The American Anti-Corruption Experience and International Efforts against Drugs, Crime and Corruption

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The United States Government, according to the John Brandolino of the Bureau of International Narcotics and Law Enforcement Affairs, ‘has been a leader in the fight against corruption by promoting integrity within our own country and making our actions an example for the world. The international community can benefit from examples in the United States, particularly regarding our efforts to prevent U.S. multinational business from bribing overseas, enforce corruption laws, promote good public/corporate governance, and build tools and institutions to prevent corruption.’

Brandolino’s assumptions about America’s right to lead an international crusade against corruption have academic support. According to two Harvard economists, Edward L. Glaeser and Claudia Goldin, in the introduction to a forthcoming collection to be published by the University of Chicago Press, American history provides a ‘striking story of a country that changed from a place where political bribery was routine infecting politics at all levels to a nation that now ranks amongst the least corrupt in the world’.

In effect, like Brandolino, they offer an anti-corruption template by suggesting that American history can offer lessons to poorer countries about how to reduce corruption. The implication of their work and that of their contributors is that American-inspired reform movements beginning with the early 20th century Progressive movement are the way forward in the battle against development-stunting corruption in poor countries.

These assumptions about the essential integrity of the American system should come as a surprise to anyone who has followed American developments over the past two decades. There are regular reports in the press detailing corrupt practice in areas affecting the lives of Americans from the womb to the tomb. It is easy to document cases of fertility clinic fraud, education fraud, insurance fraud, pharmaceutical industry fraud, nursing home abuse and fraud, funeral fraud and there is even an illegal trade in the body parts of the dead to supply the demand from medical professionals. Corporations also routinely violate health, safety and environmental protection laws which damage and often prematurely end the lives of many American workers and consumers. Since 2002 and the Enron collapse there has of course been mountains of evidence produced to document corporate corruption involving not just CEOs and their underlings but Wall Street’s top banks and analysts, and the top accounting firms.

In contrast to assumptions that the United States offers an anti-corruption template, I would argue that America has become increasingly corrupt since the 1970s and that this increase in corruption has been mirrored throughout the world during the same period. The United States has done more than any other country in bringing about the changes that have accompanied globalisation since the 1970s and these changes have been exploited by the types of criminal that can only flourish in corrupt environments: drug traffickers, arms traffickers, kleptocrats, people traffickers, sweatshop operators, and money launderers to name a few of the most obvious. This paper will argue that while the problems associated with drugs, organized crime and corruption have increased, the American and the international response to these problems has evolved in ways that are inadequate, misdirected and in many ways counter-productive. Americans themselves and the international community as a whole have accepted an understanding of these problems that has been informed by no more than a superficial understanding of American history. Despite evidence indicating the failure of
American anti-drug efforts, anti-organized crime and anti-corruption efforts, government leaders across the world are on a track that was built by Americans from the Nixon-era onwards.

The paper will first look at Progressive era anti-corruption campaigns. Despite the claims of the economic historians noted above, the campaigns often did no more than change the beneficiaries of corruption. There is no evidence to suggest that progressive era reforms diminished the extent of corruption in either legal or illegal markets. In fact, profitable opportunities for the corrupt in American society were multiplied by the imposition of a moralistic prohibition approach to such activities as drinking, drug taking, gambling and prostitution.

Not every strand of progressivism, however, saw the state as a moral guardian. Many urban progressives were more inclined to see the state’s potential as a regulator of the capitalist system. This strand reached its peak of influence during the New Deal when there were genuine efforts to check business corruption and guarantee a reasonable standard of life for even the most disadvantaged Americans.

The paper then traces the ‘dumbing down’ of public and professional understanding of organized crime and corruption in the United States itself and will stress business antipathy to unions and the impact of nation’s continuing moral crusade against such activities as gambling and drugs on this process. As a result of this dumbing down most Americans thought the problem of organized crime was synonymous with a foreign crime group usually known as the Mafia by the 1960s. President Richard Nixon exploited this limited understanding to help push through the Organized Control Act of 1970 which in many ways now acts as a model for other countries and the international community in its efforts to control organized crime. The author also argues that forceful action by the Nixon administration accelerated the American war on drugs by strengthening a global drug prohibition regime based on a series of UN treaties. The paper then explores the close relationship and beneficial synergies that exist between the 1988 Convention, the 2003 UN Convention against Transnational Organized Crime, and the 2005 United Nations Convention against Corruption. The paper concludes by detailing ways in which the structural adjustment programmes favoured by the IMF and the World Bank since the 1980s have contributed to the creation of conditions in many poor countries that has exacerbated international organized crime and corruption problems.

1. Corruption and the Legacy of Progressivism

The Progressive era in America is conventionally dated from about 1900 to the First World War and described as a time when reformers sought to curb the power of big business, particularly its power to corrupt the political process, and extend the functions of government in order to protect the public interest and relieve social and economic distress. However, progressivism was never a simple case of good reformers working out ways to make America a less corrupt and exploitative society. Most serious historians accept that progressivism in reality was complex and contradictory, and has a complex and contradictory legacy.

Progressive era reforms changed the nature of some of the many and varied forms of American corruption and the way America organized itself but there is no credible
evidence that they changed the extent of this corruption despite the claims of Glaeser and Goldin and others who reflect an outdated historiography. Their book, provisionally entitled, *Corruption and Reform: Lessons from America’s Economic History*, will fit in with the narrative of progressivism in pre-1960 textbooks which related the early 20th century discovery by Americans that big business was corrupting politics in quest of special privileges and how an outraged people acted to reform the perceived evils. Since the 1960s, however, historians have rejected such simplistic notions and have tended to find that progressive era responses to business corruption were short-lived and ineffective, tending to benefit big business interests more than any other.3

While the effort made by progressives to curb business corruption was transitory and ineffective, campaigns in the progressive tradition against municipal government corruption and police corruption continued throughout the twentieth century. Many middle class reformers, for example, continued to commit themselves to the cause of police professionalization and centralization, partly as a means to end the perceived corrupt consequences of machine dominance. Police chiefs became more secure in their jobs under new set ups and vice control and other specialized functions would be transferred from ordinary patrolmen to special squads answerable to headquarters and not to the local politicians.

A professionalized police force and a reformed criminal justice system would, it was hoped, be efficient, honest and independent of interests represented by local politicians, including most crucially prostitution, gambling, liquor interests. The assumption was that such reformed police forces would enforce all existing laws strictly and vigorously.

By the middle of the twentieth century, the hopes of reformers for an end to old style political machine rule had been to a great extent realized. Civil service and other progressive reforms had reduced the number of jobs, contracts, and other favors that had once been at the disposal of the machines. Control over the police departments, district attorneys, municipal judges, and other public officials went from local politicians to city and state agencies. In New York, Philadelphia, San Francisco, Los Angeles and most other cities, the machines were no longer able to count on the support of the more established groups of immigrants and had little to offer the millions of recent arrivals amongst African American, Mexicans and other groups.4 As the personal ties and neighborhood loyalties once used by machine politicians to get elected declined, winning city elections became based much more on the use of the mass media and market research to construct an appeal to diverse electorates. While these reforms ensured the greater independence of city police forces from political interference, they also made them more bureaucratic and less accountable to local constituencies.

Reformers who had held up the removal of old style machine politics from policing as the key to more effective and honest policing and the end of organized crime and corruption were to be disappointed. Reforms and new administrations changed the systems of corruption without affecting its extent. As the sociologist V.O. Key noted in 1935 even honest reform administrations could only succeed in changing the beneficiaries of corruption.5
Reform also implied changes in the organization of crimes created by the morality laws. Where once pimps, prostitutes, drug dealers, gamblers, and gangsters had needed to deal with local politicians as intermediaries between themselves and the law enforcement and criminal justice systems, now they simply dealt directly with specialist police squads or relied on lawyers for more discreet deals within the court system. Progressive reformers had thus helped change the structure of some types of organized criminal activity without making a significant impact on its extent.

Daniel T. Rogers in *Atlantic Crossings: Social Politics in a Progressive Age*, (1996) has made a significant contribution to the study of other aspects of Progressive era corruption. He begins by making the point that although the structures of progressive era corruption were complex and varied ‘there were two distinct forms of corruption in turn-of-the-century American cities: corruption at the periphery and corruption in the ranks.’ ‘Corruption at the periphery,’ he explains, occurs where governments and private suppliers met. That line, where governments give out economic opportunities to private bidders through contracts, sales, or franchises, has always been extraordinarily fertile ground for the dishonestly won advantage. Corruption at the periphery occurs in the form of bribery, rebating, extortion, and payoffs.’ Politicians of course benefit from corruption at the periphery but the primary beneficiaries are the purchasers; ‘businessmen who see a crooked way to a good deal’. By contrast he explained, corruption in the ranks, 

*takes place within a city government’s own workforce, to the benefit of the bosses and politicians and those indebted to them*. Occasionally corruption in the ranks involved outright embezzlement but its ‘more normal forms are padded payrolls, nepotism and spoilsmsanship in hiring, and inefficient work.

He concluded,

*The relationship between corruption at the core and corruption at the periphery, however, is more complicated than these devices reveal. The paradox in urban corruption is that the shrinkage of one of these two opportunities for corruption expands the other. Diminish the things a city owns and manages and you reduce the potential for corruption in the ranks – but only at the expense of expanding the opportunities for corruption along a swollen periphery of private supply.*

Lincoln Steffens and his fellow muckrakers stressed that the rankest and most costly corruption in turn-of-the-century American cities took place at the periphery. Where aggressive private capital and city officials interested in capitalizing on their offices met, the opportunities for corruption were truly prodigious. A wave of street car and utility company corruption scandals demonstrated this. Despite this, when it came to the reportage of corrupt city politics editors tended to deem the exposure of venal party bosses more likely to boost circulation that the exposure of those that paid them off. *Fear of yet more corruption in the open porous, democratized American city kept the domain of American city activities small – and allowed the ripest opportunities for corruption to grow all the larger*.6

Although, as we shall see, these and other ripe opportunities for corruption continued to grow in America through the 20th century, attention remained on the bribee rather than the briber.
2. The State as Moral Guardian

Of the many strands of Progressivism I think it would be useful to focus on two that remained influential long after the First World War and have been competing for influence nationally within the United States and increasingly in recent years, globally.

One strand of progressivism saw the state as a moral guardian. These reformers sought to use the power of the state to impose a middle-class moralistic consensus. This strand thought it essential to prohibit certain goods and services such as alcohol, gambling, prostitution, and certain kinds of drugs such as heroin and cocaine since these all in various ways damaged people, especially young people.

Progressive era moral crusaders accepted no limits on the capacity to enforce these prohibitions. If local laws and law enforcement were inadequate, then state laws and state law enforcement had to be involved. If the individual states failed, then the federal government had to ensure success, and if there were aspects of the problem that not even the federal government could solve then the whole international community had to be brought into the fight. The evolution of international narcotic control, for example, gathered pace during the progressive era and, despite America’s refusal to join the League of Nations, American diplomats made sure that the US preference for the prohibition approach to drugs as opposed to more regulatory approaches influenced the League’s approach to drugs. We shall return to the evolution of international drug control policies later in the paper since they are part of the same process as that which resulted in the United Nations Convention Against Corruption.

Moral crusaders in the Progressive era wasted no time trying to communicate or compromise with their opponents, they used 'sets of stereotypes' to confront their opponents or, to borrow another phrase from the historian Robert Wiebe, 'frozen images that were specifically intended to exclude discussion.' These techniques were particularly noticeable in the campaigns against 'white slavery' and liquor and they anticipate the ‘sets of stereotypes’ and ‘frozen images’ used in more recent campaigns against drugs, organized crime, and corruption. To take one example, in 1914, during the first debate on a national prohibition amendment, Representative Clyde Kelly of Pennsylvania claimed that Congress should pass the prohibition resolution because of the very forces against it,

*the allied powers that prey, the vultures of vice, the corrupt combinations of politics, the grafters and gangsters, the parasites that clothe themselves in the proceeds of a woman's shame, the inhuman ones that bathe themselves in the tears of little children, the wastrels who wreck and ruin material things while they contaminate childhood, debauch youth, and crush manhood; the plunder-laden ones who fatten themselves upon the misery and want and woe that their own greed has created, the Hessians in the black-banneered troop whose line of march is over wrecked homes and broken hearts and ruined lives.*

The arguments of those that opposed the Amendment seemed weak by comparison!
Partly because America’s moral crusade was largely funded by business interests, notably John D. Rockefeller who was the Anti-Saloon League’s largest funder, Progressive-era moral reformers did not think that there was anything immoral or corrupt about the capitalist system itself despite the large amounts of contemporary ‘muckraking’ exposure. They accepted that business corruption was a problem but only because of the immorality of some capitalists. Woodrow Wilson, for example, a president closely associated with the progressive movement, argued that the proper policy of government was to regulate business practices so as to prevent the misuse of corporations and market power by individuals and to make guilt and punishment for unfair methods and unreasonable restraint of trade individual rather than corporate. In the case of wrongdoing, he announced, ‘we will … find the officer who ordered that thing done, and we will indict him not as an officer of the corporation but as an individual who used that corporation for something that was illegal.’ A great deal of evidence indicated that business crime depended upon collusion, corruption and corporate policy to exclude competition and trade union activity and defraud in various ways workers and consumers. Wilson here was not even allowing for the possibility of the existence of corrupt corporations or organized business crime, just for the existence of corrupt individuals within corporations. It was an assumption that lay behind much government policy during his and succeeding administrations. Wilson in this sense was seeing the state as a servant to business.

3. The State as Regulator

There was another strand of progressivism, however, that saw the state as neither a servant to business nor as a moral guardian. This strand was less tolerant of a business system that did not act in the interests of the community and more tolerant of the kinds of personal behaviour that did not harm others. John D. Buenker has detailed this strand in his *Urban Liberalism and Progressive Reform* (1973). The motives of the urban Democrats studied by Buenker were primarily those of their constituents, reflecting their need for adequate and safe heating, lighting, transportation, food and clothing at prices that the wage earner, office worker, civil servant, and shopkeeper could afford to pay. These Democrats usually favoured a regulatory approach to business, conscious of the role of fraud and force in the rise of big business. They sought municipal ownership of utilities when mere regulation seemed ineffective, and in all cases worked for greater business responsibility to workers and consumers. They were likely to be anti-child labour. They were also more likely to be pro-union as shown in their support for labour’s right to organize and bargain collectively, and for measures controlling minimum wages and maximum hours.

Buenker also convincingly shows that the assumptions and causes of urban, new-stock progressives were those of Franklin Roosevelt’s New Dealers. ‘Both devoted primary attention to social welfare… Both sought to build the power of organized labor. Both favored tax policies that set the burden according to ability to pay… Both sought to regulate the activities of American business, not in the interests of promoting competition or equality of opportunity, but of producing goods and services at reasonable prices.’

Both, urban stock progressives and New Dealers, it could be added, were more interested in attacking business corruption than political corruption, the briber rather
than the bribee. Reflecting this emphasis, the newspaper commentator, John T. Flynn, wrote about the issue of corrupt business practices in a three-part series for the *New Republic* entitled ‘Graft in Business’ in 1931, published the same year in book form. Flynn wrote that corruption in government was minimal compared with that which went on constantly in the corporate world, mainly because business activities were conducted largely without publicity. ‘The basic problem’, he argued, ‘was that managers were behaving as though they were private owners and were engaging in many different kinds of corrupt activities including using stockholders’ money to speculate on the stock market, organizing holding companies through which to expand recklessly, and dumping worthless securities on the market’.  

Thanks to Franklin Roosevelt’s repeated electoral triumphs, New Dealers brought about a series of reforms that established more checks on business corruption than at any other time in American history before or since. Roosevelt’s reforms saw a decline in the corporate employment of gangsters in labor-management disputes and made large-scale fraud and tax evasion more difficult and risky. To take the banking system as an example, the pre-Roosevelt regulatory void allowed crooks to operate freely in many state systems, as indicated by the many scandals of the 1920s and early 1930s. Post-Roosevelt federal regulatory activity at least brought a measure of stability to American banking by reducing opportunities for fraud and protecting the savings of ordinary Americans.

During the era of Franklin Roosevelt’s New Deal the acknowledged but undefined problem of organized crime was briefly understood as requiring more than extra police effort to arrest and convict wrongdoers. The repeal of alcohol prohibition was a notable but rare admission in America that moral ideals are no match for human ingenuity and human nature. The restructuring of capitalism during the New Deal was the equally rare admission that capitalism needs protection from corrupt business interests. ‘Government by organized money,’ Roosevelt declared in a 1936 campaign speech, ‘was just as dangerous as ‘government by organized mob.’

4. Rethinking American Corruption and Organized Crime

Part of the business-led backlash to the New Deal involved changing the minds of Americans on a whole range of issues, including corruption and organized crime. New Deal liberalism was on the defensive almost from the beginning, attacked by the big business-dominated press with assumptions and causes the opposite of those of Buenker’s urban, new-stock progressives. Few major newspapers favoured the cause of social welfare. Few sought to build the power of organized labor, on the contrary most actively ‘slanted’ news reports and comments against the trade union movement. Few favoured tax policies that set the burden according to ability to pay. Few sought to regulate the activities of American business. All were more interested in attacking political corruption than business corruption. Eventually, they succeeded in shifting the focus away from the corruption of banking and corporate interests towards the corruption of other groups in society, notably an unprecedented emphasis on union corruption, and old favourites such as foreign conspiracies and machine politicians.

In the late 1930s and early 1940s, the newspaper columnist Westbrook Pegler best represented this shift in focus on corruption. Pegler’s columns reached an estimated 10 million subscribers to 174 newspapers and in 1941 he became the first columnist to
win the Pullitzer Prize for reporting. He made union corruption his priority and used a case involving William Bioff and George Scalise of the International Alliance of Theatrical and Stage Employees (IATSE) as a base to attack what he considered to be a dangerous growth of union power fostered by New Deal reforms, most notably the National Labor Relations Act of 1935. Pegler and other journalists who took their cue from him portrayed the Bioff/Scalise case as one involving businessmen as victims, ‘quivering in their boots’ as they paid ‘protection’ money to union gangsters.

The historian David Witwer’s study of Pegler’s campaign and its impact highlights the central role of corruption scandals in a counteroffensive mounted to push back the gains organized labor had made in the 1930s. Pegler’s efforts fit within a larger conservative movement that pushed the subject of union abuses onto the public agenda. This movement as David M. Kennedy writes in *Freedom From Fear: The American People in Depression and War, 1929-1945* (1999) marked the emergence of ‘the first systematic expressions of antigovernment political philosophy [which] had deep roots in American political culture but only an inchoate existence before the New Deal.’ ‘The crystallization of this new conservative ideology, as much as the New Deal that precipitated its articulation, was among the enduring legacies of the 1930s.’ The Bioff/Scalise scandal itself, as Witwer makes clear in another recent paper, illuminates business corruption at least as much as union corruption as the movie executives tended to make the initial approaches to corrupt IATSE officials in efforts to circumvent the greater costs of the results of honest collective bargaining. Opinion moulders such as Pegler made sure that the public perception of Bioff/Scalise and other union corruption cases was limited in ways that diverted attention away from business corruption.

Roosevelt died on 12 April 1945 just months before the end of the Second World War. By that time the New Deal era of reform had ended and government activity had become far more deferential to the demands of big business and far less likely to seek to limit the damage of corporate corruption. By the 1950s corporate officials and Wall Street financiers were now seen as socially responsible rather than as the greedy and corrupt capitalists who had almost led America into economic ruin a generation before. Many of the checks and balances introduced by the New Deal did remain in place for decades and to the extent allowed by ‘regulatory capture’, kept the lid on corporate corruption. They were slowly watered down, however, and eventually even removed. As the checks were weakened, corporate corruption became more institutionalised and destructive, as many scandals since the 1980s have indicated.

At the same time the problem of organized crime was redefined in ways that got corrupt business interests, graft-seeking police and other corrupt professionals off the hook. Given the pro-police mythology that prevailed in all forms of mass media from the 1930s it is not surprising that some police officers felt confident enough to use semantics to define themselves out of the problem of organized crime. In November 1947, Californian police officers from all over the State met in one of the law enforcement community's earliest efforts to define organized crime. Their intention was "to secure a consensus of opinion from the agencies and officers represented as to the principal fields in which organized crime is to be found and their relative importance from the point of view of size, degree of organization, and menace to the public welfare." The definition they arrived at was as follows:
The operations of two or more persons who combine to obtain financial advantages or special privileges by such unlawful means as terrorism, fraud, corruption of public officers or by a combination of such methods.

The officers also agreed that "the largest and most serious organizations of criminal character are to be found in connection with gambling of a commercialized nature, prostitution, narcotics, and theft and fraud schemes ...") This was a definition that departed radically from earlier conceptualizations, and was an understanding of organized crime that was appropriate to the bureaucratic needs of new, more professional police departments. Organized crime was now better seen as something that terrorized, defrauded or corrupted the police rather than something the police were directly involved in as before.17

Early conceptualizations had also put lawyers at the centre of criminal organization and from the 1950s lawyers also took every opportunity to define the legal profession out of the problem of organized crime. The Rockefeller Foundation funded a series of studies by the American Bar Association (ABA) on organized crime, later published under the editorship of the executive director of the ABA’s Commission on Organized Crime, Morris Ploscowe. Part of the expense involved sounding public opinion throughout the country ‘as to the propriety of the actions of some members of the bar … in connection with the activities of organized crime.’ Based on the ‘small ratio of replies critical of the lawyer – less than a third of those who replied to this question at all,’ the ABA came to the conclusion that the bar be reassured ‘as to the generally high level of conduct of its members and the generally high repute they enjoy’.18 This may be an early example of the kind of interest-serving response that can be achieved by basing a conclusion on perceptions.

The pro-business, anti-labour, anti-New Deal agenda, represented earlier by Westbrook Pegler, was equally present in other media such as radio, television and film. From the late 1940s on it was far less likely that the powerful in society would be portrayed as criminally deviant. Although it was acceptable to show that some businessmen were criminals, they were presented as being exceptional individuals in a fundamentally sound business system.

Academia was no exception to the trend. The threat of litigation, for example, forced the criminologist Edwin Sutherland to drop such corporate names, as General Motors, Sears Roebuck and Westinghouse from his book *White Collar Crime* (1949) in which he had meticulously documented cases of bribery, fraud, embezzlement, antitrust violations, false advertising, and theft of trade secrets. Sutherland had found that the criminality of the corporations was in fact very organized crime. It was persistent, extensive, usually unpunished, most often deliberate and, it involved the connivance of government officials or legislators. Not being able to name the corporate criminals involved significantly reduced the impact of the book. Only after the 1970s, did a few criminologists choose to risk their careers by stepping outside the prevailing pro-business consensus and exposing pervasive organized crime in business. Their task made increasingly harder by the virtual absence of funding in the United States made available for research into corporate crime.19 This contrasts with the vast amounts that have been spent in recent decades spent on gang and drug research that tend to produce results that either contribute nothing of value or support a pre-existing ‘must try harder to get the bad guys’ agenda.
From the 1950s even history was rewritten in ways that presented late 19th century ‘robber baron’ industrialists and financiers as ‘captains of industry’ or ‘industrial statesmen’ who guided the nation to its prominent position among other nations. Past abuses were dismissed as relatively minor transgressions along the way to greatness, respectability and responsibility.

Such deceptions gave Americans the false impression that the business and government institutions of the United States were fundamentally faultless. Problems were either minimalised as the result of individual deviance or externalised as the result of foreign conspiracies. The Mafia fitted the bill perfectly in the case of the problem of organized crime. The real but usually separate activities of Italian-American gangsters in different cities were conflated to provide a catchall explanation of American organized crime problems. By the 1960s most commentators could pretend that the American systems of government and business were fundamentally sound but were under threat from a hierarchically-organized criminal conspiracy known as the Mafia or Cosa Nostra. The Mafia, according to politicians, law enforcement officials and the media, now threatened the integrity of local government. The Mafia corrupted police officers and lawyers. The Mafia infiltrated legitimate business. The Mafia, according to a government commission, ‘subverted the decency and integrity of a free society’.  

From the late 1940s, thanks to the efforts of business-sponsored crime commissions and patriotic newspaper proprietors the spotlight that had been on organized business crimes during the 1930s, now shone on illegal gambling, drugs and labour racketeering. These were all repeatedly said to be controlled by the Mafia and its mainly Jewish ‘associates’. The involvement of the upperworld for these and other types of systematic criminal activity was consistently de-emphasised. Organized crime was no longer seen as an outcome of contradictory laws and inadequate oversight of business activity: rather it was now seen as a conspiracy of outsiders who were intent on undermining the country’s moral policies and who had grown powerful enough to threaten.

The Mafia conspiracy theory explanation of organized crime allowed politicians such as Richard Nixon to claim that the only way to combat organized crime was repression. Nixon supported a series of measures in the 1970 Organized Crime Control Act that form the basis of not just American efforts against organized crime but now increasingly international efforts. The result had been the acceptance of the type of organized crime control regimes internationally that clearly have not come close to controlling organized crime in the United States. Many important out-and-out gangsters and others involved in organized crime have been arrested and convicted but other factors have undermined any positive benefits to be derived from the removal of these from society. In fact, since the 1970s, the moves to deregulate large areas of American business activity and intensify the war on drugs have opened up vast new areas of both corporate and gangster criminal activity.

5. Bretton Woods and a New World Order
In 1941 Franklin Roosevelt offered the peoples of the world then embroiled in the Second World War, an alternative to the brutalities of fascist and militarist regimes, just as he had offered Americans an alternative to the brutalities and corruption of unfettered capitalism. There was ‘nothing mysterious about the foundations of a healthy and strong democracy’, he argued. And among the basic things he said people should expect of their political and economic systems was ‘the ending of special privilege for the few.’ With the intention of spreading this and other aspirations around the world he encouraged his Treasury Secretary Henry Morgenthau to pursue a radical agenda while planning international economy policy for the post-war world.

Morgenthau then announced his intention to use the post-war planning effort to build ‘a New Deal in international economics’, curbing the power of bankers at home and abroad that had dominated and damaged international finance in the 1920s and 1930s. Morgenthau and Harry Dexter White ensured that American leaders were motivated by more than simple self-interest when it came to laying the foundations of a new economic world order. All of those present during the creation of this order at Bretton Woods in 1944 were keenly aware that international co-operation was essential to prevent a recurrence of the previous decades of war, depression, tyranny and international anarchy. Roosevelt was at one with his Treasury negotiators in believing that no country could maintain its own prosperity unless other countries prospered as well. They also believed that it was equally necessary that the ‘common people’ or ‘ordinary men and women’ of all countries should share in this prosperity. Governments should not tolerate prolonged and widespread unemployment and anything less than reasonable standards of living. From Bretton Woods emerged a new framework for international economic and financial relations and a new monetary system pegged to the dollar as the world’s strongest currency. The International Monetary Fund (IMF), the International Bank for Reconstruction and Development (later called the World Bank) were to be the key institutions whose first task was to rebuild a world whose infrastructure and productive capacity had been shattered by war.

Although the American and British negotiators at Bretton Woods differed on many issues they agreed that there could not be a return to the pre-First World War situation where capital was free to move all over the world. With the commitment to free trade was a determination not to allow the movement of capital to disrupt trade and currency relationships. Governments, they felt, should regulate capitalism, which would include limiting the control that a small number of private bankers had once exercised over international finance.

Morgenthau memorably echoed Roosevelt’s 1933 condemnation of the financial community. Establishing a world bank to provide long-term financial aid at reasonable rates to those countries whose industry and agriculture had been destroyed, he explained, would help ensure global stability and ‘drive only the usurious money lenders out of the temple of international finance.’ Crucially, the thinking behind the Bretton Woods agreements conceded an important role to the nation state in economic development, and promised minimum social and economic guarantees to citizens.

Therefore, the IMF and the World Bank were originally progressive institutions, surprisingly given their record in recent decades. According to the economist Susan George, ‘their mandate was to help prevent future conflicts by lending for
reconstruction and development and by smoothing out temporary balance of payments
problems.’ ‘They had,’ she concluded no control over individual governments’
economic decisions nor did their mandate include a licence to intervene in national
policy’.26

America’s international economic policy had been phenomenally successful in the
two decades that followed Bretton Woods. America had in effect built what it called a
Free World in Western Europe, Japan and other parts of the world based on the dollar.
Within the Free World economic success lifted the United States to a trillion-dollar
 economy and brought devastated Japan and Western Europe to new heights of
prosperity, leading one British prime minister to tell his electorate quite correctly in
1959 that ‘you’ve never had it so good’.27

Although these economic success stories happened mostly in the developed capitalist
countries, less developed countries or what became known as the Third World also
shared in the overall increase in prosperity. Third World countries in Africa, Asia and
the Americas had gained their independence from colonial powers such as Britain and
France in the post-Second World war period. Many of them attempted to develop
systems based on protectionism, preferences and planned international trade that
would benefit both their producers and provide jobs for their peoples. In other words
they tried to control their own development in ways that had been successfully
employed by Britain, the United States and other industrialised nations. Under the
Bretton Woods system individual countries had policy autonomy and all Third World
countries chose to shun economic liberalism when it came to trade and financial
policy. They established customs barriers to shield infant industries from competition,
and imposed foreign exchange controls to prevent capital flight.

The most severe corruption problem faced by Third World countries during the
Bretton Woods years was the practice of ‘transfer pricing’ by First World
corporations keen to exploit the profit potential of countries where there was an
abundance of raw materials and cheap, non-unionised labour. Transfer pricing
involved multinationals buying and selling to their own subsidiaries and had become
standard business practice by the 1970s. One common technique described by the
economists Richard Barnett and Ronald Miller was to ship underpriced exports or
overpriced imports to a tax haven such as the Bahamas and then re-export the goods
at their normal market value, or even an inflated price, to another subsidiary in the
country where they were to be sold. The result of all this was that the countries that
needed it most were fleeced out of vast amounts of foreign exchange and taxes.
Company accountants ensured that the figures reported to the local government or the
US Treasury bore little relation to the true profits earned by the companies in poor
countries.28 As we shall see in Section 8, poor countries were aware of the damage
done to their economies by corrupt corporate practices and attempted unsuccessfully
to use the United Nations as a mechanism to address the problem.

The IMF, the World Bank and the international economic agenda as a whole
changed after the Nixon era. As long as the Bretton Woods consensus prevailed,
however, it did at least act as a check on the ambitions of those private financial
interests more committed to profits than the interests of foreign governments and
citizens. The thinking behind the international financial system that replaced the
Bretton Woods consensus from the 1970s onwards, denied an important role to the
less developed nation states in their own economic development and offered few protections from the corrupt and crime-breeding realities of inadequately-regulated market capitalism. Appropriately, as we shall see, Richard Nixon was an important part of this process.


Richard Nixon dominated the 1970s and ushered in a period of Republican party ascendancy in American politics. He was elected President in 1968 and forced to leave office in 1974. The Watergate scandal that brought about his downfall cast a shadow on the following administrations of Gerald Ford and Jimmy Carter and caused many Americans to lose their trust in the integrity of governments. His domestic policy shifted the centre of American political gravity considerably to the right where it remains to the present day. His decision to end the convertibility of the dollar into gold in 1971 effectively replaced the Bretton Woods system of fixed exchange rates with one based on flexible rates. By doing so it ushered in what Business Week described as ‘a world of stateless money’ and opened the way for criminal opportunity on an unprecedented scale.

The Nixon administration’s abuse of power has been well chronicled. Abroad, the administration secretly and unconstitutionally ordered the bombing and invasion of Cambodia. It prompted the CIA to help overthrow the democratically elected Chilean president Salvador Allende in favour of the brutally repressive military dictatorship of Augusto Pinochet, amongst many more ‘dirty tricks’ around the globe. At home, the administration was corruptly responsive to the needs of corporations, such as Gulf Oil and ITT, which had contributed to its election campaign funds. The administration was also particularly active in the suppression of dissent. A list of abuses during these years includes: harassing political activists, discrediting ‘non-mainstream’ groups, assisting management during strikes, punishing witnesses for exercising their Fifth Amendment rights, covering up official crimes, enticing perjury and gathering domestic intelligence.

The bungled attempt to install wiretaps at the Democratic National Committee headquarters in the Watergate hotel in June 1972 was merely an extension of existing practices and the tip of an iceberg of abuse and criminal behaviour. Representative John Conyers accurately described Nixon’s conduct during his presidency as ‘a seamless web of illegality and impropriety’; much was recorded by a hidden system installed in the White House on Nixon’s orders. Corruption amongst the powerful had never before been so exposed as so nakedly routine.

*                      *                       *

In 1968, Nixon won the Republican nomination and faced Johnson’s vice-president Hubert Humphrey for the presidency. With hindsight his nomination speech in August 1968 was simultaneously staggering in its cynicism and startlingly prescient as a roadmap of the direction of American domestic and foreign policy for the following decades.

He spoke of the need for new leadership to address the concerns of the ‘forgotten American.’ These included, ‘The ‘richest nation of the world’ unable ‘to manage its
own economy’. The ‘nation with the greatest tradition of the rule of law…plagued by unprecedented lawlessness’.

‘My fellow Americans’, he announced, ‘tonight I accept the challenge and the commitment to provide that new leadership for America’. He promised to commit ‘to the truth – to see it like it is, and tell it like it is – to find the truth, to speak the truth, and to live the truth… The time has come for honest government in the United States of America’.

And, he promised ‘action – a new policy for peace abroad; a new policy for peace and progress and justice at home’. His administration’s first foreign policy priority objective would be ‘to bring an honourable end to the war in Vietnam’. And then, to ‘develop a policy to prevent more Vietnams’, by saying to the leaders of the Communist world, ‘After a period of confrontation, the time has come for an era of negotiation.’ ‘We extend the hand of friendship to all people, to the Russian people, to the Chinese people, to all people in the world. And we shall work toward the goal of an open world – open skies, open cities, open hearts, open minds’.

His administration’s first domestic policy priority would be to restore ‘order in America’, ‘not the order that suppresses dissent and discourages change but the order which guarantees the right to dissent and provides the basis for peaceful change’.

Highlighting the ‘law and order’ theme that would dominate his campaign, he pledged that ‘our new Attorney General will be directed by the President of the United States to launch a war against organized crime in this country,’ and continued as follows:

*I pledge to you that our new Attorney General of the United States will be an active belligerent against the loan sharks and the numbers racketeers that rob the urban poor in our cities.*
*I pledge to you that the new Attorney General of the United States will open a new front against the filth peddlers and the narcotics peddlers who are corrupting the lives of the children of this country.*
*Because, my friends, let this message come through clear from what I say tonight. Time is running out for the merchants of crime and corruption in American society. The wave of crime is not going to be the wave of the future in the United States of America.*

He then attacked Johnson’s Great Society welfare programmes for the poor holding them responsible for the ‘ugly harvest of frustration, violence and failure across the land’ and stating that the time had come ‘to quit pouring billions of dollars into programs that have failed in the United States of America’. ‘To put it bluntly,’ he charged, we are on the wrong road – and it’s time to take a new road to progress… Instead of government jobs, and government housing, and government welfare, let government use its tax and credit policies to enlist in this battle the greatest engine of progress ever developed in the history of man – American private enterprise.’

Aside from the cynicism involved in his promises over Vietnam, honest government, and the tolerance of dissent, the speech did contain an accurate indication of the future course of American foreign and domestic policy. Although the words had yet to be coined it was early articulation of the concepts of ‘privatization’ and ‘globalization’. ‘Privatization’, in the sense of shifting responsibilities for areas of life previously the
responsibility of government to the private, corporate sector. ‘Globalization,’ in the sense of opening up the whole world, not just the Western ‘free’ world, to business enterprise and thus reviving an ambition first articulated by late 19th century American expansionists.

* * * *

In the process of getting the Organized Crime Control Act of 1970 passed, President Nixon articulated the law enforcement consensus on organized crime. He gave the Mafia conspiracy theory the seal of presidential approval in a message to Congress on 23 April 1969. In it he described the Mafia's influence as 'more secure than ever before,' and warned that its operations had 'deeply penetrated broad segments of American life'. ‘It is vitally important,’ he continued, that Americans see this alien organization for what it really is - a totalitarian and closed society, operating within an open and democratic one. It has succeeded so far because an apathetic public is unaware of the threat it poses to American life...’

He claimed that gambling was ‘the lifeline of organized crime’ and would thus be the focus of the administration’s efforts. Gambling, he elaborated, ‘provides the bulk of the revenues that eventually go into usurious loans, bribes of police and local officials, 'campaign contributions' to politicians, the wholesale narcotics traffic, the infiltration of legitimate business and to pay for the large stables of lawyers and accountants and assorted professional men who are in the hire of organized crime’.

In the same month as he made these claims, Nixon directed a group of presidential advisers to examine the effectiveness of the Executive Branch in combating organized crime. Nixon’s advisers focused their study on the effectiveness of the federal anti-organized crime program in nine mainly North Eastern cities. After reviewing it with more than 100 federal, state and local state criminal justice and law enforcement personnel, they came to the damning conclusion that federal organized crime control was failing badly. The advisers’ made many recommendations for improvement but their mandate restricted them to suggestions for structural and administrative changes in the Executive Branch. These they made but added the following comment which would have seriously undermined the Nixon line on organized crime had it been made public: ‘We would be negligent, however, not to emphasize that organized crime flourishes in today’s legal and social environment. Even with administrative improvement, organized crime will continue to thrive so long as the community relies primarily on criminal sanctions to discourage gambling and the use of drugs’. 32

The Nixon administration paid no heed to the report’s conclusions and recommendations, making sure that its findings were classified and destroying most copies. It soon substituted drugs for gambling as the ‘lifeline’ of organized crime after a cynically devised escalation of the country's drug control efforts. The intention was first to inflate the drug problem, second to blame crime on drugs, and finally give the impression of firm executive action by waging 'war' on drugs. 33

Despite and in many ways, because of, the stepped-up enforcement, America’s long-running war on drugs has continued to produce a world of institutionalized greed, chaos, corruption, betrayal and terror, which is far beyond that experienced during alcohol prohibition. Every president since Richard Nixon would rather tolerate
corruption and trafficking on a massive scale than take part in a reasoned, well-informed debate that seriously considers alternatives to prohibition. Billions of dollars have been spent on enforcement but evidence of the corrupt and destructive consequences of drug prohibition continues to mount up.

The United States, however, continued to invest in failed efforts at repression at home and persuade other countries to do the same. Since Nixon the line has been the same: Relentless enforcement at home should be combined with relentless enforcement abroad. Nixon’s position as president of the most powerful nation on earth allowed him to bring the US dream of a global drug prohibition regime closer to reality.

Throughout his time at the White House Nixon made the war on drugs one of his highest priorities, regularly calling top-level meetings on the issue. These could include his cabinet, top administration officials, ambassadors and, even, on the 3 June 1971, the Chairman of the Joint Chiefs of Staff Admiral Thomas H. Moorer, plus General William Westmoreland, commander of US forces in Vietnam and three other top level military chiefs. The purpose of this latter meeting, according to the president’s background briefing memo, was, ‘To indicate your (Nixon’s) determination to attack drug abuse in a comprehensive manner’. The memo advised Nixon in his closing remarks to ‘expect the fullest cooperation and support from all involved departments and agencies’ or as a summary of the meeting put it, ‘President told group that … Crapping around will not be tolerated’.

*   *   *

Even before his first year of office was complete President Nixon showed that he had no intention of confining his war against drugs within American borders. On 29 September 1969 his national security adviser Henry Kissinger sent a memo to Secretary of State William Rogers and Attorney General Mitchell that contained in it the essence of the stick and carrot approach of American drug control diplomacy as it exists until the present day:

_The President is convinced that the problem of narcotics addiction in the U.S. has reached proportions constituting a threat to our national stability. Most narcotics are grown and processed in foreign countries and smuggled into the U.S.: this is particularly true of heroin. Under these circumstances, the President considers that any country facilitating, or in any way contributing to, international traffic in heroin is committing an act inimical to the United States._

Rogers and Mitchell were then directed ‘to study this problem on an urgent basis’ and

_Recommend as soon as possible an action program that will make emphatically clear to those countries growing opium poppies that their non-medicinal cultivation must be stopped; and to those countries manufacturing finished heroin that their illicit laboratories must be closed... In your study you should consider methods of positive persuasion, including financial incentives for cooperation on the control of heroin traffic, as well as those of retaliation, in the event that any country refuses to cooperate in this program..._
In brief, from then on efforts to persuade or force other countries into acceptance of an American-based global drug control regime would be intensified.\(^36\)

Nixon opened up many new fronts on the war on drugs. The first of these involved the use of US diplomatic power through the United Nations. John E. Ingersoll, Director of the Bureau of Narcotics and Dangerous Drugs (BNDD), was sent to a special session of the U.N. Commission on Narcotic Drugs (CND) in the Autumn of 1970. His brief was to point out the perceived weaknesses of the 1961 U.N. Single Convention and initiate the first part of a United Nations plan which, in Ingersoll’s words ‘could develop into an effective worldwide program’.\(^37\) The 1961 Convention, itself largely the result of many years of US endeavour, established beyond doubt the prohibition of certain drugs for anything other than medical or scientific purposes as the dominant international policy paradigm. It also focused control efforts predominantly on producer countries and as such dovetailed neatly with America’s habit of attributing the source of its own illicit drug problems outside US borders. The Convention’s primary weakness, according to the American delegation, was the fact that it rested ‘essentially upon faithful cooperation by all parties in the context of their national decision rather than upon effective international measures’. The United States thus decided that the Single Convention had to be amended to ‘curb and, eventually prevent entirely’ the illicit drug traffic. The proposed amendments had two basic objectives: firstly ‘to establish enforceable controls and appropriate international machinery to assure compliance, and, secondly, to provide inducements to Parties to perform faithfully all their treaty obligations’. Ingersoll’s delegation bluntly told the UN’s Division of Narcotic Drugs (DND) that it ‘will be expected to pursue their present activities more vigorously but will have to assume new and important responsibilities’. These new responsibilities were to include ‘a capacity for the planning and implementing of technical assistance programs to assist countries … in the establishment and improvement of national drug control administrations and enforcement machinery, the training of personnel required for these services…’\(^38\) The hubris of these demands was staggering. Just two years earlier the Federal Bureau of Narcotics, America’s premier drug law enforcement agency had been abolished due to endemic corruption.\(^39\)

To make sure their proposals for strengthening the global drug prohibition regime stayed high on the UN agenda, the Americans were prepared to pay. In 1971 they made an initial pledge of $2 million to help establish the United Nations Fund For Drug Abuse Control (UNFDAC.)\(^40\) Other nations, foundations and private individuals were expected to feed into this fund. From then on the US made sure that, however starved of American contributions the UN might otherwise be, the funding for the international war on drugs would remain flush. Despite the US display of largess, other governments remained reluctant to contribute due to concern over the Fund’s motives. Such concerns proved to be well founded. It quickly became clear that the enterprise was dominated by the US agenda with emphasis being placed on law enforcement and crop substitution schemes rather than demand-side strategies. By favouring projects that included Washington’s allies, UNFDAC also became a forum for the pursuit of wider US foreign policy goals. Such a situation prompted the director of the DND, Vladimir Kušević, to express his concern to Ingersoll: ‘Who could in these circumstances have any doubts that the Fund is in fact an American undertaking?’\(^41\)
Having used financial incentives to influence the direction taken by UN drug control agencies, Washington turned to unusually forceful lobbying to encourage member states to support its efforts to strengthen transnational legislation itself. This led to the UN plenipotentiary conference to amend the 1961 Single Convention in March 1972. As one academic has put it “American diplomacy had catalyzed activity in favour of amendments to the Convention such as never before witnessed in the history of drug treaties. This time not only were regular diplomatic channels used, but ambassadors were specifically chosen for this purpose as well. They travelled from country to country trying to persuade governments to support the amendments and the Plenipotentiary Conference.”

The resultant Amending Protocol was not as stringent as the US had hoped. Significantly however, it maintained the prohibitive ethos and supply-side focus of the drug control regime as well as intensifying the international fight against illicit trafficking. For example, where Parties were concluding extradition treaties between each other, such agreements would now be deemed to automatically include drug-related offences, including trafficking. The Protocol also enhanced the powers of the International Narcotic Control Board (INCB or Board) with regard to trafficking. Established by the Single Convention, the Board’s role is to monitor national compliance with the drug control treaties. The amendments to the Single Convention included the redefinition of the Board’s functions to include explicit reference to the prevention of “…illicit trafficking” and empowered the INCB to advise Parties on their efforts to reduce their illicit drug trade.

The second of Nixon’s new fronts on the war on drugs involved the use of US diplomatic power directly to ensure the compliance of other countries at the bilateral level. On 14 June 1971 he called in top State Department officials and ambassadors to South Vietnam, France, Turkey, Thailand and Luxembourg. These five countries were described in the background memo to the meeting as ‘directly involved in the illicit international drug traffic’ and the purpose of the meeting was to stress ‘the need for a tougher stance abroad’. According to the summary of this meeting, the President stated that he considered the ‘Ambassadors’ most important diplomatic mission’ to be ‘discussions with those countries on the drug problem’. He then ‘ordered the Ambassadors to convey to their host governments that the U.S. means business’, concluding with the blunt point that ‘stopping the drug traffic is more important than good temporized relations’. From then on the State Department pushed American ambassadors to deliver results on international drug control. If it was considered that they weren’t doing this they were replaced.

To complement the high level work of the ambassadors, US drug control agents were expected to do much more at operational level. As Ethan Nadelmann has explained in Cops Across Borders (1993) they also had to act as drug enforcement diplomats and advocates:

... to push for structural changes in drug enforcement wherever they were stationed, to lobby for tougher laws, to train local police in drug enforcement techniques, to sensitize local officials to U.S. concerns in this area, and so on...  

During the Nixon era, a small overseas complement of American narcotics agents grew into the ‘first global law enforcement agency with operational capabilities,’ Nadelmann concluded. Nixon’s administration more than doubled the corps of drug control officers assigned to United States embassies and missions abroad and their
numbers have since continued to expand. By 1976, the DEA’s overall budget was $161.1, with more than ten percent of its 2,141 agents stationed overseas, in 68 offices in 43 countries. Today, the agency has more than 5,000 agents and a budget of $2,150.9 million.\(^4\)

The Nixon administration also secured the passage of the Narcotics Control Trade Act of 1974, which would have a damaging international impact in the decades that followed. Essentially the terms of this new law meant that those drug producing or drug-transit-countries that failed to co-operate with the United States drug prohibition policies would be subject to various sanctions, including the withdrawal of American aid and increases in duties and tariffs. In other words, small countries had to comply with American demands on drugs or be economically squeezed.

Other countries could thus be bullied to make futile, often cynical, drug-control gestures of America’s behalf. American consumers continued to pay the top prices and the effort only revealed that plants that could be processed into drugs grow everywhere and that foreign drug enforcers accept bribes just as enthusiastically as their counterparts in the United States. Under Nixon, drugs as well as organized crime were redefined as national security threats, and were repeatedly said to warrant an approach based mainly on repression at home and the continued export of failed policies abroad.

### 7. The Americanization of International Law Enforcement

To institutionalize the process begun by Nixon the Bureau of International Narcotic Matters (INM) was created in 1978 in the State Department. INM existed first and foremost as a ‘policy shop’, representing America in international dealing with drugs, with the DEA and other drug enforcement agencies. It also helped organize crop eradication and other anti-drug measures and prepares the annual International Narcotics Control Strategy Report on global drug production, traffic and what it terms drug abuse. This report and the drug control certification process that INM managed from the late 1980s decided whether other countries were taking measures in line with prohibition policies. Essentially the INM helped manage the effort to persuade or force other countries into attempting to stop their citizens supplying the richest market in the world. Mainly through the INM the State Department spent tens of millions of dollars each year on crop eradication or substitution programmes. They also used the United Nations and other international organisations to spread the gospel of US drug control policy, holding it up as a model for other countries to follow.

All the INM’s work continues to this day but in the early 1990s its remit was expanded to include money laundering, arms or other contraband, human trafficking and other forms of transnational crime. Later in the 1990s its remit was expanded still further to include corruption. Its name was changed to the Bureau of International Narcotics and Law Enforcement (INL) in 1995. Today, the INL’s main task is to work towards the implementation of America’s International Crime Control Strategy. It developed this with other agencies in 1998 ‘as a roadmap for a coordinated, effective, long-term attack on international crime’ with one of its objectives being ‘combating corruption and improving the administration of justice in foreign criminal justice systems’. In the pursuit of the International Crime Control Strategy American
diplomats have worked incessantly through multilateral and bilateral forums to define what the INL calls ‘global norms for effective criminal laws’ which are in effect American norms.

The INL also ‘actively’ encourages ‘foreign governments to enact and enforce laws based on these norms’. The INL’s own stated responsibilities include ‘the development of policies and the management of over one billion dollars in programs globally to combat transnational crime threats including drugs, and strengthen the rule of law and relevant institutions in emerging democracies’. It has ‘special authorities that allow it to fund a full range of programs necessary to address these problems, ranging from training the new police force in Iraq and Afghanistan, to negotiating global UN conventions against corruption, drug trafficking, and transnational crime’ and other projects."
It is also significant that during the mid-to-late 1990s the UN drug control apparatus began to evolve in a remarkably similar way to that of the INM/INL. September 1997 saw the United Nations Drug Control Programme (UNDCP) and the Center for International Crime Prevention (CICP), itself later responsible for the UNTOC, brought together by the UN Secretary General under a single umbrella, the Office for Drug Control and Crime Prevention (ODCCP). The arrival in May 2002 of the Italian Antonio Maria Costa as the new Executive Director of the ODCCP continued this trend. Mr Costa simplified the merged agencies into what is currently known as the United Nations Office on Drugs and Crime (UNODC).  

The United States is by far the largest financial donor to UNODC, although Italy and Sweden are also major contributors, and this, according to the economist Francisco Thoumi, runs counter to UNODC’s claim to be ‘an honest broker, representing the interests of no single Member State’. There were he continued three important effects of this.

First, each donor’s own priorities have tended to unbalance the UN drug programme in the direction determined by the main donors. Second, UNODC efforts aimed at policy evaluation have been hindered. (Since policy criticism can easily translate into a fund shortage). Thirdly, it forecloses opportunities for the UNODC to implement experimental policies or programmes outside the purview of the main donors. 

To provide the models that Nadlemann refers to, American government officials needed the rest of the world to accept American-inspired analyses of drugs and organized crime ‘threats’ and also needed to maintain the false perception that American drug control and organized crime control methods work. The intention was always to gain an international acceptance of the need for collaboration along the lines prescribed by the United States.

It was clear by the mid-1980s that US international efforts to stem the flow of drugs from producer countries had failed. A 1984 congressional report, for example, noted that ‘in most of the major producing countries, illicit narcotic production, manufacture and traffic had dramatically increased’ instead of re-examining drug control policy the Reagan administration used the INM and other agencies to globalise the failed policy of prohibition ever further. Because of the new intensified American effort most governments across the world expanded and stiffened their penalties for drug trafficking and related activities. Many governments decided to adopt American-inspired legislation permitting the seizure and forfeiture of drug trafficker assets and international organisations, notably Interpol and the United Nations’ drug control organs, promoted American-inspired model legislation and drug prohibition policies.

Most important of all was the successful negotiation of the United Nations Convention against Illicit Traffic in Narcotics and Psychotropic Substances in 1988. In the same year that the US congress reported on widespread increases in the production, manufacture and traffic of illicit drugs, UN member states undertook moves to strengthen international legislation against drug trafficking. As with the 1972 Amending Protocol, the process was significantly influenced by Washington. David
Stewart, Assistant legal advisor to the State Department and a member of US delegation to the International Conference where the convention was adopted noted, ‘The US participated actively in the negotiation of the Convention, and many of its provisions reflect legal approaches and devices already found in US law.’

The Convention significantly extended the scope of measures against trafficking, introduced provisions to control money laundering and seize the assets of drug traffickers, to allow for extradition of major traffickers and improved legal cooperation between countries. It also included the criminalisation of possession by drug users. And although the convention did allow for the treatment or rehabilitation of addicts as an alternative to a penal sentence, the widespread acceptance the Convention can be seen as a significant stage in the internationalization of American drug prohibition policies.

Indeed, rather than risk American disapproval many countries quickly became parties and the Convention entered into force in November 1990. It has also been argued that many nations were willing to go along with US wishes in the multilateral arena because they saw it ‘as a way of avoiding further unilateral action by the United States.’

For some nations, particularly those in Latin America, such a strategy backfired. While it may have been hoped that the 1988 Convention would reduce US involvement in the formulation and implementation of drug policy within sovereign states, the convention actually gave another stick to the Americans to beat producer countries with. As part of the certification process each country that received INM assistance in the previous two years was required to submit a report on the extent to which it had ‘met the goals and objectives of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances’. This included action on such issues as illicit cultivation, production, distribution, sale, transport and financing, and money laundering, asset seizure, extradition, mutual legal assistance, law enforcement and transit cooperation, precursor chemical control, and demand reduction.

By July 2005 173 countries were Parties to the 1988 convention and as a result found it harder to simply pay lip-service to American prohibitionist dreams. It was the global equivalent to the Volstead Act being passed to enforce alcohol prohibition in the 1920s and just as doomed to produce nothing more than violence, corruption and overriding failure. The United Nations own statistics demonstrated continued failure very clearly. In 1986 world opium production was around 2,000 tons. By 1994 this had trebled to over 6,000 tons. There were an estimated 141 million drug abusers globally, including 8 million heroin addicts, 30 million amphetamine users and 13 million cocaine users. Because of prohibition these were paying inflated prices for drugs that remained cheap to produce. A multitude of growers, smugglers, distributors, corrupt officials, and professionals – such as lawyers, accountants and bankers - were sharing the resultant profit. There was a need to explain this failure, which involved dumbing down international discourse on organized crime. In the process the Americanization of international law enforcement was continued.

* * *
The most prominent populariser of a new understanding of organized crime was Claire Sterling, an American reporter based in Italy. Sterling had originally become known during the 1980s publicizing material that probably originated from her sources in the American intelligence community. Parts of the CIA certainly liked her claim that the Soviets controlled global terrorism at a time when President Reagan was ratcheting up Cold War tension with ‘evil empire’ rhetoric. There were links between Soviet agents and terrorist groups, just as the CIA often kept undesirable company, but Sterling’s thesis was wildly overstated. However, the support of such notables as Secretary of State Alexandra Haig and CIA chief William Casey did help boost the sales of her book called *The Terror Network: The Secret War of International Terrorism* (1981).

By the end of the Cold War Sterling, like her sources in intelligence, was looking for new conspiratorial threats and found them in the world of organized crime. She argued in *Octopus: The Long Reach of the International Sicilian Mafia* (1990) that the Sicilian Mafia controlled the world’s supply of heroin in co-operation with terrorists and various other crime organizations such as the Colombian drug ‘cartels’. Four year’s later she updated her work on organized crime by producing *Thieves’ World: The Threat of the New Global Network of Organized Crime* (1994). This claimed that the Sicilian and American Mafias, Colombian drug cartels, Chinese Triads and Japanese Yakuza had joined with the Russian Mafia to mount a full-scale attack on Russia and Europe to plunder both. Both these books fit Richard Hofstadter’s description of conspiracy theories, notably their tendency to jump from the undeniable to the unbelievable and their claims that nebulous forces threatened the whole of civilization. Few serious researchers find her work credible. Unsurprisingly, however, the American intelligence community lauded her. In many ways Sterling was the founder of mainstream transnational organized crime analysis, influencing high level American opinion on the subject. She helped give U.S government officials a line that could be sold to the United Nations. Given the authority of the United Nations, more and more nations have chosen to adopt an approach to the problem of organized crime that was as conveniently blame-shifting as the American approach has proven to be.

The American intelligence community certainly thought highly enough of Sterling to invite her to chair a panel on Russian organized crime at a Washington DC conference of high level American law enforcement and intelligence community personnel in September 1994. Conference organizer Arnaud de Borchgrave introduced her by praising *Thieves’ World* and making the questionable claim that her previous book, *The Terror Network*, had been ‘vindicated … by the miles upon miles of files pouring out of the archives of former Communist intelligence services.’

Sterling was invited because her outlandish theories closely reflected those of the American intelligence community’s at the time. The title of the conference – *Global Organized Crime: The New Empire of Evil* - and the speeches delivered, were classic conspiracy theory, involving not only jumps from the undeniable to the unbelievable, but also mythical statistics and claims that the future of civilization was threatened by outside forces. The executive summary of the conference set the tone:

*The dimensions of global organized crime present a greater international security challenge than anything Western democracies had to cope with during the cold war.*
Worldwide alliances are being forged in every criminal field from money laundering and currency counterfeiting to trafficking in drugs and nuclear materials. Global organized crime is the world’s fastest growing business, with profits estimated at $1 trillion.

The keynote speaker at the conference FBI Director Louis Freeh who stressed that ‘the ravages of transnational crime’ were the greatest long-term threat to the security of the United States’ and warned that the very fabric of democratic society was at risk everywhere. CIA Director R. James Woolsey followed up by noting that ‘the threats from organized crime transcend traditional law enforcement concerns. They affect critical national security interests … some governments find their authority besieged at home and their foreign policy interests imperiled abroad.’

Woolsey’s speech included the most revealing indication that the new shared understanding of organized crime was designed to fit with a neo-liberal worldview. He singled out President Boris Yeltsin’s efforts to counter ‘the threat from organized crime’ towards Russia’s privatization process for praise. Russia was then undergoing a wide-ranging reform effort to transform its economy from a communist to a capitalist model. Yeltsin, according to Woolsey, was protecting this ‘positive transformation’ by signing various new laws, which brought Russian organized crime control methods more into line with American methods. However, the reality of the Russian privatization suggests that the process was itself corrupt from the beginning rather than being one that was threatened and imperilled by Woolsey’s estimate of the 5,700 organized crime groups then operating in Russia. The way privatization was organized by Yeltsin’s government resulted in rampant corruption and a system of capitalism that enriched a new breed of Russian robber barons on a spectacular scale. As Joel M. Ostow put it, the government securities and loans-for-share schemes, in particular, proved to be ‘a gargantuan government-sponsored pyramid scheme that predictably collapsed and in doing so put the savings of millions of ordinary Russians into the pockets of those robber barons’. Russian privatization therefore proved to be economically, politically and socially disastrous to the vast majority of the population and immensely enriching to a few. These few were mostly corrupt, well-placed individuals. The corrupt implementation of neo-liberal inspired reforms was therefore more responsible for the creation of a new hybrid of gangster capitalism and the thousands of Russian organized crime groups were more a symptom of mismanaged privatization rather than a cause of privatization’s problems.

The message that came from the New Empire of Evil conference and from a co-operative media was that this new global threat of organized crime required a tougher and more collaborative international response. More specifically the threat required more thorough information sharing between police and intelligence officials in different countries and improved methods of transcending jurisdictional frontiers in pursuing and prosecuting malefactors.

By the early 1990s American diplomats had already been pushing hard. Two months after the Washington conference, the United Nations held the World Ministerial Conference on Organized Transnational Crime in Naples. It is clear from studies of the background to this conference that it represented a coincidence of interests between the US, the member states of the European Union and the internal
politics of the UN itself. It provided an international forum for the global conspiracy theory of organized crime.

The UN conference was attended by high-level governmental representatives from 138 countries. The rhetoric and analysis was essentially the same as that employed by Freeh, Woolsey and Sterling. According to the UN's press release, participants at the conference recognized the growing threat of organized crime, with its 'highly destabilizing and corrupting influence on fundamental social, economic and political institutions.' This represented a challenge demanding increased and more effective international cooperation. 'The challenge posed by transnational organized crime,’ the document continued, ‘can only be met if law enforcement authorities are able to display the same ingenuity and innovation, organizational flexibility and cooperation that characterize the criminal organizations themselves.’ This was essentially the same analysis as that of American politicians and government officials since the 1960s.

United Nations Secretary-General Boutros Boutros-Ghali, set the tone of the conference and gave probably the best exposition of the new conventional wisdom on organized crime with his opening address. Organized crime, he began, ‘has become a world phenomenon. In Europe, in Asia, in Africa and in America, the forces of darkness are at work and no society is spared...’. It ‘ scoffs at frontiers’ he continued, ‘and becomes a universal force. Traditional crime organizations have, in a very short time, succeeded in adapting to the new international context to become veritable crime multinationals. It ‘undermines the very foundations of the international democratic order. Transnational crime poisons the business climate, corrupts political leaders and undermines human rights. It weakens the effectiveness and credibility of institutions and thus undermines democratic life’.

Boutros-Ghali concluded with what was already becoming a familiar call to international action:

We also know, however, that when the States decide to take effective, voluntary steps to combat transnational crime, and when they decide to cooperate with each other and harmonize their efforts, legitimate society regains all its power and strength. It is on behalf of this effort to promote the rule of law and to combat transnational crime that we are meeting here in Naples. Boutros-Ghali was followed by series of speakers echoing the same themes: the threat posed by organized crime to societies and governmental institutions across the globe and the need for more international cooperation to meet this threat. The seriousness of the perceived threat was emphasized in the language of many of the speeches. For example, Elias Jassan, Secretary of Justice in Argentina, described organized crime as 'a new monster… the Anti-State' and Silvio Berlusconi, Prime Minister of Italy, described crime organizations as 'armies of evil' who could be defeated 'only by international collaboration.' Melchior Wathelet, Deputy Prime Minister and Minister of Justice of Belgium, claimed that no region of the world 'was safe from the large criminal networks’ and favoured the proposal to elaborate a binding legal instrument along the lines of the precedent set by the 1988 anti-drug treaty.' There was no significant dissent from this line at the conference, nor in the reportage of the conference by the international media, discussion of organized crime
at the highest international level had been frozen by images that effectively excluded discussion.

Many speakers at Naples implicitly or explicitly emphasized the success of US-approved organized crime control strategies. This deferential consensus was most clearly reflected in a background document for this conference which singled out a key part of the 1970 Organized Crime Control Act, the Racketeer Influenced and Corrupt Organizations (RICO) statute, as an example of ‘dynamic’ legislation able to ‘adapt itself to … developments.’ The document then elaborated,

... In the United States, the RICO statute is generally considered to be the starting point of a new process of awareness of organized crime by the United States Government and its criminal justice system. Its effectiveness has been demonstrated in the many indictments and convictions of members of organized crime groups that have resulted since the legislation was passed.\textsuperscript{\textdegree v}

In the newsletter that reported on the conference the U.N. Crime Prevention and Criminal Justice Division illuminated the new line on transnational organized crime with a series of graphic profiles of organized crime networks which included maps to locate such criminal groups as the Sicilian and U.S. Cosa Nostras, the Camorra, ‘Ndranggeta, and United Sacred Crown from mainland Italy, Triads from China, Colombian Cartels, Japanese Yakusa and the Russian Mafia. The maps and profiles were accompanied with unsubstantiated and nonsensical claims such as ‘the worldwide business of all the world’s Mafias amounts to 1 billion United States dollars’ and gave the impression that the world was threatened by these clearly identifiable ‘armies of evil’. Significantly in the ‘Size and structure’ sections of the profiles, only the United States was credited with any success with the information that 20 out of 25 U.S. Cosa Nostra bosses were in prison along with 300 New York soldiers.\textsuperscript{\textdegree vi}

The main result of the conference was to put the elaboration of the United Nations Convention against Transnational Organized Crime (UNTOC) at the centre of discussion. This process culminated in December 2000, when representatives of more than a hundred countries met in Palermo, Sicily to sign up to the Convention in principle, and 23 September 2003 when it came into force, having been ratified by the required number of states. The UNTOC defined an ‘organized crime group’, as ‘a structured group of three or more persons existing for a period of time and having the aim of committing one or more serious crimes or offences established in accordance with this Convention in order to obtain, directly or indirectly, a financial or other material benefit…’\textsuperscript{\textdegree vii} The U.N. chose not to explain this significant departure from the organisation’s previous thinking on the subject which, as we shall see, considered the problem of organized crime in terms of activity rather than distinct groups of people and emphasised the need to curb the activities of transnational corporations.

Nations that ratify the UNTOC Convention commit themselves to the type of American measures deemed to be effective in combating organized crime by the U.N. The main problem with these U.S. recommended strategies is that they are exclusively concerned with arresting and punishing harmful people rather than a more strategic approach that reduces the opportunities for harmful activity. These methods have been in use in the United States, locally and nationally, for decades. Although, they have
helped secure many important convictions they have not significantly affected the extent of organized crime activity in any measurable way while other factors have actually exacerbated American organized crime problems.

Having successfully internationalized a flawed approach to organized crime, Washington, via the UNTOC Convention, also hoped to strengthen the global drug prohibition regime. This was implied when an attachment to a draft of the convention put the ‘illicit traffic in narcotic drugs or psychotropic substances and money-laundering’, as defined in the 1988 UN convention, at the top of its list of serious crimes. Having successfully internationalized a flawed approach to organized crime, Washington, via the UNTOC Convention, also hoped to strengthen the global drug prohibition regime. This was implied when an attachment to a draft of the convention put the ‘illicit traffic in narcotic drugs or psychotropic substances and money-laundering’, as defined in the 1988 UN convention, at the top of its list of serious crimes. The hope was made explicit when Rand Beers announced that the new convention would go to the Senate for review and ratification in February 2001 as a ‘follow-on’ to the 1988 drug convention.

Had American drug control policies actually worked there may have been some logic to the international community’s adoption of these policies but, as we have seen, the evidence suggests otherwise. Meanwhile, the war on drugs internationally, according to the UN’s own admission, has failed in equal measure to the American version. Recent UN estimates, show the use of prohibited drugs has increased significantly over recent decades and drug prices generally have fallen sharply. The UNDCP estimated in 2003 that the total number of drug abusers was around 200 million people, equivalent to 3.4 percent of the global population or 4.7 percent of the population aged 15 and above. These figures included 160 million for cannabis, 34 million for amphetamines, 8 million for Ecstasy, and around 14 million each for cocaine and heroin. Given the immense cost of this crusade and avalanche of crime and corruption that accompanied it, the comment of Senator Robert Wagner in 1931 on the prohibition of alcohol is worth recalling. ‘Why heap more sacrifice upon the altar of hopelessness?’

The explanation for nation states continuing their involvement with an international drug control regime based upon prohibition, as we have seen, owes a great deal to US endeavour. Additionally, as Harry G. Levine argues, “Governments of all types, all over the world, have also found drug prohibition useful for their own purposes.” For example, as witnessed in the US during the Nixon Presidency, it provides a rationale for the expansion of police powers. Furthermore, the process of demonizing illicit drugs allows governments to construct a simplistic, and hence politically safe, focus for policies targeting a wide range of complex and ongoing social problems like poverty and crime. Drugs, to quote the title of a book by the Scandinavian authors Nils Christie and Kettil Bruun, can therefore be regarded as “The Useful Enemy.”

Crucially, however, regime adherence relies heavily on the status of the UN organization itself. The image of the UN as a benevolent body has been crucial to the functioning of the global drug prohibition, anti-organized crime, anti-corruption regime. As Inis L. Claude, Jr. observed as long ago as 1966 “While the voice of the United Nations may not be the authentic voice of mankind, it is clearly the best available facsimile thereof, and statesmen have by general consent treated the United Nations as the most impressive and authoritative instrument for the global version of the general will.” By employing rhetoric stating that those drugs defined as illicit are a "danger to mankind" (1961 Single Convention) that the UN’s ideals consequently "transcend the traditional concerns of the international community"
(1988 International Conference on Drug Abuse and Illicit Trafficking) and thus “pose a serious threat to the health and welfare of human beings” (1988 Convention) lxxiv the supporters of the regime can exert considerable pressure on nations to conform to the established norms of behaviour regarding control policies. States that flout the principles of the regime and refuse or fail to abide by the norms and rules can be labelled as deviants. They thus risk condemnation by those members of the international community who do adhere to the recognised standard of behaviour.

It can be argued that both the UNTOC Convention and the UN Convention Against Corruption have benefited from such a dynamic by virtue of being associated with, the global drug prohibition regime. The processes of conceptualizing first transnational organized crime and then corruption certainly deployed similar semantic techniques to that of the global drug control regime. For example, Kofi Annan’s made the following statement to world leaders on the adoption by the General Assembly of the UN Convention Against Corruption:

*Corruption is an insidious plague that has a wide range of corrosive effects on societies. It undermines democracy and the rule of law, leads to violations of human rights, distorts markets, erodes the quality of life, and allows organized crime, terrorism and other threats to human security to flourish... I am therefore very happy that we now have a new instrument to address this scourge at the global level... Be assured that the United Nations Secretariat, and in particular the Office on Drugs and Crime, will do whatever it can to support your efforts to eliminate the scourge of corruption from the face of the earth.*

Annan also made the point that the new convention complemented ‘another landmark instrument, the United Nations Convention against Transnational Organized Crime.’ lxxv

The Secretary General, like his progressive era predecessors, was able here to use sets of stereotypes and frozen images in ways that were specifically intended to exclude discussion. This language of universal threat was equally evident at the 1994 World Ministerial Conference on Organized Crime and is remarkably similar to that found in various UN drug policy documents as discussed above.

8. The United Nations and Transnational Business Crime

United Nations discourse was not always so circumscribed. In the 1970s, for example, revelations about the role of International Telephone and Telegraph (ITT) in attempting to prevent the democratically-elected president of Chile Salvatore Allende taking office in 1970 and many other multinational abuses shocked the international community represented by the United Nations to the extent of including corporate crime in its early deliberations over the problem of transnational organized crime. These deliberations considered the complexities of organized crime in ways that ran counter to America’s misleadingly simplistic concentration on supercriminal organizations. Most significantly the international organization’s early thought on the subject emphasised organized criminal activity and the involvement of otherwise respectable business institutions or persons in the problem rather than on the actions of distinct ‘organized criminal groups’.
Discussions at the Fifth United Nations Congress on the Prevention of Crime in 1975, for example, were concerned about ways to curtail such illegal activities as bribery, price-fixing, smuggling, violation of regulatory laws by private companies, and currency offences such as transfer pricing involving the evasion or avoidance of tax and the behaviour of transnational corporations as much as that of more conventionally understood organized criminal groups. In a section entitled, ‘Crime as Business’ which clearly recognized the importance of corporate corruption, the Congress recommended further study of the following:

- the variation that might exist in different countries regarding (a) the scope of the criminal law relating to “crime as business” and (b) the techniques used to control harmful forms of behaviour. For example, in some countries price-fixing was now regarded as criminal, whereas in others it was merely the subject of civil remedies. It was argued that it was also important to study value systems in relation to legislation, especially in respect of differences in the class structure of different societies. It was pointed out by several delegates that crime as business had its origins in class conflict, and that businessmen, managers, administrators and other economically powerful middle-class or upper class persons might tend to control the machinery of criminal justice so as to succeed in getting their own deviant and economically harmful behaviour defined as non-criminal.

Participants at the 1975 Congress also discussed what techniques might best be used to control crime as business. It was strongly argued by some participants that criminal law and imprisonment should be an integral part of business crime control rather than the trend towards decriminalization of many harmful business activities such as price-fixing and bribery. Criminal law and imprisonment would it was argued ‘have a definite deterrent effect in relation to businessmen-criminals, even though they might not be effective for other crimes’.

The United Nations had already showed its commitment to controlling the behaviour of powerful transnational business interests by establishing the United Nations Centre for Transnational Corporations (UNCTC) in 1974. The UNCTC began by investigating the activities and economic strength of transnational corporations concluding in 1985 that the 350 largest transnational organizations, about half of them based in the United States, had combined sales of $2.7 trillion. This figure amounted to one-third of the combined industrial market economies and was far larger than the combined GNP of all the developing countries, including China. In the wake of the ITT revelations and clearly concerned about other possibilities for the abuse of such concentrated forms of power, the UNCTC also set out to elaborate codes of conduct for transnational corporations, most notably codes attempting to check corruption, ensure respect for human rights and for consumer and environmental protection objectives.

By the 1990s, however, the United Nations itself and the UNCTC in particular had come in intense criticism from the administrations of Presidents Ronald Reagan and George Bush (Sr.) and pro-business think tanks such as the Heritage Foundation, accompanied by the U.S. refusal to pay U.N. dues. To remedy what the Americans argued was U.N. ‘waste and inefficiency’ Bush’s former Attorney General Richard Thornburgh was appointed Under Secretary General of the international organization
in 1992. The following year, largely as a result of his efforts, the UNCTC was abolished and U.N attempts to establish more effective controls over transnational corporations were largely abandoned. Thornburgh’s role, according to Ian Williams in *The Nation* had been not just to cut the organization to the smaller size the United States wanted ‘but also to carve it into the shape the American right wants.’

From the 1990s discussion of the problem of organized crime under the auspices of the United Nations narrowed in ways that suited the worldview of the American right. It downplayed the criminal involvement of otherwise respectable business institutions or persons in the problem. Far from the concern showed in the 1975 meeting about the involvement of multinational corporations in harmful organized criminal activities, they were now threatened by ‘crime multinationals’. As we discussed earlier, these, according to the new line as presented by Boutros Ghali in 1994 and in the background literature to the Convention against Transnational Organized Crime ‘poisons’, ‘pollutes’, and ‘infiltrates’ legitimate business. This dumbing of organized crime discourse was no coincidence since by the 1990s the dominance of neo-liberal ideology was assured, affecting not just the World Bank and the IMF but also the United Nations. The term ‘neo-liberal’, now represented the transference of the pro-market, anti-welfare, deregulatory and monetarist Reagan economic programme from its American homeland to the global arena. UN Secretary Generals Boutros Ghali and his successor, Kofi Annan, did little to impede neo-liberalism’s global advance since they both wanted big business approval for U.N. policies and objectives. For these and other reasons analyses of organized crime that included multinational corporations in particular and misguided laws and policies in general as part of the problem were no longer acceptable. Transnational corporate criminality was therefore off the U.N. agenda by the new millennium, replaced, as we have seen, by a global commitment to support American dreams of a global drug prohibition regime and a hopelessly flawed understanding of transnational organized crime.

9. Corruption and Globalisation

Nixon’s decision to terminate the Bretton Woods system for governing international money in the 1970s and the failure of efforts to find a workable alternative system were important parts of the process that led to profound changes in the global political economy. These changes have resulted in an explosion of opportunity for the corrupt across the globe while governments continued to follow the blueprints for failure favoured or at least acquiesced in by the U.S. government.

The end of the restrictive Bretton Woods order allowed private international financial activity to grow at a phenomenal rate, giving market actors such as banks and corporations, a degree of freedom they had not held since the 1920s. Coincidentally, the fourfold rise in oil prices in the early 1970s, meant that American banks, in particular, were flush with petrodollars from newly rich Organization of Petroleum Exporting Countries (OPEC). The flow of OPEC money into the banks was soon followed by an unprecedented rush of very risky bank lending to countries in the Third World, often led by brutal and corrupt dictators, and equally greedy local elites. These leaders bought tanks and fighter planes, nuclear plants, huge dams, and many other unproductive products while stealing billions of dollars for themselves to be smuggled out of their countries and into the banks of richer nations. American
and other Western governments enthusiastically encouraged the lending and claimed that it demonstrated the superior efficiency of the free market over intervention and official programmes of development aid. The debts of many countries mushroomed out of control from the late 1970s as the impact of rapidly rising interest rates hit the poorest countries the hardest. Paul Volcker, then chairman of the U.S. Federal Reserve, responding to pressure from corporate interests to fight inflation, was chiefly responsible for this interest rate hike.

While interest rates were reaching the kinds of levels demanded by neighbourhood loan-sharks, commodity prices were falling fast due to 1980s recessions in Europe and North America. A basket of 28 commodities which included lead, zinc, sugar, coffee and tea was worth 48 percent less in 1988 than in 1974. Countries expected to export their way out of their debt crisis were in a no-win situation.

In August 1982 the Mexican government threatened to default on its debts and Brazil, Argentina and Venezuela were likely to follow suit. If they had, international financial and trading systems might well have collapsed, even taking down top US banks such as Chase Manhattan and Citibank. The rescue package needed co-ordination by a public agency since there were many lenders with their own terms and conditions and the IMF was called in to provide this important new function. The IMF’s response to the Mexican crisis served as a precedent to be repeated many times in following years. It had three fundamental points: first the commercial banks agreed to reschedule outstanding debt and make some new lending available; second, IMF money would supplement this package; third, the provision of extra funding was to be conditional on the implementation of an austerity package by the debtor.

By this time, the thinking behind IMF and World Bank policy was dominated by neo-liberalism and neo-liberal principles dominate the management of the international economy to this day. The paramount neo-liberal principle is the ‘sanctity and importance of the market’. Neo-liberals assert that the role of the state in the economy should be minimized and, if possible, eliminated. Neo-liberals promote reducing tariffs and trade barriers, deregulation and privatization on the American model. They also claim that the way forward for Third World countries is export oriented industrialisation. As a corollary, to these positions, neo-liberals usually oppose labour and environmental standards in international trade deals and have little to say about crimes that affect working people in particular and the environment in general. Neo-liberals emphasise the positive outcomes in terms of wealth creation of the increasing economic integration of the world. They either ignore or find someone or something to blame for the downsides of ‘Globalisation’, the new emphasis on corruption in poor countries seems to fit the bill perfectly.

Reflecting neo-liberal principles, the IMF and World Bank began to exchange any help they were prepared to offer indebted countries for certain ‘free-market’ reforms. The IMF established a formal Structural Adjustment Facility in 1986 designed to facilitate closer co-operation between itself and the World Bank in the control of debtor countries’ economies. These countries were essentially told to earn more and spend less in order to qualify for help and the process was institutionalised by what became known as Structural Adjustment Programmes (SAPs). First, they were required to cut public spending, even on health, education and welfare, on the grounds that this spending was inflationary and generated an unsustainable demand for
imports of goods and capital. Second, they were told to cut wages to reduce inflationary pressures and make exports cheaper. Third, they were told to eliminate subsidies and price controls. Fourth, they had to open the domestic markets to imports and remove restrictions on foreign investment in industry and financial services, on the grounds that this liberalization would encourage more competition and therefore more efficiency. Fifth, there had to be more emphasis on export-oriented industry and agriculture, partly through devaluation and partly through tax changes. Finally, Structural Adjustment Loan recipients were told to set about privatizing state-owned enterprises on the grounds that free enterprise was better at allocating resources between producers and consumers than the public sector.

Neo-liberals had promised that a world opened up to private capital would deliver goods and services more efficiently to more people. Privatization, they claimed, would reduce the ‘rent-seeking’ activity of government officials who either skim off the profits of government enterprises or award contracts and jobs to their friends. But as we have already seen this was not the result of Russian privatization. In fact as Joseph Stiglitz has pointed out, privatization made matters so much worse in many countries that it was jokingly referred to as ‘briberization’. Privatization was unlikely to solve the problem of corrupt governments. ‘After all’, he continued, ‘the same corrupt government that mismanaged the firm will also handle the privatization

In country after country, government officials have realised that privatization meant they no longer needed to be limited to annual profit skimming. By selling a government enterprise at below market price, they could get a significant chunk of the asset value for themselves rather than leaving it for subsequent officeholders. In effect, they could steal today much of what would have been skimmed off by future politicians. Not surprisingly, the rigged privatization process was designed to maximize the amount government ministers could appropriate for themselves, not the amount that would accrue to the government’s treasury, let alone the overall efficiencyof the economy.

A United Nations report described the process more simply. It was ‘outright theft.

Second and Third World states have now surrendered to a kind of laissez faire capitalism that resembles the United States before the 1930s. This proved to be predictably disastrous, opening up vast new areas of criminal opportunity and placing intolerable burdens on the peoples of these countries.

A worldwide market, therefore now exists, linked by the instant communications made possible by the world wide web and technologically enhanced air, sea, and land transport. The main movers and shakers in this market are those representing the multinational firms and financial corporations whose wealth and power has grown exponentially in the last three decades. Hundreds of millions of North Americans, Europeans, Australians and East Asians have benefited from the changes brought about by globalisation in terms of consumer choice and increasing affluence. But the downside of globalisation is mainly felt by the less well off in rich countries and the multitudes of poor in less privileged countries. The global economy is volatile and the rules that govern it are unfair. The volatility is constant but financial crises surfaced most prominently in 1990 and 2002 in Japan, in 1994 in Mexico, in 1997 in Thailand,
Indonesia and South Korea, in 1998 in Russia and in 2002 in Argentina. The rules that govern trade and financial transactions in today’s international economic system were devised by the United States and other wealthy nations and discriminate against poorer nations. The General Agreement on Tariffs and Trade (GATT), the World Trade Organization (WTO), the World Bank and the IMF are led by representatives of wealthy nations and support multinational corporate and banking interests more than those of the less developed countries. ‘The result,’ as Scott Newton writes in *The Global Economy*, has been ‘a financial regime that subordinated national development programmes to the whims of the international financial markets and a set of rules governing trade and investment that denied export markets and cheap drugs to Third World countries while opening up their markets to foreign ownership’. For this reason, many hundreds of millions in the less privileged countries have suffered from increasing inequality in their societies accompanied of course by high rates of poverty, disease, violent crime and corruption.

Global economic liberalisation has not been accompanied by adequate control of international financial and business transactions. Unmanaged globalisation and the crime-friendly world it created tended to make the rich richer and the poor more desperate.

Since the 1980s American and UN crime prevention agencies have been perpetuating misleadingly simple but clearly convincing analyses of organized crime and corruption. Organized crime, according to the dominant paradigm, amounts to the idea that combinations of bad guys threaten democracy and civilisation. Corruption, according to the same paradigm, is a problem that afflicts poor countries most and is largely of their own making because of inadequacies in their governmental structures. However, at the same time as United Nations crime and drug control agencies have been mightily contributing to a dumbing down process on crime and corruption, other parts of the organization have produced studies that could contribute to a better understanding of organized crime and corruption on a global scale. In 2003, for example, the United Nations Human Settlements Programme (UN-Habitat) released the findings of its study, *The Challenge of the Slums* which could encourage an examination of the contribution of mismanaged globalisation to the problems of crime and corruption.

The study found that around 924 million people now live in slums and it documented the massive population shifts in recent years from rural to urban areas that accounts for this rapidly increasing number. It demonstrates the rapidly deteriorating condition of the urban poor and offers an authoritative explanation for such a vast and massively destabilising global trend. Armed conflict in Asia, Africa, Latin America and parts of the former communist world has of course displaced millions of people in the period since the end of the Cold War, neo-liberalism, however, has already displaced and continues to displace many millions more.

The report’s conclusions are worth quoting at length:

*Much of the economic and political environment in which globalization has accelerated over the last 20 years has been instituted under the guiding hand of a major change in the economic paradigm – that is, neo-liberalism. Globally, these policies have re-established a rather similar international regime to that which*
existed in the mercantilist period of the 19th century when economic booms and busts followed each other with monotonous regularity, when slums were at their worst in Western cities, and colonialism held global sway. Nationally, neo-liberalism has found its major expression through Structural Adjustment Programmes (SAPs), which have tended to weaken the economic role of cities throughout most of the developing world and placed emphasis on agricultural exports, thus working against the primary demographic direction moving all of the new workers to towns and cities. These policies, as much as anything else, have led to the rapid expansion of the informal sector in cities, in the face of shrinking formal urban employment opportunities.

The study makes the case that the primary direction of both national and international interventions during the last 20 years has actually increased urban poverty and slums and increased exclusion, inequality and, of course, corruption.

The urban historian Mike Davis has estimated that there may be more than quarter of a million slums on earth. The five great metropolises of South Asia (Karachi, Mumbai, Delhi, Kolkata and Dhaka) alone contain about 15,000 distinct slum communities with a total population of more than 20 million. The building blocks of this slum planet, he writes, ‘are both utterly interchangeable and spontaneously unique’ from the chawls of Mumbai, the kampungs of Jakarta, and the iskwaters of Manila to the favelas of Brazil and the, appropriately termed, villas miserias of Argentina. Most slum settlement, however, has tended to involve large-scale corruption and organized crime, ‘national and local political machines,’ Davis continues, ‘usually acquiesce in informal settlement (and illegal private speculation) as long as they can control the political complexion of the slums and extract a regular flow of bribes or rents. Without formal land titles or home ownership, slum dwellers are forced into quasi-feudal dependencies upon local officials and party bigshots. Disloyalty can mean eviction or even the razing of an entire district’.

The urban poor’, the UN-Habitat report contends are trapped in an informal and ‘illegal’ world – ‘in slums that are not reflected on maps, where waste is not collected, where taxes are not paid and where public services are not provided. Slum dwellers mostly exist outside of the law. If they come into contact with government at all they are more likely to be hindered in their attempts to provide the fundamentals of life – shelter and livelihood – rather than helped. They live in a state of permanent insecurity and illegality and business crooks and gangsters move into these ungoverned vacuums. In Rio de Janeiro, for example, drug traffickers have moved to a position of total dominance over other community institutions in many favelas and violence is as much a way of life in reality as the award-winning film City of God depicted in fiction. In 2003, for example, Rio’s police killed 1,000 people during operations and homicide is now the chief cause of death for the city’s young men with an annual rate of 205 murders per 100,000 people. As one community activist put it, ‘tyrannical young men now settle the most basic disputes on a whim and a gunshot’.

The market-driven globalisation process has led to rapid and uncontrolled economic change across the developing world. This in turn has bred corruption and violence in many countries that had before been relatively stable, with traditions, customs and rules that served to some extent to protect the most vulnerable in the population. These traditions, customs and rules have now broken down in many
places to be replaced by many and varied forms of collective brutality and exploitation.\textsuperscript{xclv}

Structural adjustment programmes, explosive population growth, and unprecedented mass migration have thus created huge concentrations of people leading to huge problems or potential problems. The American-led global response can meanwhile be best described as a major contribution to a global fix. This type of fix is not synonymous with bribery and corruption but it does, of course, involve both of these. The fix in this case involves worldwide networks of alliances, commitments and obligations, all mutually reinforcing, of such a nature as to move much of the world towards a condition of almost complete paralysis of law enforcement and observance. Crucial to this paralysis are the patterns of understanding based on received wisdoms about the past that define the limits of debate about criminality and the meaning of terms like ‘organized crime’ and ‘corruption’.

\begin{enumerate}
\item For a longer discussion of Roosevelt’s reforms see Michael Woodiwiss, \textit{Gangster Capitalism: The United States and Global Rise of Organized Crime}, (London: Constable, 2005) 57-68.
\item \textit{First Interim Report of the Special Crime Study Commission on Organized Crime}, (Sacramento, California: California Board of Corrections, 1 March 1948).
\end{enumerate}
There was, however, a long way to go before mainstream opinion was reconciled to such an interest-serving understanding, particularly as the 1947 conference was followed by a series of revelations that showed that Californian police officers were as actively involved in the organization of illegal enterprise as any of their colleagues nationwide. See Michael Woodiwiss, *Crime, Crusades and Corruption: Prohibitions in the USA*, (London: Pinter Press, 1988) pp. 90-94.


24 President Roosevelt’s Message to Congress on Bretton Woods Money and Banking Proposals, 12 February 1945, see http://oll.temple.edu/hist249/cou...ent_roosevelt.on_Bretton_woods.htm, accessed on 10 March 2004.


28 Michael Woodiwiss, *Gangster Capitalism*. 127


36 For a discussion on US efforts to develop and maintain the global drug prohibition regime see David R. Bewley-Taylor, *The United States and International Drug Control, 1909-1997* (London: Continuum, 2001)


41 William B. McAllister, Drug Diplomacy in the Twentieth Century: An International History, Routledge, 2000, 238-9


43 See J. Sinha, The History and Development of the Leading International Drug Control Conventions, Report prepared for the Canadian Senate Special Committee on Illegal Drugs, 2001, 31


lii Michael Woodiwiss, Crime, Crusades and Corruption, 216.


lvi For Sterling’s connection with the CIA see John Ranelagh, The Agency, 697-8.


lviii Ibid., ix.


lxxxii Ibid.
lxxxiv Newton, The Global Economy, 146.
lxxxvii Stiglitz, Globalization and its Discontents, 58.
lxxxix Newton, The Global Economy, 179.
xc UN-Habitat, The Challenge of the Slums, 6
xcii UN-Habitat, The Challenge of the Slums, 6-7.
xciv For an analysis of processes that have led to millions of people being trapped in conditions akin to slavery see Kevin Bales, Disposable People: New Slavery in the Global Economy (Berkeley: University of California Press, 2004).