



**EXPERT PANEL ON EMERGING CRIMES:  
Hosted by the Department of Justice,  
Canada. In Ottawa, Ontario, Canada**

**R.Tom Naylor**

**Research and Statistics Division  
Department of Justice Canada  
September 29, 2000**

*The views expressed in this report are those of the authors and do not necessarily reflect the views of the Department of Justice Canada, the Public Prosecution Services of Canada or the Government of Canada.*

**T**he Emerging Crimes Panel was hosted by the Research & Statistics Division of the Department of Justice Canada and assembled and given guidance by *Professor Tom Naylor*. Trained as an economist and historian, he is currently Professor of Economics at McGill University and research associate of the Nathanson Centre for the Study of Organized Crime and Corruption. He has been consultant to financial institutions, law enforcement agencies, revenue authorities and the UNDCP in Vienna. His specialties are smuggling, black markets, white collar crime and international financial crime. His books and articles deal with the criminalization of international financial markets, money laundering, arms trafficking, black market operations of guerrilla and terrorist groups, gold and commodity smuggling, embargo-busting and the structure and operation of enterprise crime.

The day's proceedings took place in four sections each led by a different panelist. Before the panel each expert prepared answers to a group of questions. Each also reported their conclusions after the discussion. The following is a resumé of their views gleaned from their initial statements, their comments during the panel and their wrap-up notes.

#### **Coordinator:**

*R. T. Naylor* is Professor of Economics at McGill University. His main fields of specialization are black markets, smuggling and international financial crime. He is author of six books including *Hot Money And The Politics Of Debt* and *Patriots And Profiteers*. His material on topics such as gunrunning, gold smuggling, black market operations of guerrilla groups, and money laundering has appeared in several criminology journals, including *Crime, Law & Social Change* of which he is senior editor. He was part author of the recent study by the United Nations Office for Drug Control and Crime Prevention, entitled *Financial Havens, Banking Secrecy and Money Laundering*.

#### **The panelists were:**

*Professor Petrus Van Duyne*. Trained as a psychologist, criminologist and lawyer, his long career in both academia and the Netherlands Justice Department has involved him in empirical psychological research on decision-making by public prosecutors and judges, investigation into fraud and money laundering, and evaluation of anti-fraud and anti-money laundering policies. His numerous books, reports and articles on organized crime, fraud, corruption and money laundering have appeared in Dutch, English, German, Polish, Hungarian and Malay. Currently he is senior advisor to the Dutch Criminal Intelligence Service, advisor to the European Union on corruption and organized crime in Eastern Europe, and professor of Penal Science at the Catholic University of Brabant.



*Professor Mike Levi.* Trained as a sociologist and criminologist with particular interest in business crime and evaluation of prevention policies, he is currently Professor of Criminology at Cardiff University. His specialist interests include cross-border policing, violent crime and drugs/alcohol abuse, white-collar and organised crime. In 1997, he was appointed as Scientific Expert on organised crime to the Council of Europe.

Mr. Levis is the UK academic representative on the EC Falcone Committee and has been consultant to the UNDCP and to the 'Euroshore' project for the EC. He recently served as a member of the UK Treasury's group of money-laundering experts and of the Cabinet Office Performance and Innovation Unit's Steering Committee on the Pursuit and Confiscation of the Proceeds of Crime. His major publications deal with fraud, corruption, money laundering and organised crime.

*Professor Nikos Passas.* Trained as a lawyer and a criminologist, he is currently Professor of Criminal Justice at Temple University. His academic experience includes work in the US, Greece, Britain, Germany, Italy, Sweden, France, and the Czech Republic. He has been consultant to justice departments and law enforcement agencies in the US, Scotland, Germany and the Netherlands and to the United Nations. He has dealt with issues as varied as underground banking, EEC subsidy fraud and fraud by religious institutions on which he has published numerous books, articles and official sponsored reports. Today his main field of research lies in the analysis of large-scale transnational financial fraud.

*Professor Francisco Thoumi.* He has had an exceptionally varied career as an academic in both the US and Colombia and as an analyst for various international financial agencies including the InterAmerican Development Bank and the World Bank. He has also been consultant and advisor to many international bodies including UN agencies and US government departments. He recently finished his term as Research Coordinator of the Global Programme Against Money-Laundering of the United Nations Drug Control and Crime Prevention Office, where, among other duties, he edited the latest World Drug Report. He has now taken a post at Florida International University. His publications have deal extensively with international finance and macro economic stabilization policy in the context of the threat posed by large-scale international financial crime and drug trafficking.

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# 1.0 How is crime changing in the 21<sup>st</sup> Century?

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In the first session the Panel was asked to address the following questions:

- Is it the case that crime is changing in significant ways?
- Has modern technology and globalization made criminal activity more common, more lucrative, easier to commit or harder to detect?
- Is the old distinction between “organized” and “white collar” crime being erased as traditional crime groups become more sophisticated, and bring their capital and skills to bear on the task of infiltrating and corrupting the legal economy?
- What are the main factors that today create new criminal opportunities?
- What is the role of globalization and technology?
- How can the impact of such crimes be assessed?
- What are the primary challenges likely to face the criminal justice system in the new century?

## **In sum**

We can expect changes in the practices and methods of committing profit-driven crimes and different perpetrators, perhaps drawn from a wider spectrum of society. Technology will also lead to changes in techniques of prevention, detection and investigation. Differences in national prohibitions, regulations and tax structures open opportunities for transnational crime. But these will not change in fundamental nature, just in terms of which goods and services are involved, and which routes and target markets. With predatory crimes, the main change will be new opportunities to conduct traditional forms of fraud using more modern communication methods.

Barring some socio-economic catastrophe or major demographic shift, there is no reason to think that the current trend towards falling rates of violent crime will change. Nor is there any reason to think that crimes will pose any more of a threat to the legitimate economy or society than in the past.

## The Discussion

The nature of profit-driven crimes can be expected to remain in essence the same – theft, extortion, commercial and financial fraud, trafficking in contraband goods and services etc. However, though the underlying crimes may be the same, there will be three kinds of substantial differences.

One difference, in the case of market-based crime, is precisely which goods and services are trafficked. That is a function, in part, of what governments choose to ban. This propensity of governments to use criminal law to control private behavior is, as Van Duyne pointed out, a commonplace and seemingly intractable instinct – but at the same time an inconsistently applied one. Van Duyne suggested thinking of a citizen as possessing two criminogenic zones – upper and lower. Governments have recently been moving away from interfering with citizens' choices with respect to stimulating the lower (sexual) one, but they continue to interfere with choices with respect to stimulating the upper (psychological) one. There is no sign of this abating, and it is reasonable to predict that as new psychotropic substances are invented, governments will create new forms of crime in an attempt to ban them.

It should be pointed out that governments, facing such new substances, will likely attempt to apply old logic, itself often based on myth and misunderstanding, thinking of the problem as “cartels” of evil aliens invading polite society. What must be taken onto account is that increasingly new substances susceptible to abuse are purely synthetic, home-made and often produced on a strictly entrepreneurial basis – thus rendering the “organized crime” logic dubious in regard to the new markets.

Illegal profits can be driven equally well by prohibition, regulation and taxation. What will emerge in the way of new crimes or at least new opportunities to commit old ones will also depend on structural shifts in the patterns of trade and the resulting international price differentials. Trade liberalization when it leads to equalization of costs across borders has the potential to reduce those opportunities.

Has there been a change in offenders – perhaps due to a “democratization” of criminal opportunities? Levi suggested there may be greater temptations for employee fraud if workers feel less committed to a corporation as a result of cost cutting, “globalization” and greater mobility. Passas and Thoumi agreed that current trends to greater disparities in the distribution of income while simultaneously expectations keep rising are conducive to criminality. Thoumi also pointed out that in many countries, particularly those with which he is personally most familiar in the Americas, “rent seeking” behavior was the norm in legitimate economic activity, and therefore the frontiers between criminal and legitimate economic behavior may be fuzzy.

The third factor which may change is how crimes are organized and conducted. Most crime is not “organized crime” as that is broadly understood. Criminals who work in groups are often not very thoroughly organized. Even in the case of the so-called Colombian drug “cartels” at their peak, the degree of economic power they could



exercise was greatly exaggerated – and, after the breaking of the so-called Medellín and Cali “cartels,” the industry effectively disintegrated into hundreds of distinct production-distribution units making it even more difficult to control than before. Levi pointed out the additional complication that what should be discussed most of the time is not organised crime but organised crimes in the plural. Passas similarly noted that the whole thrust of current research and discussion misses the essential point – the focus should always be on acts, not on actors. Naylor has stressed that organization will come and go, and will vary in nature, depending on market needs, that the key thing is to understand the market logic and then, if necessary, work from there to the “organization” issue.

However, it was also pointed out that it is impossible to simply shed a term so deeply entrenched in popular discourse. At the same time it is not possible to have two distinct sets of terminology, one used when talking to politicians, press and public, the other when discussions among informed researchers occur. Inevitably one will confound and confuse the other. This is an important dilemma. There is need for a common definition and understanding of the terminology.

Perhaps the best that can be hoped is to “unpack” the concept. For example, violence, commonly associated with the power of “organized crime” is widely recognized by criminology researchers to be in fact a symptom of the opposite. It is when crime fails to be sufficiently “organized” in some meaningful way that there is likely to be violence over the distribution of profit or over market share. That suggests, for example, that the attempted assassination of Michel Auger, far from being a symptom of the power of biker gangs (assuming it is eventually proven that bikers were actually responsible), is a symptom of their disorganized and competitive nature – ironically Auger’s last article before he was shot described precisely this phenomenon. Sufficiently demystified by a proper unpacking, it might be possible to make the term less problematic in the sense of reducing the extent to which invoking the term sets off a moral panic which in turn can lead to precipitous responses.

Public perceptions are largely mass-media derived. And the mass-media get their information partly through acts of pure imagination, and partly from the police, who in turn cite the mass-media as proof. This reached its logical conclusion in New York after the Godfather movies came out, when Italo-American criminals were picked up on wiretap trying to imitate the accents and phrases used in the movies. Greater harm may be done by otherwise legitimate entrepreneurs using illegal means to enhance profits.

On the question of the role of globalization, opinions differed slightly. On the one side Naylor insisted that the term is trite, that globalization, if it means anything, is a phenomenon that has been steadily in progress for hundreds of years. Others, too, pointed out that, far from globalization have a revolutionary effect in eliminating borders, the borders themselves are the thing that has to be explained – for it is only in this century that serious border control at least for the movement of humans has been the norm. The passport did not exist as a generalized phenomenon before World War I. Indeed, much of what Passas refers to as criminogenic asymmetries would cease to

exist if there really were a borderless world, with the implication of uniform regulations and taxation. In that sense “globalization” might spawn less not more “organized crime.”

Panelists did seem to feel that the notion of globalization as a barrier to criminal law enforcement is exaggerated. There are ample and growing instances of international cooperation, perhaps not systematic but certainly in existence. And information flows across borders are more and more common. Indeed, things like bank secrecy laws are now becoming the exception, and extradition has become so commonplace it has even reached the historically unprecedented point where some states will routinely extradite their *own* citizens.

On the question of technology, again there was some variation of opinion, though it was more a matter of degree than of kind. Naylor was the most dismissive. His position was that, as with globalization, analysts who emphasize technology show a lack of appreciation of the lessons of history. He pointed out that all the hype about modern communications and transportation technology ignores the fact that in the early to mid 19th Century the impact of the railway, steamship and telegraph was far more revolutionary than the Internet or mass air travel today. Indeed, virtually every kind of crime now conducted through modern electronic communications technology had some equivalent in the telegraph age – which saw everything from insider trading to price fixing to financial fraud conducted by and through the telegraph, while telegraph companies faced problems of breaches of security by hackers threatening, in particular, telegraphic money transfers.

Van Duyne similarly emphasized that criminals are generally backward in their choices of techniques, that the real pioneers in using things like communication technology are the police and other agencies of the state. Passas added the observation that even with money laundering, where modern technology should be most evident, old-fashioned methods like physical currency smuggling still predominate.

On the other side, Levi pointed out that, although he fundamentally agreed, nonetheless many types of technological change can facilitate crimes by making detection more difficult and enabling multiple iterations in a shorter period of time. Call-forwarding, for example, can be used in telephone based fraud operations in everything from selling securities and commodities to credit card scams. Certain frauds are based on misinformation which can be conveyed faster and disseminated more broadly, though these are matters of degree, not kind. Van Duyne, Passas and Thoumi pointed out another factor, that technology can also democratize crimes. The fact that smaller players have an easier time entering the market is one reason why the notion of great crime “cartels” may increasingly be a myth as the contemporary criminal market place changes in organization. Finally, as stressed by Van Duyne, Passas and Naylor, technology may facilitate the conduct of crimes, but it also facilitates surveillance and detection. It is impossible to say *a priori* what the net effect is – it really must be seen on a case by case basis.





## 2.0 The Changing Structure of Criminal Markets and their Economic Impact

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### The problem

There is a widespread belief that the criminal marketplace is dominated by a few, well-organized groups who exercise awesome power and use enormous wealth from their rackets to invade and corrupt legal markets. A counter-argument suggests that in the West, though not necessarily elsewhere, criminal markets are normally quite competitive; for the most part the earnings are limited; and the notion of massive takeovers of the legal economy by “organized crime” groups is an exaggeration. Furthermore, more attention needs to be focussed on the nature of the offense and less on the nature or social origins of the offender. The difference between a “career criminal” seeking a new profit opportunity and a career business-person willing to break the rules is marginal in terms of the kind of social damage they do.

There may occasionally be rich criminals, but they are the exception. There is no evidence it requires participating in a group to get rich – most of those instances involve earning the big bucks from white collar scams which are better pulled off alone or in temporary ad hoc alliances. Yet whenever police or the mass media find a rich criminal, they present him/her as the rule rather than the exception. Nor does the frequent exposure of cases where they have grossly exaggerated the apparent wealth of their catches seem to have moderated the tendency. (Everything from the legendary wealth of Meyer Lansky to the supposed hundreds of disappearing millions of John Gotti fit this bill.)

Going further, Naylor noted that the most common pattern is for small amounts of criminal profits to be distributed among a large number of participants, greatly reducing the possible impact they could have if, assuming they actually entered the legitimate economy. Levi pointed out further that most criminals are prodigal, so the notion that there are large amounts of profit susceptible of either staging takeovers of legitimate business or being available for forfeiture is misleading. Furthermore it was pointed out by Thoumi and van Duyne in their papers and interventions that the notion of profit-driven crime is an oversimplification.

On the micro level, criminals, van Duyne noted, even when engaging in crimes that reap profits, have all manner of motivations. On the macro level, Thoumi analyzed the case of cocaine in the Andes and pointed out that simple economic explanations cannot explain why drugs are produced and processed in particular countries – that a whole complex of social and historical factors are at play.



Much of the discussion focussed on the problem of biker gangs in Quebec and what can be done about them. Van Duyne noted that the problem had also been faced in Scandinavia. There were observations from those in the department experienced with bikers that bikers do much the same across Canada - involve themselves in strip bars and drugs. But there seems to be a sense that the bikers in Quebec “control” the strip clubs, “exotic” dancers and the drugs trafficked in those clubs. In addition, in Quebec, they make a point of challenging the state and the police quite openly. However, the total number of biker gang members in Quebec is estimated to be in the range of 50 or 100 members – this led Mike Levi to question what percentage of the drug scene is really accounted for by the clubs in which the Hell’s Angels have a presence.

The influence of violent television on public perception of danger, notwithstanding falling violent crime rates was raised. This sense of personal insecurity gets translated into demands for tougher laws, more prisons and longer sentences. Van Duyne pointed out that research which indicates a growing and alarming crime problem benefits the budgets of those who provide the information. The emergence of private prisons and a huge private corrections industry run by large and politically powerful corporations in the US further entrenches this bias. On the other, once law enforcement agencies are funded to “crack down on crime” they need to show results. If they cannot identify and arrest Mr. Big, they have to go looking for the Mr. Not-so-bigs. The inflated rhetoric leads to enhanced powers, and the powers are applied in a context for which the public never really imagined, further endangering civil rights.

Even assuming a serious problem exists, it is a mistake to respond reflexively with another criminal law. The problem might not be law, but application of law.

It might, for example, be a resource question. And if a resource question, it might be a matter of shortage of total resources, it might be a matter of misallocation of existing resources, it might be a matter of improper use by the recipient of perfectly adequate and properly allocated resources.

Thoumi compared the excitement over the fact that five people (other than bikers themselves) had been killed, most by accident, in the biker wars, to the situation in his own country. He personally has had forty acquaintances who were killed – deliberately. And he is fortunate in such a small number compared to most of his co-citizens in his position. His comment “I wish I was a Canadian” best serves to put the issue into perspective. None of this suggests that bikers are not a serious social problem – the question is how big a threat and how would this threat be appropriately countered.



## 3.0 Understanding and Measuring Criminal Financial Flows

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### The problem

There are many estimates available of the amount of money generated by illegal activity. For example, it is often claimed that the world drug trade generates an annual cash flow of US\$500 billion, the single largest component of a World Gross Criminal Product of about \$1.1 trillion. There are similar claims (from the IMF) that the amount of money laundered through the world's financial institutions may be 2-5% of world GDP. Estimates of the amount looted from Russia alone, for example, hover around the \$150 billion mark.

- How are such numbers calculated?
- Are they useful in formulating policy, for example on money laundering?
- What alternative methodologies might give better results?

Here there was almost complete unanimity among the panelists, all of whom had plentiful experience working with and investigating the sources of data on criminal markets. Thoumi pointed out that the numbers are a form of “statistical pornography”, designed to excite and mislead.

He gave the example of cocaine revenues. Using typical supply side methods to find nothing more demanding than total export values requires the following in sequence:

- 1) an estimate of acreage which is difficult because plants are often mixed up with other types;
- 2) a guess about the average drug content of each plant, which is highly variable depending on age of the plant, frequency with which leaves are picked and delay before processing starts;
- 3) assumptions about the quality of the chemists and the quality of the chemical inputs;
- 4) a guess about cost of transportation, security, bribes etc.;
- 5) estimates about seizures, net of the percentage of seizures that make their way back onto the market;
- 6) export price data.

All of these require assumptions and/or pure guesses, and there is no reason to assume the resulting errors are random and therefore cancel out.

Furthermore he noted that certain specific numbers invented about the world criminal financial flows are even more dubious. He spent two days at IMF headquarters trying to find someone who could explain the basis of the 2-5% of world GDP figure, for example. Not only is there no real basis, but since no one can really estimate the denominator, world GDP, the entire exercise is nonsense.

At the same time Thoumi noted that the degree of accuracy required is often not that high – if there is impressionistic evidence that, for example, drug revenues are very significant compared to, say, legal foreign exchange earnings in a country, that is useful data even if the range of actual estimates is very broad. Second, it is often necessary to undertake a certain amount of quantitative research just to refute the sillier numbers floating around. The rule has been that when a more sober second look is taken, as in Peter Reuter’s analysis of world criminal financial flows or Thoumi’s own work on the Colombian balance of payments, it becomes very difficult to justify the grossly inflated numbers so widely circulated.

Van Duyne commented about the extreme unreliability of the FATF data on world criminal money flows. He suggested that any company that made annual accounts of that appalling level of accuracy would soon get a visit from the Serious Fraud Office. He explained the results of his examination of Dutch case files in search of what he called the “Loch Ness Monster of Money-Laundering”. The result was graphic. The sums seized were small with the assets held in quite mundane forms – there was not the slightest evidence of any great criminal empires attempting to stretch their control into and corrupt the legitimate economy. Criminals, he pointed out, mainly want to be left alone – they have no desire to share management responsibilities or power with upper-world types in grey suits.

That raised the issue of why those numbers exist. Partly it is because they give a veneer of certainty to a very uncertain business. Partly it is because they are linked to the acquisition of resources – the bigger the number attached to a problem the more resources a particular agency is likely to get to study and/or deal with it. Partly it is because of the public’s appetite for sensationalism. That is why the numbers put about are inevitably large, and why howls of official outrage follow attempts by more responsible researchers to ratchet them down.

Both Thoumi and van Duyne pointed out that the existence of financial secrecy havens, and their proliferation around the world, had been tolerated, perhaps even encouraged by the US during the Cold War. Van Duyne in particular noted their use for financing intelligence agency covert operations. Naylor has pointed to the spread of such havens for use in state-sponsored smuggling and embargo-busting operations. Clearly the most important users of such facilitates were legitimate corporations seeking to “avoid” taxes, and banks hoping to dodge exchange controls, interest rate restrictions, and reserve requirements. Now the Cold War is over; taxes are being cut; and financial



transactions are liberalized and a “war on corruption” is being mounted. Now the havens are identified as facilitators of international financial crime.

Naylor raised the question of the efficacy of the anti-money laundering devices being put in place, mainly because of American pressure. Currency Transaction Reports are of no proven use, are piling up unexamined in US warehouses and have produced a cottage industry dedicated to evading them. Yet they are the least offensive of the reporting methods being put in place, for they are consistent from one person to another, ask for more or less objective information and put the financial institution in the position of being merely a passive conduit of objective information from a fully informed client to the government agency.

One level up are Suspicious Transaction Reports which require frequently underpaid and poorly educated bank staff to form a purely subjective opinion about a client, who is left in the dark that such a process is taking place. In such reports there is ample room for stereotype and prejudice. This is something Levi found in his analysis of British experience with STRs. Furthermore, in the process, the bank ceases to be a passive conduit for information, and becomes instead a police informant on a reactive basis.

Then, even more interventionist, come Know Your Client Rules. These force the bank to become proactive, in effect a private detective investigating not merely the client, who is kept unaware, but, to do the job properly, the client’s clients, and perhaps the client’s clients’ clients. And all of this, Naylor suggested, is useless and unnecessary.

This section ended with some exchanges on the use of proceeds of crime legislation as a tool for crime control. Naylor was critical of the criminalization of the otherwise mundane practice of banking. He also maintained that the benefits were not materializing and that crimes would continue to be solved the old-fashioned way, by police pounding the pavement, cultivating informants and on occasion just getting lucky. He criticised the American use of civil forfeiture and paid informants, and the corrupting practice of letting police keep forfeited proceeds. He claimed that there was nothing in proceeds of crime legislation that couldn’t be accomplished already with tax law, without the need for an artificial crime like money laundering.

There were several objections. Without criminalizing money laundering, some said, it would be impossible to punish those who handled the proceeds. It was impossible to use conspiracy to cover handling proceeds after the event. And using tax law would leave the criminal with part of the proceeds. Van Duynes disagreed. He suggested that there were ample laws prior to the creation of the money-laundering offense that be used for the same purposes – particularly laws governing inducement and handling stolen goods. In his opinion it was quite easy to apply those existing categories to those who handle the proceeds. Levi ventured the opinion that it is often difficult to link money to an underlying predicate offense which is what would be required to charge the money laundering with it.

## IV: Implications for Research, Policy and Enforcement

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- What can be done to obtain better objective information on crime, its costs and consequences?
- To the extent certain crimes are on the rise, do they call for new laws or new resources?
- Will particular sectors be particularly susceptible to criminal infiltration? If so, what pre-emptive measures should be taken?
- What are the appropriate responses? To what extent can and should the job of dealing with profit-driven offenses be delegated in the first instance to civil courts and/or the regulatory system?

Passas insisted that there was the need for certain essential types of long-term research, and it should no longer be bogged down by the myth of organized crime but get refocused onto the really serious criminal threats, many of which emerge from the activities of seemingly legitimate corporations. Nonetheless, it is also possible to have short term research that comes up with sensible and useful results. Much can be learned with analysis of existing information.

Passas suggested an inventory of what is actually known on the basis of academic and professional research with any degree of certainty. Right now the process is purely reactive – a problem emerges and people rush to discover what information already exists. It is then adopted without much critical reflection since there is urgency to arrive at some conclusion which then might be translated into policy which then might become law. But once a proper inventory of knowledge is made, and classified in a way that makes it easily accessible, it can be readily deployed as the need arises. He also pointed out that qualitative studies can be far more revealing than quantitative ones – so much has to be subsumed into common categories for the quantitative approach to work, that the results are usually not very revealing.

One of the biggest problems in getting support for research on the genuine long-term reasons as distinct from immediate triggering causes (using Thoumi's distinction) for any increase in or shift in the nature of crime is the change in focus, over the last two decades, away from environmental factors to rational-choice models as explanations for criminal activity. If criminals are nothing more than cold cost-benefit calculators (a view growing in popularity over the 1980s and 1990s), what is the need for any information about what they do and why they do it, apart from what is necessary to catch and convict them? If, as was generally believed two decades ago, there is value in understanding motivation on a more profound socio-economic basis, then serious preventive and environmental research is necessary. In a sense it depends on the prevailing understanding of the causes of crime.



Levi stressed not just the need for better information about crimes and criminals, but for far more stress on evaluation of policies. The lack of such research in Europe and North America was particularly striking. As he put it, American policies and programs tend to be exported before they are evaluated. He suggested developing a methodology that would evaluate the impact of regulatory measures on both the organisation of crime(s) and levels of criminal behaviour. Levi in particular stressed the importance of doing in Canada with IPOC data what van Duyne has done in the Netherlands. Such an exercise does double-duty – to evaluate the policy and demystify the target.

Mention was made of the need for more economic focus in the research. Naylor suggested that there are two things to avoid. One is the search for an aggregate magic number, since, as the earlier discussion so well demonstrated, such numbers are generally misleading. The danger is that, once they exist, they get out into the public domain and become what Passas referred to as “facts by repetition.”

On the other hand, a potentially useful exercise, in terms of meeting demands for an immediate response, would be to compile an inventory of “magic numbers” and the criticisms of them. It might be possible to produce an inventory of counter-numbers from those that already exist – there may be no need to use resources in searching for new ones, simply assembling existing data.

Notwithstanding the importance of economic analyses, cost-benefit analyses can be problematic. The outcome depends on the choices of which externalities to measure, what shadow price is chosen to represent each of them, and what discount rate is picked. As a result a cost benefit study can be made to produce virtually any result desired while giving the illusion of scientific certainty. (Levi pointed out that cost-benefit studies are now required by the British Home Office.) Naylor and van Duyne both stressed that crime should be seen as a moral issue, not an economic and financial one. Cost-benefit calculations assume that the real costs to society are measurable in dollar terms.

Both Thoumi and Naylor emphasized that the focus of economic research should be on understanding how criminal markets operate. Once there is adequate micro understanding, it might be possible to go one step further and tentatively attempt aggregation, but even so there are innumerable pitfalls. Van Duyne also emphasized this level of research, pointing out that much could be done by proper use of tax and police files. However he cautioned data is only the start – there are big problems in interpreting it, and then translating those interpretations into policy. For example, increases in estimated value of drugs traded and increases in estimated number of people involved in trading them may be a sign of law enforcement *success!* That is because attacking supply drives up price in a market with inelastic demand and therefore causes total expenditure to rise, while it also forces the entrepreneur to increase the layers of protective intermediation and therefore dissipates profit in more hands.

Still, the focus on understanding the structure and functioning of individual markets, rather than the search for aggregate dollar values coursing through them, suggests a



significant innovation. Nowhere in Canada (or anywhere else in the world to the knowledge of the panelists) does there seem to be a project designed to truly understand how the most important profit-oriented crimes are committed. It is assumed that the term (bank robbery, credit card fraud etc.) is largely self-explanatory. That in part reflects the fact that *the whole orientation of research is on actors rather than acts*, in Passas's terminology. It reflects the fact that criminology is a branch of sociology and the fact that ultimately the criminal justice system tends to judge results of policies depending on how many individuals get charged and convicted. None of this is conducive to understanding, for example, how drug markets actually work, or how gunrunning as a professional trade really takes place. The real challenge is to follow the commodity or service from point of production through to point of final sale and the flow of money back again, in a systematic way. There are already bits and pieces of such information – detection and investigation and prosecution of cases requires some, but far from all, of that data. In a few cases analysts have actually dissected the criminal markets with some care. (For example Naylor on guns and gold.)

Thus, the information requirements necessary for understanding thoroughly the laws of operation of the criminal economy are clearly quite different from the information requirements necessary for prosecution of individuals. Yet if, for example, a bank were to request from the police an up-to-date manual of the various bank fraud techniques with some consideration of what trends in banking technology might do in terms of altering or increasing vulnerability to those frauds, it would simply not exist. Nor, given their competitive instincts, if one bank created it, would it be either complete or available for others to consult. And clearly justice policy could be much better informed and targeted if it really understood such patterns on economic and commercial terms, rather than just in terms of who does the offending against this or that criminal statute.

Therefore one possibility is to pick a list of the ten or twelve most prevalent profit-driven crimes, and, using police and tax files in the way Van Duyne suggested, along with existing criminological literature, as Passas suggested, build a composite profile of criminal methods employed for each. To take another example, there has been an abundance of writing on credit card fraud, yet there is not a good analytically useful summary of existing knowledge. Similarly with currency counterfeiting – obviously there are counterfeiting experts in various law enforcement agencies, and presumable at the Bank of Canada. But police information is case driven. Bank of Canada information is likely on costs of anti-counterfeiting technology. These and other sources could be tapped to create a composite picture of the overall counterfeiting problem, including an assessment of future trends of print technology and their impact.

To these ideas of creating a composite understanding of criminal markets and enterprises, Levi added the need to simultaneously ensure examination into the factors that lead to offender choices. Given a wide range of possible options, just what will determine why an offender opts for one rather than another? Police “intelligence”





departments are so preoccupied with immediate cases, they have little or no resources, human or financial, to build this kind of data base.

Thoumi proposed a comparative analysis (social, economic, political and cultural) of what makes societies vulnerable to large-scale deeply-entrenched criminality. He had the contrast with Colombia immediately in mind. But similar research could be directed towards Italy, Lebanon, Ulster, Nigeria, Pakistan, Russia, to name but a few. The objective would be to isolate key variables, then determine to what degree they might possibly be present in Canada.

Research is needed to counter demands for more law enforcement and the creation of more criminal offenses. Motives for criminals are complex and variable, and it is time to refocus attention on the broad social environment rather than try to reduce everything to some sort of “rational choice” or risk-benefit calculation. It would be useful to research the use of alternative instruments to deal with things now treated with traditional criminal justice methods.