assumptions was conducted using the global test on four degrees of freedom. A level of significance of 0.05 was accepted. As a result, the global stat was acceptable with a p-value of 0.5648, skewness p-value of 0.1659, Kurtosis p-value of 0.9995, and a heteroscedasticity p-value of 0.4247. All assumptions were acceptable for the final regression model used.

The final regression model had a residual standard error of 0.6781 on 113 degrees of freedom with multiple R-squared of 0.8882. The adjusted R-squared resulted in an acceptable 0.8813 with an F-statistic of 128.3 on 7 and 113 degrees of freedom with a p-value less than 2.2e-16.

From the other nineteen variables that were used, seventeen were predictor variables and two were controls. The following table presents descriptive statistics for the twenty variables:

Economic Failure Model 1:
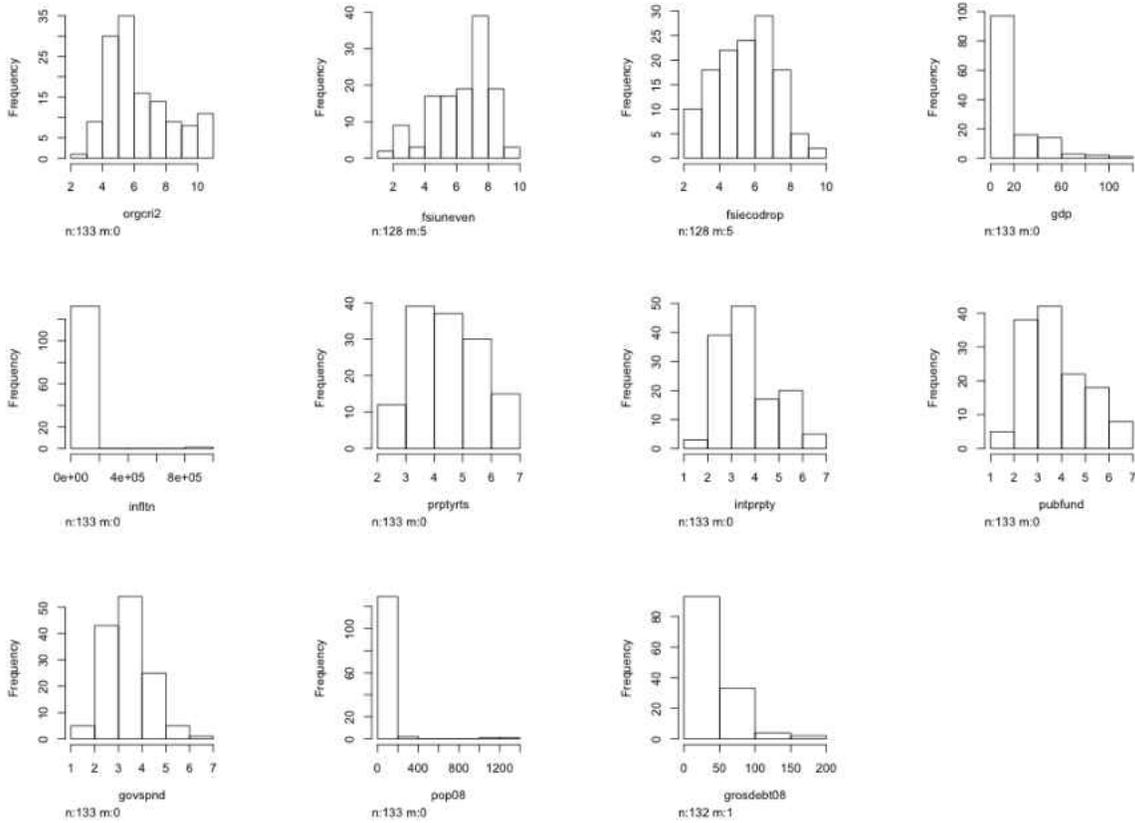
Figure 2 Descriptive statistics of the Economic predictor variables
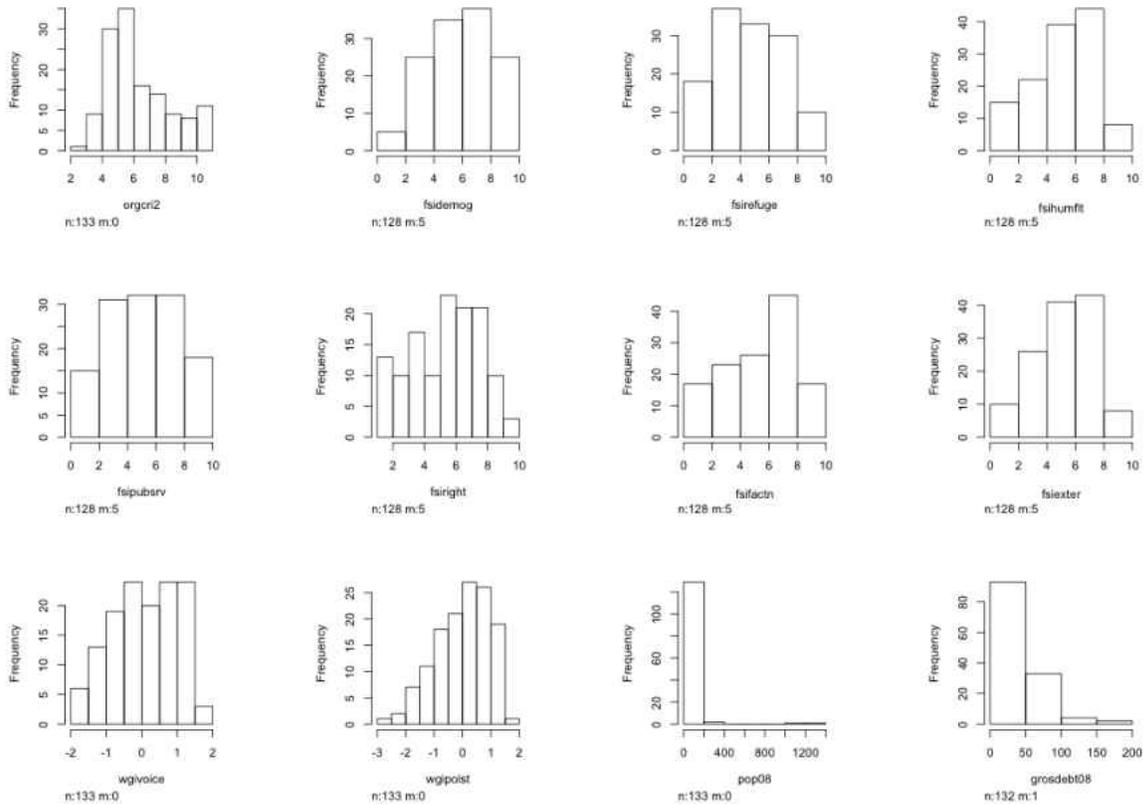
Figure 3 Descriptive statistics of the political instability predictor variables

Important highlights on the histograms are the presence of outliers in the variables of GDP, inflation, population and gross debt. Also, it is important to note the lack of normality in most of the variables. These outliers represent intrinsic characteristics of the countries under study, and therefore cannot be removed. For Model 1, the predictor variables have a minimum of -0.9996, a median of 0.0114, and a maximum of 1.8431. For Model 2, the predictor variables have a minimum of -2.8772, a median of 0.0575, and a maximum of 2.4371. For the final model, the predictor variables have a minimum of -2.9951, a median of 0.0536, and a maximum of 2.4917.

Sample Size

The final model, Model 3, consisted of seven independent variables. In the equation, m

equals the number of independent variables. Therefore, $N > 50 + 8(7) = 106$. Thus, at least 106

samples are needed in order to produce a result that is generalizable to other samples. Although

in this study we have more than 106 samples (133), the sample is not random. Thus, we have to

be very cautious about making inferences to other samples, and must confine ourselves to a

simple description of the data.

Multi-collinearity

As mentioned before, the multi-collinearity test was used to select the variables. For the

final model, we have the following values for the VIF:

Table 3 Final Model VIF Values

Variable	VIF
Gdp	3.29
Govspnd	4.04
fsihumflt	3.64
fsirefuge	2.87
Fsifactn	4.38
grosdebt08	1.18
pop08	1.05

None of these exceeded the threshold established for this study.

Outliers

In this case, a couple of outliers were present, as evident in the following plot. Nevertheless, these outliers did not affect the leverage or the normality test, so they stayed in the model. In the QQ plots below, it is clear that a linear and normal relationship is proven.
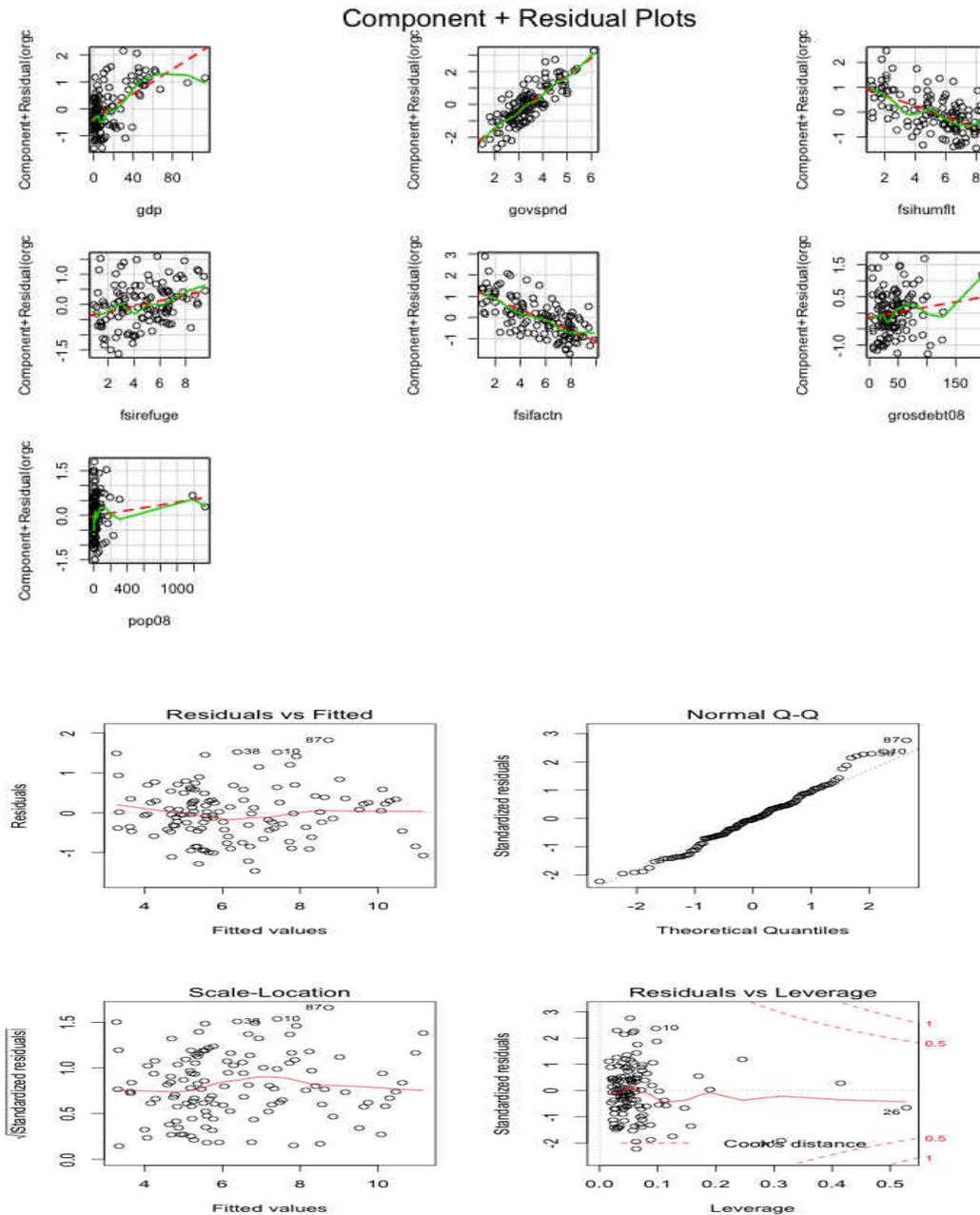
Figure 4 QQ Plot to test for normality and for any outliers in the data set

Normality

For this model, a Shapiro Test was performed for the residuals, with the conclusion that there is no evidence to reject the null hypothesis of normality (p= 0.2282). Also, a score test for non-constant variance was calculated, with the same positive result. There was no evidence to reject the null hypothesis of constant variance for the residuals (p = 0.4286).

Correlation Analysis

In the following plots, red colors represent negative correlation and blue tones represent positive correlation. Note that most of the variables are highly correlated, with the exception of the control variables in both cases and inflation for Model 2.
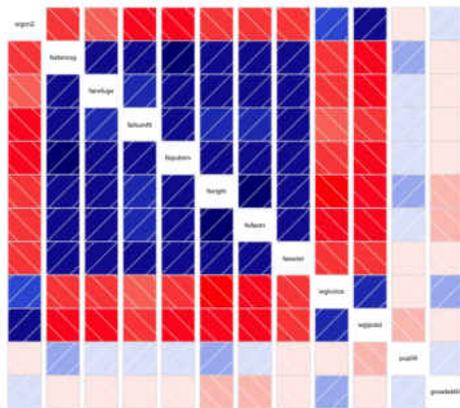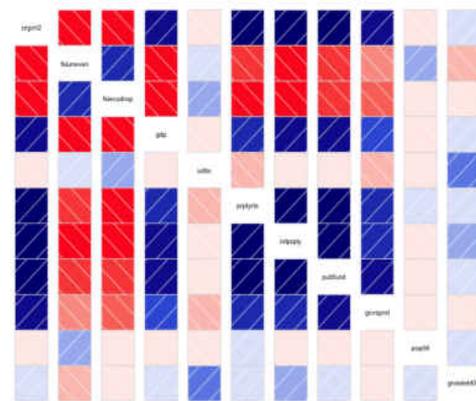
Political Model   Economic Model

Figure 5 Correlation matrix of both economic and political models of predictor variables

Due to this highly correlated scenario, we will select variables using the multi-collineartity test before starting with the variable selection procedure. QQ plots were displayed earlier to give evidence of the direction of the correlations that exist in this section.

Regression Analysis:

Economic Failure - Model 1

Model 1 started with all the variables accounted by the politics category:

$$\text{orgcri2} = (\beta_0) + (\beta_1)\ \text{fsiuneven} + (\beta_2)\ \text{gdp} + (\beta_3)\ \text{infltn} + (\beta_4)\ \text{govspnd} + (\beta_5)\ \text{fsiecodrop} + (\beta_6)$$

$$\text{prptyrts} + (\beta_7)\ \text{intprpty} + (\beta_8)\ \text{pubfund} + (\beta_9)\ \text{pop08} + (\beta_{10})\ \text{grosdebt08} + \varepsilon_i$$

$$(4.2)$$

- The VIF was calculated and then the following variables were eliminated because they had VIF > 10:

  o Prptyrts, intprpty.

- After this, a stepwise backward procedure was implemented, and the following variables were eliminated because of their lack of importance (using a significance level of 0.05):

  o fsiecodrop.

- Although the control variables were not significant, they were kept in the model because the goal was not to see their correlation with the response; rather, the goal was to see the correlation of the other predictors controlling for population and gross debt.

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- Final Economic Model 1 was the following:

  o **orgcri2= (2.812e-01) + (-9.040e-02) fsiuneven + (4.513e-03) gdp + (9.151e-07) infltn + (1.110e-01) govspnd + (6.294e-01) pubfund + (1.264e-04) pop08 + (-8.208e-04) grosdebt08 + ε_i**

  ▪   **(4.3)**

Model 1 had an adjusted R-square of 0.9106, and the model was significant; however, not all the assumptions were fulfilled (problems with normality in the residuals).

Political Stability - Model 2

Model 2 started with all the variables accounted by the political category:

orgcri2= β_0 + (β_1) fsipubsrv + (β_2) fsihumflt + (β_3) fsidemog + (β_4) fsirefuge + (β_5) fsiright + (β_6) fsifactn + (β_7) fsiexter +(β_8) wgivoice + (β_9) wgipolst+ (β_{10}) pop08+ (β_{11}) grosdebt08 + ε_i

(4.4)

- The VIF was calculated and then the following variables were eliminated since they had VIF > 10:

  o Fsipubsrv, fsidemog, fsiright.

- After this, a stepwise backward procedure was implemented, and the following variables were eliminated due to their lack of importance in the model (using a significance level of 0.05):

  o Wgivoice, fsiexter.

- Although the control variables were not significant, they were kept in the model since the goal was not to see their correlation with the response, but to see the correlation of the other predictors controlling for population and gross debt.

- Final Model 2 was the following:

  - **orgcri2= (9.0734) + (-0.3605) fsihumflt + (0.2943) fsirefuge + (-0.1346) fsifactn + (0.7867) wgipolst + (0.0009) pop08 + (0.0043) grosdebt08 + ε_i**

$$(4.5)$$

- Model 2 had an adjusted R-square of 0.6979, and the model was significant. All the assumptions were fulfilled.

Final Model 3

Model 3 started with all the variables that were significant in the final Models 1 and 2, plus control variables:

orgcri2= (β_0) + (β_1) fsiuneven + (β_2) gdp + (β_3) infltn + (β_4) govspnd + (β_5) pubfund + (β_6) fsihumflt + (β_7) fsirefuge + (β_8) fsifactn + (β_9) wgipolst + (β_{10}) grosdebt08 + (β_{11}) pop08 + ε_i

$$(4.6)$$

- The VIF was calculated and no variables with VIF > 10 were found.

- After this, a stepwise backward procedure was implemented, and the following variables were eliminated because of their lack of importance (using a significance level of 0.05):

  - fsiuneven, infltn, pubfund, wgipolst.

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- Although the control variables were not significant, they were kept in the model since the goal was not to see their correlation with the response, but to see the correlation of the other predictors controlling for population and gross debt.

- Final Model 3 was the following:

  - **orgcri2= (4.1760) + (0.0228) gdp + (1.0729) govspnd + (-0.2118) fsihumflt + (0.0911) fsirefuge + (-0.2485) fsifactn + (0.0032) pop08 + (0.0005) grosdebt08 + ε_i**

    - $\qquad\qquad\qquad\qquad\qquad\qquad$ **(4.7)**

- Model 3 had an adjusted R-square of 0.883, and the model was significant. All the assumptions were fulfilled; details about the assumptions are in the following section.

The final model is presented as follows:

$$Y_i = \beta_0 + \beta_1 X_i + \beta_2 X_i + \beta_3 X_i + \beta_4 X_i + \beta_5 X_i + \beta_6 X_i + \beta_7 X_{i7} + \mathcal{E}_i$$

(Predatory Org Crime)$_i$ = β_0 + β_1(GDP)$_i$ + β_2(Wastefulness of Government Spending)$_i$ + β_3(Human Flight)$_i$ + β_4(Refugees & IDP's)$_i$ + β_5(Fractionalized Elites)$_i$ + β_6(Population)$_i$ + β_7(Govt Gross Debt)$_i$ + $\mathcal{E}_i$

$\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad$ **(4.8)**

A model within multiple regression cannot be displayed by a two-dimensional line, so a multidimensional plane is needed. The multiple regression models in this study are examples of an additive model where all the explained variation in Predatory Organized Crime (Y) is due to

the additive effects of the predictor variables. This model does not include interactions or multiplicative effects between the predictor variables.

Betas, such as, β_1, β_2, β_3, etc. are regression coefficients and are also known as population parameters. Beta zero, β_0, is the true mean value of the measure of predatory organized crime when each predictor variable equals zero.

Beta 1, β_1, is the regression coefficient for Predatory Organized Crime (Y) on GDP (X_1) holding the other predictor variables X_2, X_3, X_4, X_5, X_6 and X_7 constant. Beta 2, β_2, is the regression coefficient for Predatory Organized Crime (Y) on Wastefulness of Government Spending ($X)_2$ holding the other predictor variables X_1, X_3, X_4, X_5, X_6 and X_7 constant. Beta 3, β_3, is the regression coefficient for Predatory Organized Crime (Y) on Human Flight (X_3) holding the other predictor variables X_1, X_2, X_4, X_5, X_6 and X_7 constant. Beta 4, β_4, is the regression coefficient for Predatory Organized Crime (Y) on Refugees & IDP's (X_4) holding the other predictor variables X_1, X_2, X_3, X_5, X_6 and X_7 constant. Beta 5, β_5, is the regression coefficient for Predatory Organized Crime (Y) on Fractionalized Elites (X_5) holding the other predictor variables X_1, X_2, X_3, X_4, X_6 and X_7 constant.

Beta 6 and Beta 7, β_6 and β_7, are not interpretable in this case because they are only being used as control variables. ε_i is an unexplained error affiliated with the measure of Predatory Organized Crime not explained by the model.

The slope parameters are labeled partial regression coefficients because they indicate the change in Y per unit change in a particular X, holding the other predictor variables constant. A simple regression would not have been beneficial for this study because it would measure the

change in Y per standard unit of one predictor variable while ignoring the influence of other

predictors. Multiple regression models allow for an assessment of the relationship between the

response variable and each of the predictors, adjusting for the other predictors.

Table 4 Final Multiple Regression Output

Coefficients	Unstandardized		Stand.				95.0% Confidence	
	B	Std. Error	Beta	t	Sig.		Lower	Upper
Intercept	4.1760	0.4702		8.88	<0.001		3.2445	5.1076
GDP	0.0228	0.0052	0.2422	4.55	<0.001		0.0129	0.0327
Wastefulness of Government Spending	1.0729	0.0841	0.4658	12.76	<0.001		0.9063	1.2395
Human Flight	-0.2118	0.0530	-0.2277	-3.99	0.0011		-0.3168	-0.1069
Refugees	0.0911	0.0437	0.1034	2.09	0.039		0.0046	0.1777
Fractionalized Elites	-0.2485	0.0415	-0.3099	-5.99	<0.001		-0.3306	-0.1663
Population in Millions	0.0032	0.0022	0.0478	1.46	0.1465		-0.0011	0.0075
Govt Gross Debt	0.0005	0.0003	0.0389	1.22	0.2232		-0.0003	0.0012

Table 4 a. Dependent Variable: Predatory_Organized_Crime,
Multiple R-squared: 0.888,   Adjusted R-squared: 0.881

The last step in this study was to determine which of the variables in the final model are more strongly associated with the dependent variable. To compare the different variables, it is critical to use the standardized coefficients and not the unstandardized coefficients. Standardized coefficient means that the values for each of the different variables have been changed to the same scale so that a comparison can occur. The unstandardized coefficient values listed as B are used for constructing a regression equation. The dependent variable is Predatory Organized Crime. The independent variables include GDP, wastefulness of government spending, human flight, refugees, fractionalized elites, and finally population and gross debt as control variables.

This study was particularly designed to enable the comparison of the association of each independent variable; therefore, the standardized beta values were used. The variables with the

largest beta values, regardless of negative signs, were of interest. In this study, the largest beta

coefficient is 0.4658, which is for Wastefulness of Government Spending (WGS). This means

that the WGS variable has the strongest association with the dependent variable, when the

variance explained by all other variables in the model is controlled for. The beta for

Fractionalized Elites makes the next largest contribution at -0.3099.

For each of the variables, the value in the column marked Sig was evaluated. The Sig.

value determines whether the variable is making a statistically significant, unique contribution to

the equation. The Sig. value is dependent upon which variables are included in the equation and

on how much overlap exists among the independent variables. If the Sig. value is less than .05,

then the variable is making a significant unique contribution to the prediction of the dependent

variable. If greater than .05, then the variable is not making a significant unique contribution to

the description of Predatory Organized Crime (dependent). In this case, all variables in the final

model were statistically significant ($p<0.05$), except for the control variables (and hence, it is not

necessary to describe them as significant).

It is important to note that the $R^2 = 0.888$, and the corrected version of the same statistic

is equal to 0.881. This means that the proportion of the response variable variance explained by

all predictors, corrected by the number of covariates, is 0.881. Expressed as a percentage, this

means that our model explains 88.1 percent of the variance in Predatory Organized Crime. This

is quite a respectable result even in comparison with reports in top journals.   This gives us a

good measure of how well the model fits; it provides statistically relevant results.

<u>Discussion</u>

Hypotheses Testing

This study is comprised of five different hypotheses that have to do with the association between the response variable of Predatory Organized Crime- and each of the covariates. In the following paragraphs, each hypothesis will be discussed.

According to the null hypothesis, there is not enough evidence to say that the association between Predatory Organized Crime (Y) and GDP (X_1), holding the other predictor variables constant, is different from zero.

$H_0: \beta_1 = 0$ vs $H_A: \beta_1 \neq 0$

There is enough evidence to reject the null hypothesis ($p<0.001$). The association between Predatory Organized Crime (Y) and GDP (X_1), holding the other predictor variables constant, is positive and statistically significant.

A unit of change in the standardized variable GDP is associated with an increase of 0.2422 units in the standardized response variable. The variable GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. This positive correlation is consistent with the research, which states that POC ignites economic growth through cheap labor, illegal business practices, and underground markets. According to network governance theory, the loosely connected partnerships will shift and change based on the increased amount

of income produced through each network. The earned money is circulated through the poor

nation-state, flowing through pseudo governments and third party agencies. Deliberate and

efficient partnerships sustain cash flow throughout the crippled economy. Therefore, as GDP

increases in failed nation-states, this may be a result of the financial contributions of POC-

supported corporations. However, the increase in GDP does not reflect the distribution of

benefits from increased cash from POC and government agencies to poor citizens.

According to the null hypothesis, the association between Predatory Organized Crime (Y)

and Wastefulness of Government Spending (X_2), holding the other predictor variables constant,

is different from zero.

$H_0: \beta_2 = 0$ vs $H_A: \beta_2 \neq 0$

There is enough evidence to reject the null hypothesis (p<0.001). The association between

Predatory Organized Crime (Y) and Wastefulness of Government Spending (X_2), holding the

other predictor variables constant, is positive and statistically significant.

A unit of change in the standardized variable Wastefulness of Government Spending is

associated with an increase of 0.4658 units in the standardized response variable. This positive

correlation is consistent with the research that states that as a government's ability to control

spending declines, the effectiveness of that government to govern declines. It is in this

environment that POC groups thrive due to the basic foundations that are present for illegal

business. Some of the basic foundations include a vulnerable government that lacks financial

control, a high population of poor citizens, and the existence of human/natural resources.

Therefore, as this variable increases, the elements that foster POC increase. Government

partnerships are created through networks, as described in network governance theory, to gain

access to funds extracted from the broken economy. The inherent problem in the network of POC partners is the self-interestedness of its outcome objectives. Very little effort is directed toward benefiting the existing populations within the region. All financial benefits are directed towards POCs networks and to other foreign partnerships loosely connected to the criminal network.

According to the null hypothesis, the association between Predatory Organized Crime (Y) and Human Flight (X_3), holding the other predictor variables constant, is different from zero. $H_0: \beta_3 = 0$ vs $H_A: \beta_3 \neq 0$

There is enough evidence to reject the null hypothesis (p=0.0011). The association between Predatory Organized Crime (Y) and Human Flight (X_3), holding the other predictor variables constant, is negative and statistically significant.

A unit of change in the standardized variable Human Flight is associated with decrease of 0.2277 units in the standardized response variable. Theoretically, this negative correlation is consistent with the majority of research that states that POC creates an administrative foundation from the poor population within the failed nation state. POC provides job security in the absence of a strong local government. Therefore, an increase in human flight negatively affects the profit margins of POC. Network governance theory argues that there must be a consistent partnership established in order to create secure networks for business and jobs. A constant flow of workforce population may affect the consistency needed for a positive business relationship.

According to the null hypothesis, the association between Predatory Organized Crime (Y) and Refugees and IDP's (X_4), holding the other predictor variables constant, is different from zero.

$H_0: \beta_4 = 0$ vs $H_A: \beta_4 \neq 0$

There is enough evidence to reject the null hypothesis (p=0.039). The association between Predatory Organized Crime (Y) and Refugees & IDP's (X_4), holding the other predictor variables constant, is positive and statistically significant.

A unit of change in the standardized variable Refugees & IDPs is associated with an increase of 0.1034 units in the standardized response variable. Theoretically, this positive correlation is consistent with the majority of research that states that POC capitalizes on the free/low cost labor of refugees. So as the number of refugees increases, the POC is more likely to strengthen its presence in that region. Network governance theory suggests that constant relationships are needed for strong networks and partnerships. A reliable workforce (refugees) permits POC to operate systematically through trusted networks of collaborators.

According to the null hypothesis, the association between Predatory Organized Crime (Y) and Fractionalized Elites (X_5), holding the other predictor variables constant, is different from zero.

$H_0: \beta_5 = 0$ vs $H_A: \beta_5 \neq 0$

There is enough evidence to reject the null hypothesis (p=0.005). The association between Predatory Organized Crime (Y) and Fractionalized Elites (X_5), holding the other predictor variables constant, is negative and statistically significant.

A unit of change in the standardized variable Fractionalized Elites is associated with a decrease of 0.3099 units in the standardized response variable. The variable Fractionalized Elites measures the rate by which ruling elites and state institutions divide along group lines. This negative correlation is consistent with the research, which states that the rise of Factionalized Elites is one of the leading causes of governmental collapse. This particular indicator leads to a functional societal dissolving and eventual failure of the state. An established strong government can be financially burdensome for ruling elites; therefore, they eliminate non-producing partnerships. The fall of a government is consistent with the elimination of a partnership, leaving more income for POCs and ruling elites. However, POCs gradually monopolize markets by eliminating competition, including factionalized elites. Over time, the voices of the elites are silenced through the threat of POC violence.

Discussion

In the analysis, this study was able to successfully obtain a model that contains statistically significant predictor variables of both political instability and economic failure. The intentions of the study were to avoid modifications of both models 1 and 2 in order to maintain consistency in meaning or interpretation of political instability and economic failure. However, modifications were statistically necessary. A separate regression analysis was completed for each, including the variable selection process. At last, with the final variables from each model, a final model was fitted.

The PCA procedure was able to achieve an explanation of roughly 90% of the variation of the group of variables for the dependent variable. Also, most of the predictor variables

selected was highly correlated, with the exception of the control variables causing multi-collinearity. Out of the nine variables used in the Economic Failure model 1, five variables were removed because of their lack of importance. This extraction of variables procedure prevents further comparisons between Models 1 and 2. Nonetheless, the remaining variables in Model 1 included the following: Human Flight, Fractionalized Elite, and Economic Failure had an adjusted R-square of 0.6979 and the model was significant. The statistical significance of Model 1 supports the results of the research question that asks whether economic failure explains any variation of predatory organized crime. Out of the eight variables used in the Political Instability model 2, there were three removed due to their lack of importance. The remaining variables include the following: GDP, Inflation, Wasteful Government Spending, Division of Public Funds, and the Total score on the Uneven Economic Development. Model 2 had an adjusted R-square of 0.9106, and the model was significant. The statistical significance of Model 2 supports the results of the research question that asks whether political stability explains any variation of predatory organized crime.

The final model was a combination of all significant variables from Models 1 and 2. In comparing the association of each independent variable, the standardized beta values were evaluated. The variables with the largest beta values, regardless of negative signs, were of interest. In this study, the largest beta coefficient is 0.4658, which is for Wastefulness of Government Spending. This means that this variable has the strongest association with the dependent variable when the variance explained by all other variables in the model is controlled for. The original definition of economic and political models consists of a starting set of variables, which were listed in the previous chapter. Variables were removed due to VIF scores. Therefore, without the original variables, the defined economic and political models cannot be

compared and contrasted. The study was unsuccessful in meeting comparison criteria between

Models 1 and 2. No argument can be used to state that Economic Failure is more or less

influential in explaining the variability of Predatory Organized Crime. However, the Economic

Failure variables account for a larger beta coefficient collectively than the political instability

variables. In other words, the Economic Failure variables account for more variance collectively

than the Political Instability variables. Therefore, policy solutions to address predatory crime

may exist in factors that are economically influenced. The beta for Fractionalized Elites makes

the next largest contribution, at -0.3099. The Fractionalized Elite variable comes for the Political

Instability variable and can be used to confirm that Political Instability does explain some

percent of the variation of Predatory Organized Crime in multiple nations. All Political

Instability variables included in the final model collectively explain some variation of Predatory

Organized Crime.

CHAPTER 5: CONCLUSION AND IMPLICATIONS

Conclusion

The final regression model successfully identified the indicators of predatory crime that theoretically is associated with economic failure and political stability. However, the study did not result in a definitive connection between economic failure and political stability in relation to predatory organized crime. Further research will seek to either increase the sample size for the use of SEM or look to theoretically add indicators to the definition of economic failure and political stability so that a comparative analysis can occur.

Network governance theory keyed in on relational contracting, structural embeddings and globalization. Variables included in the final model supports the network governance theory as an explanation of predatory organized crime. First, fractionalized elite supports the use of social mechanism by predatory crime groups to create structural embeddedness that provides civil participants in illegal business ventures. As elites partake in politically isolationist activities the remaining classes look to predatory crime groups as social pillars. Second, wastefulness of government spending acknowledges the role network governance play in predatory crime networks. Network governance indicates relational contracting as vital to economic growth in a global world. Wastefulness of government spending lead to a weaken government who contracts with predatory crime groups for social services. Third, human flight and refugees indicate the relevance of globalization theories where populations understand and is aware of the proximity of assistance in neighboring countries. It is through the consistency of theoretical principles that each research question and hypothesis was successfully answered.

The first research question asks whether Political Instability was more influential than Economic Failure in explaining the variability of Predatory Organized Crime. Due to violations of VIF levels and insignificant beta scores variables in both models were removed and therefore prevented further comparison of political instability and economic failure. Nonetheless, this study was successful in indentifying that Economic Failure had a statistically significant influence in explaining the variability of Predatory Organized Crime. In explaining the variation, the variable wasteful government spending provided the largest contribution to that variation in POC in the final model. The study was unsuccessful in meeting comparison criteria between models 1 and 2. Therefore, no argument can be used to state that Economic Failure is more or less influential in explaining the variability of Predatory Organized Crime. Nonetheless, the economic variables account for more variance collectively than the political instability variables.

The second question asks whether Political Instability explain the variation in predatory organized crimes in multiple nations. This study was successful in identifying Political Instability as explaining some variation in Predatory Organized Crime. The political instability model provided a statistically significant association with predatory organized crime. In explaining the variation, the variable factionalized elites produced the largest percentage to explain the POC in the final model.

The third question asks whether Economic Failure explains the variation in Predatory organized crimes in multiple nations. This study was again successful in identifying Economic Failure as explaining some variation in Predatory Organized Crime. The economic failure model provided a statistically significant association with predatory organized crime. Also, all the research questions were answered, coupled with rejecting the entire null hypothesis.

The study empirically produced evidence to support a relationship between predatory organized crime and the rate of refugees. Theoretically this positive correlation is consistent with the majority of research that states that POC (Predatory Organized Crime) capitalizes on free/low cost labor of refugees. So as the number of refugees increases, the more likely the POC will strengthen its presence in that region. The fundamental need of refugees is economic in nature and it supports the view that the economic failure in the failing nations is an area that needs great focus.

Empirical evidence supported a relationship between predatory organized crime and the rate in the number of people who flee to neighboring countries. Theoretically, this negative correlation is consistent with the majority of research that states that POC creates an administrative foundation from the poor population within the failed nation state. Therefore, if the number of people taking flight to a neighboring nation the influence of the nation-state will decrease due to a decline work force. The rate of change in the work force in failing nations is also an economic concern.

The study empirically revealed evidence to support a relationship between predatory organized crime and the rate of external intervention. Theoretically this negative correlation is consistent with the majority of research that states that a POC group operates best in isolation. The term isolation refers to POC avoidance of any foreign power policing intervention efforts in the local political or economic affairs. POC will only accept external partners in business transactions but not as foreign aid support for the failed nation-state in which it resides. Therefore, as external intervention increases the influential presence of POC groups in regions decrease. Foreign policing intervention efforts are seen as a threat to growth in profit

margins by POCs. Therefore, this external intervention is also an economic related issue at its roots.

Empirical evidence supported a relationship between predatory organized crime and the rate of voice and accountability measures. The variable Voice and Accountability measures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. This positive correlation is consistent with the research, which states that POC act as a parasite on existing government, causing them to become weak. As a result the POC groups become the provider of semi-government social services. This shift causes the population to reject the legitimate local government and accepts the role of the POC in society. Therefore, as the standardized variable increases in displeasure, POC gathers more support from the failed nation-state. The cost of labor for predatory crime groups can be indirectly identified through the areas of social services. POC groups have to assume control of social services as a pseudo pillar of the local weak government. The local environment becomes politically and economically dependent upon the operations of the POC's business.

The study ascertained empirical evidence to support a relationship between POC and the rate of political stability. The variable Political Stability and No Violence measures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism. This positive correlation is consistent with the research, which state the POC starts as a contractual partner with the local government as a security armed force. Once the POC stabilizes the levels of violence it then

assumes control of both the government and the perceptions of the poor populations (workforce). Therefore, as stability increases so does the influence of POC groups in the region.

The study found empirical evidence to support a relationship between predatory organized crime and the rate GDP. This positive correlation is consistent with the research, which states that POC ignite economic growth through cheap labor, illegal business practices, and through underground market. This money is circulated through the poor nation-state. Therefore, as GDP increases in failed nation-states this may be a reflection of the financial contribution of POC supported corporations.

Empirical evidence supports a relationship between predatory organized crime and the rate of government spending. This positive correlation is consistent with the research that states that as a government's ability to control spending declines, the effectiveness of that government to govern declines. It is in this environment that POC groups gravitate towards due to the basic foundations that are present for illegal business. Some of the basic foundations include a vulnerable government that lacks financial/spending control, a high poor population, and the existence of human/natural resources. Therefore, as this variable increases the elements for the foundation of POC increases. The common theme throughout the findings is primarily economic in nature and legislatively this complex issue should start with the economic foundation of failed nation-states.

Implications

The findings in this study align with historical evidence which traces back to the events of the 1980's where banks began to lavish loans on Third World governments, many of them (Third World governments) led by crime lords. Predatory crime group leaders and corrupted

governments enriched themselves on the banks' money, but it was and currently is, the countries' poor who is required to pay the money back. The economy of that particular nation state suffers due to corruption and ineffective legislation. Poor citizens of failed or failing nation states suffer under draconian policies adjusted to and structurally imposed by the International Monetary Fund. The 'Structural Adjustment Policies' is the process by which countries begin to fail, governments weaken, and predatory crime groups grow.

There are obligations to be completed by any failed country who have been a victim of corrupted leaders who accepted and spent money loaned to them from the IMF and the World Bank. Leaders of failed nations are in need of money because their economy is dissolved. Therefore, only the benefits of receiving such financial gifts are contemplated while ignoring the repercussions. Nation States who are failing and receive money must enact at least six policies due to the demands of the IMF.

The first of the six laws is the promotion of export-oriented production. Failed nation states are encouraged to move land from basic food crops towards export-oriented products. Products of this nature may include: broccoli, shrimp, coffee, corn, and cut flowers. Each product mentioned is ecologically damaging. For example, cash crops often require an increased utilization of pesticides, herbicides, and chemical fertilizers that harm the environment. Also, the poor normally cannot purchase food and live in a malnutrition community due to food price increases. Predatory crime groups use this to their advance to acquire cheap labor, legitimate funding sources, and to hide criminal activity. Free trade zones are another element of this policy where work is outsourced to failed nation states. The work is outsourced to young men and women in exploitative sweatshop conditions.

The second structural adjustment policy is spending cuts in the basic social services. Social services that would be considered basic may incorporate: education, health care, and security. A weakened economy results in spending cuts and service cuts. Compounding the loss of public sector jobs, failed nation states reduces funding to social services programs. When weak governments fail to provide fundamental social services, predatory crime groups assume the social obligation. Assuming the duty of providing social services promotes the influence of the predatory crime group. When the government is weakened by bad political decisions and corrupted officials, the health and growth of the country is jeopardized.

Large public sector layoffs are the third structural adjustment policy. This policy marks a shift in philosophy where failing nation states are to spend less and export more. In an effort to reduce expenditures government officials cut public sector jobs in large scale numbers. Capitalistic influences encourage privatization of various services and the contract is given to predatory crime groups. There is a series of privatizing state owned functions: security, electricity, telephone, and water. As prices increase on basic needs wages are reduced and jobs are cut across the board.

Lower wages and labor suppression is the fourth structural adjustment policy. The implications of this policy on failed nations have resulted in cheap labor which is a financial incentive for predatory crime groups. The policy is encouraged by international banks, allowing for the decrease of wages. The lowering of wages is intended to draw foreign investment and to lower consumer demand. In addition, the formation of public sector unions is discouraged. The cuts in spending on labor do not transfer over to the military where it using holds top priority while wage earners are devalued.

The fifth and sixth laws of the structural adjustment policies consist of devaluation of local currencies and abolition of price controls on basic food. The devaluation of currencies effect the labor force, production chain, and is an indicator of a weaken union. Devaluations have the effect of making a nation's exports low in cost and imports increase in cost. The poor populations with in that nation suffer because the costs of goods rise but wages stop growing or decrease. Coincidentally, price controls are also enforced. Historically, poor country governments subsidize the price of products like bread and rice. The removal of these subsidizes has resulted in malnutrition and health risks. The absence of subsidizes has also lead to violent movements with in poor nations. It is in this environment that predatory organized crime networks prosper.

The prosperity of predatory crime groups will result in inter-connected networks of terrorist, mafia, and gangs throughout the world. This spread of organized crime will undermine the legitimacy of weak nation-states and cause financial and military burdens on wealthy states. For many failed nation-states an assortment of, crime, social-political change, violence, and societal problems occur in unhealthy numbers and structures causing concentrated issues for governing systems in neighboring countries throughout the region (Anderson & Gunnarson, 2003; Shaw, 2003; Cole, 2006; Hamm, 2007; Phillips, 2007). Structured crime groups prominently subsist behind transnational criminalities whose primary objective is capitalistic in nature (Newman, 1999; Abadinsky, 2006; Lunde, 2006). The expansion of such crimes will result in massive population shifts and new governing complications in politically sensitive regions of the world. Major international leaders from America, China, Europe, and Japan will need to place this issue of predatory organized crime on their summit agenda. The growth of predatory crime comes at the expense of economic grow, security and stability around the world.

Limitations

SEM

The structural equation is a confirmatory approach used in this study has limitations. SEM is limited in its use to explore possible relationships when there are more than a handful of variables. SEM is not causal and this limitation refrain our study from locating indicators that cause predatory crime formation. SEM is considered to be strictly correlational. The most impactful limitation is the sample size. The sample size needs to be large enough to get stable estimates of covariances and correlations. In this study we were limited to the number of nation states who have failed.

Regression

One of the major limitations in using regression is the requirement to satisfy various assumptions. An assumption that is included in multiple regression is that the predictor variables must be uncorrelated with each other. This assumption is also called multi-collinearity. The number of observations must exceed the number of predictor variables. Green (1991) suggested specific minimum ratios of observations to predictors; however, sometimes meeting this assumption is difficult. Predatory organized crime is often correlated in meaning to various other failed states indicators. This causes for variables to be omitted due to their accepted meaning. Also, the meaning of predatory organized is still evolving with the growth of global technology and therefore this may restrict the choice of variables. The following assumptions are discussed: sample size, multi-collinearity, outliers, and normality.

Sample Size

Generalizability was a concern during this study because only 133 nations were used to analyze 46 variables in the SEM model. The sample size needed to be large enough to obtain results that could generalize or be repeated with other samples. If this objective was not met then this study would produce very little scientific value. Scholars vary on acceptable guidelines concerning the number of cases required for multiple regression. Tabachnick and Fidell (2001) suggested a formula for calculating sample size requirements, taking into account the number of independent variables that will be utilized: $N > 50 + 8m$. This study consisted of 6 independent variables. In the equation m equals the number of independent variables. Therefore, $N > 50 + 8(6) = 98$, at least 90 samples is necessary in order to produce a result that is generalizable to other samples. As mentioned earlier, the study consists of 133 nations and nations are the unit of analysis, so it is a good size for the regression statistical methodology.

Multi-collinearity

Multi-collinearity occurs when the independent variables are highly correlated with an **r** of .9 or higher. Singularity exists when one independent variable is actually a combination of another independent variable. Multiple regression does not accept singularity nor multi-collinearity because it does not produce an acceptable regression model.

Outliers

Scores that are too high or very small creates a disturbance in the multiple regression statistical technique. Multiple regression is fairly sensitive to outliers and this is an apparent limitation due to the nature of the data used in this study. There are very poor nations who stats

fall far below the mean of the over 200 failed states. In theory, the extreme poor will have the extreme scores and the extreme scores would have to be eliminated from the data set. In this study, extreme scores was deleted from the data set and the scores represent failed nations who could of contributed to the evaluation of predatory organized crime.   However, outliers that provided quality scores in other attributes remained in the study.

Normality

The concept of normality refers to the distribution of scores and the pattern of the underlying relationship between the variables. Identifying and reviewing the residuals can assist in testing this assumption. Residuals are the differences between the obtained and predicted dependent variable scores. Normality residuals are expected to be normally distributed about the predicted dependent variable. The linearity residuals have a straight-line relationship with predicted dependent variable scores. In terms of homoscedasticity, the variance of the residuals about predicted dependent variable scores should be the same for all predicted scores. This requirement is a limitation because the levels of failed states are not always related in structure or pattern and therefore may not produce a normal distribution.

Survey data

This study used a compilation of international survey data and the problem inherent in the survey data has posed limitations. The survey population is a crucial concept in empirical research as it determines the set of entities from which the sample can be drawn and affects both the internal and external validity of a study's results. Internal validity refers to the extent to which the manipulation of an independent variable is the sole cause of change in a dependent variable. In contrast, external validity concerns the generalizability of the results.

Internal validity is threatened if the observed results are influenced by the confounding effects of extraneous variables. To control for possible extraneous variation, it is important to select a homogenous population.

Any research project is also dependent on access to sufficient data to address the research question(s) of interest. In an international research context, data access concerns not only securing an appropriate sample, but also ensuring that all data can be feasibly collected given the additional cost that are involved in cross-border mail, telephone and fax correspondence.

A rather vexing problem in cross-national research is the issue of response style differences across countries. Studies of attitudes across countries have generally relied on a comparison of aggregated mean scores to Likert-scale questions. This presupposes that when people complete a questionnaire, their answers are only based on the substantive meaning of the items to which they respond (Baumgartner and Steenkamp, 2001). However, people's responses are also influenced by their response style. 'Response style' refers to a respondent's tendency to respond systematically to questionnaire items regardless of their content (Baumgartner and Steenkamp, 2001).

Directions and Future Research

The research of predatory crime is just as much of the research of impoverished people and nations. Although the findings in this study could not definitively point to economic failure as an indicator of predatory crime the results did point to potential solutions influenced by economic factors. On this note, further research should consider debt cancelation of failed states burdened with structural adjustment policies. Also, there is a demand for future research in the areas of neo-liberalism and the post-world war II generation of failing nation-states in relation to

predatory organized crime. Social justice and research groups have engaged in this policy initiative of debt relief for failing nation-states. The removal of debt will free failed states to address their social, political, and economic concerns with a clean slate without the reliance on organized crime networks.

Various international banking systems (IMF, World Bank) and wealthy countries maintain the rights to the loan agreement with failing nation-states. It is in the control of these leading institutions and countries to continue or stop the debt balloon that is currently creating failing economic conditions. Debt relief has the potential to establish a financially sophisticated effort to state and economic growth. More funding directed towards improved and adequate government institutions can potentially lead to effective social services for citizens of failed nation states. A healthy economy and political system can act as a buffer to predatory organized crime and the corruption it brings.

Research should seek viable strategies to definitively canceling burdensome global debt, in nations with high levels of human need and high levels of environmental distress that limits their ability to meet basic needs of their lower class. The burden of debt disables the failed state's ability to achieve a level of sustainable development that ensures a livable quality of life.

Attention is given to other political, environment, and social areas that suffer from debt burdened weak nation-states; however, predatory crime is equally as important. For example research has identified exploitation of nature resources such as forest trees by transnational crime networks. Deforestation is considered an area of concern. Resources such as trees have suffered from the effects of a failing economy and eventually a failed state. Deforestation is a major contributor to global warming and is directly linked to failed economies. A country's debt burden is strongly correlated with tropical forest destruction.

Cocaine flood markets in wealthy nations because the production of the cocaine provides sustaining income to predatory crime groups in failing nations. On another note, jobs have been lost to wealthy economies with various industries by the thousands. Farms have failed because the debtor countries can no longer purchase imports from wealthy nations and must send their funds to international banks. Other leading areas affected by overwhelming debt are immigration and war. Both are indicators of global instability and are correlated with weak economies.

Future research should also investigate the responsibility by both lenders and borrowers, and action to recover resources that were diverted to corrupt regimes, institutions, and individuals. It may conclude that the very debt help produce the network of criminal leaders that terrorize the poor regions of the world. Wealthy nations can work together, and with their counterparts in failing economic regions of the world, to force governments and international agencies to end the vacuum created by debt burdened economies. It is believed that future research will point to the need for failing poor nations to be placed at the top of the international political agenda.

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