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Strictly Business: Critical Theory and the society of rackets

Edward Granter

Strictly Business: Critical Theory and the society of rackets

Abstract

This article explores the parallels between organized crime – specifically racketeering – and the behaviour of corporate and political actors. It reviews the key literature which has developed around the concept of organized crime as business, and business as organized crime, and discusses the nature of rackets in historical and organizational context. The paper takes as its theoretical inspiration the Frankfurt School's notion of a racket society, which Writers such as Adorno, Horkheimer and Kirchheimer developed as part of their Critical Theory of society.

As such, it builds on a small but developing field of literature which applies theories of the racket society to contemporary contexts. In this case, the paper provides contemporary examples of racket like behaviour at the corporate/political nexus, and highlights the social harms associated with this.

Keywords

Critical Theory, rackets, organized crime, corporate crime, Horkheimer, Adorno, Kirchheimer.

In this article I explore the concept of the racket, something most often associated with organized crime. More specifically, I draw parallels between the criminal rackets of organized crime groups, and the dynamics by which corporate interests come to prevail in political, organizational, and social life. The paper attempts to close the conceptual distance between the patterns of hidden influence, networks, and organizational mechanisms constituting criminal rackets, and those which characterise the operation of corporate power. This speaks to something of a normative objective; by comparing corporate behaviour to the conspiracies of organized crime, I highlight the real and potential social harms which are associated with racket like behaviour. To help achieve this I make use of the theory of rackets (Wiggershaus, 1994: 318) outlined by members of the Frankfurt School of Critical Theory. An additional dimension of this paper is then, the examination of their notion of a society of rackets (Stirk, 1992: 211) through scholarship in business, organization and society.

I begin by reviewing existing observations on the primary dimensions of intersection between organized crime and business. Following this, I introduce the racket in terms of organized crime, and draw attention to the role of business in racketeering. The Frankfurt School concept of a society of rackets is introduced in historical context, and I then consider

the nexus between corporate interests and those of state actors, and how this relates to the concept of the racket both in the ‘real world’ and in social theory. In order to highlight the pervasive and harmful implications of racket like behaviour, I discuss financial deregulation in the run up to the global financial crisis of 2008, before considering the hidden links between corporations and governments in relation to global conflict. Finally, I move to the level of national public policy to examine the emergence of racket like behaviour in the reform of welfare state economies. This discussion is deliberately wide ranging because I want to show how rackets exist across multiple organizational, spatial and social levels.

Perspectives on business and organized crime

Organized crime as business

A characterisation of criminal organizations as, effectively, businesses, has emerged as dominant in the literature since at least the 1970s (see Smith, 1980: 363). At a basic level, there is the observation that criminal organizations share with corporations a goal which is clearly defined and absolute – financial gain (Friedman, 1973). Thus their superordinate behaviour is the pursuit of profit. Both types of organization come replete with their own ‘corporate culture’; shared rituals, behavioural codes (Di Maria and Falgares, 2013), a sense of identity and supposed moral regulations, which may all serve to obscure their inherent amorality (Jenkins, 1992).

Beyond these basic dynamics lies a plethora of variations on the ‘crime as business’ theme. Interested readers should consult Parker (2012) for further exploration but I sketch some outlines here. Smith’s ‘spectrum based theory of enterprise’ (Smith, 1980) posits licit and illicit business as occupying the same continuum of entrepreneurial behaviour, with the legal status of the business contingently defined by perception, morality and regulation rather than organizational behaviour or product line. This perspective was influential and helped promote

a more sober approach to organized crime which looked to political economy and organizational behaviour, rather than the previously dominant ‘alien conspiracy’ theory (ibid: 1980). Albanese drew on Smith’s approach to compare the motives and behaviours of Lockheed Martin and the American mafia, for example (Albanese, 1982), and the language of the criminal *entrepreneur* became dominant in critical accounts of organized crime such as those of Chambliss and Block. Thus in his treatment of the cocaine trade in early twentieth century New York, Block presents an analysis that uses the language of the market – importers, wholesalers, retailers, customers; ‘criminal entrepreneurs’ (Block, 1979: 94). Gambetta analyses the Sicilian mafia as entrepreneurs dealing primarily in protection, utilising a range of approaches such as lobbying, intelligence and secrecy, and marketing, which find clear parallels in legitimate business (Gambetta, 1993). Although writers such as Arlacchi (1988) Behan (2009) Savianno (2008) and Dickie (2014) show how the mafia (camorra and ‘ndrangheta) have gone beyond the role of intermediary to focus on capital accumulation as primary actors, little consensus exists on the coherence or structure of organized crime groups as compared to the classical corporate form (see Ianni, 1972; Hess, 1973; Block, 1980; Smith, 1980; Albanese, 1982; Reuter and Rubinstein, 1978 and Gambetta, 1993: 100-102).

Business as organized crime

The logical starting point for analyzing business as organized crime is a reversal in polarity of the ‘organized crime as business’ approach. Thus researchers take some of the defining features of criminal organizations (violence, corruption, conspiracy) and then highlight instances of these behaviours in the corporate sphere. Of course, a huge body of work has arisen around the corporate crime in itself.

Although the term ‘corporate crime’ is thought to originate with Clinard and Quinney in 1973 (Payne and Tapp, 2015), analysis of corporate wrongdoing has a longer history. A key

work is Matthew Josephson's *The Robber Barons* (1934) which catalogued the misdeeds of the founding fathers of American corporate capitalism (Gould, Rockefeller, Carnegie etc.) and provided voluminous evidence for dictum that 'behind every great fortune lies a great crime' (the phrase is often attributed to Balzac and a version famously appears as the epigraph in Mario Puzo's *The Godfather*). The study of corporate crime gained further momentum with the work of Sutherland (1940) and today it is possible to draw on both a rich academic literature (see Whyte 2009 for a useful starting point) and an ever expanding roll-call of corporate wrongdoing reported in the media.

Aside from the financial and regulatory crimes which make up much of the field, the issue of corporate violence has also created extensive interest. This is usually defined in terms of harm rather than intentional violence and cases such as Bhopal, Piper Alpha, Trafigura, Deepwater Horizon and Rana Plaza have highlighted the consequences of corporate negligence. The human cost of corporate profit been addressed by writers such as Woodiwiss (2009), Tombs et al. (2010), Neocleous (2003), Snyder (2000) and others, with many drawing attention to the deregulatory trend springing from the intersections of state and corporate interests (see for example Matthews and Kauzlarich 2000). The discussion of corporate violence also extends to more intentional killing. This is often linked to the nexus of state and corporate interests which tends to coalesce around economic development under neoliberal regimes, and resource extraction (Schulte-Bockholt, 2013: 238; Roy, 2014; Paley, 2014: 169; Banerjee, 2008; Watt and Zapeda 2012).

Violence is, of course, a defining feature of organized crime, and we move now to an examination of how violence, corruption and collusion allow criminal groups and businesses to create the patterns of organization that came to be known as rackets.

Organized crime and the rackets

By the time the tit-for-tat assassinations between the two cartels escalated into open war, the police were outgunned. The gangs were able to procure state of the art automatic weapons on the black market for \$2000 apiece, while the police found even the legitimate retail price prohibitive. The build up to the conflict had seen the cartels battling over smuggling routes from the north, and for control of the market in the metropolitan area. The city was now the ‘capital of unsolved murders’ (Russo, 2004: 34); over a five year period there were 136 killings in the city alone, with only one conviction. The gangs had effectively been able to buy themselves impunity from investigation. The \$300,000 per week overhead of the ultimately victorious cartel covered not only the wages of their 800 gunmen, but also the ‘ice’, or bribes, for local police, judges and politicians. The war only came to an end with a show of overwhelming force; a machinegun massacre of seven people by men dressed as police officers. For the winning side, the prize was control of the illicit, and large sectors of the licit, economy across the nation’s second city. For ordinary residents, it was now clear that the city had at best a parallel power structure, and at worst, a power structure dominated by organized criminals.

This scenario will be familiar to those with an interest in contemporary organized crime, from Colombia and Mexico, to southern Italy, but the preceding vignette is, of course, the story of the Capone gang’s rise to power in 1920’s Chicago (see Kobler, 1972; Russo, 2004; Binder and Lurigio, 2013). Chicago’s beer wars and the concomitant capture of local economic and state power by organized crime can be seen as a phase of primitive accumulation: ‘In the history of the real world, as everyone knows, conquest, subjugation, robbery, murder – in a word, force, play leading roles’ (Marx, 1974: 701). Violence alone, however, is rarely effective enough to serve as an overriding criminal strategy. As Parker notes (2009: 387) it was prohibition which allowed the Chicago Outfit, and other organized crime groups in the USA,

to generate the financial resources necessary to co-opt strategic elements of the state such as the police, the judiciary, and municipal, sometimes national, politicians. Organised crime groups proved to be experts in supplementing violence as a tactical resource, with the strategic exercise of influence across the public sphere.

Alongside the penetration of the civic sphere, organized crime groups also tend to seek entry to the world of legitimate business as they mature. The methods employed offer us an example of how implicit or explicit regulations, and networks of relationships between individuals, companies, and institutions, can be deliberately structured and restructured in order to subvert the market and facilitate private gain. In the USA from the 1920s to the present day, crime groups have sought to establish rackets which use connections with, and control over, institutions and legitimate businesses to generate profit. Outside of the USA, and the study of US organized crime more specifically, the term racket is not always well understood, and even in the US context, as Heins (2007: 799) points out, ‘the concept of racketeering that arose in the 1920s combined forms of collective self-organization with elements of gangster criminality’.

A basic understanding of a racket is a situation where the owners/managers of an organization or business are made, literally, an offer they can’t refuse, by a criminal or criminal group seeking to profit from control of that organization or business. In short, the crime group presents itself as the only viable solution to a problem it has itself created. The most common understanding in the UK is the protection racket, whereby criminals offer to protect pubs, nightclubs, even small shops, from violence and disruption, when in fact it is the same group who deliberately creates this ‘trouble’ in the first place. The concept of the racket does extend well beyond this, and might also encompass a situation where the racketeer is able to control key processes such as elements in the supply chain of goods or information, for their own benefit. Examples could include the distribution of contracts for essential services such as

garbage disposal (Federal Bureau of Investigation, 2008) or the unloading of rapidly perishable goods at a wholesale market (Raab, 2006: 565).

Labour racketeering is particularly relevant because it shows how criminals and businesses work together through networks of hidden connections, within a closed circuit where decisions are regulated in such a way that corruption is systematized. That is, markets for goods, labour and services are controlled artificially. The system operates not for the benefit of customers or employees, but for mobsters, and the company managers with whom they deal. Both unions and employers opened the door to labour racketeering during industrial disputes throughout the 1920s and 1930s in major US cities such as Chicago and New York. They did so by recruiting criminal thugs to help defend striking workers, or attack them, depending on who was paying. Results were often decisive. Taking as their reward not only hard cash but official roles (or patronage thereover) in unions, business associations and businesses, coordinators such as Arnold Rothstein, Dutch Schultz (Arthur Flegenheimer) and Lepke Buchalter became notorious for industry wide influence in sectors such as garment trade in New York (Katcher, 2016: 207-223; Chambliss and Block, 1979). They achieved this control by taking on the apparent role of intermediary. At its most basic, this function meant that organized crime groups took control of unions through bribery or violence or both. They could then use this control to extort companies with threats of strikes or slowdowns. Businesses or associations thereof, the latter in turn often the creature of the mob, would bring in 'labour consultants' to 'negotiate' with the unions. In reality, these intermediaries worked on behalf of, or were themselves, the organized criminals who controlled the unions. The price for labour peace might be a cash settlement – a heavily concealed bribe – which would then be divided up between various elements of the racketeer's organization. A more sophisticated solution might be the awarding of an exclusive and generous contract (for raw materials etc.) to the 'legitimate' businesses which the racketeers controlled. In the construction industry, this latter

type of arrangement saw the supply of concrete in New York City fall almost completely into the hands of the Mafia during the 1970s and 1980s (Kelly, 1999: 93-101).

Racketeering in the food industry offers another case in point. In New York in the 1960s and 1970s, the mafia was able to act as intermediary not only between capital and labour, but between various branches of different businesses. Meat producers seeking have their products placed in major supermarket chains were required to pay the mafia for the privilege. A further payment would ensure that their products would be more prominently displayed than those of their competitors. The mechanisms for payment differed but typically included the placement of inflated contracts for goods with mafia controlled firms, some of which purported to be major legitimate industry players themselves. A labyrinthine network of relationships between meat producers, supermarkets, government regulators and union officials was not simply exploited, but created and continually reinforced by all concerned (see Kwitny, 1981). In some cases, an organised crime figure held official roles with supermarket chains, meat producers, and unions simultaneously; a conflict of interest *ne plus ultra*. Once again, they shaped their role as an essential intermediary, a patron with the power and connections to see a contract placed with the ‘right’ company, or a regulation changed in their favour:

The member-as-patron can put a client “in touch with the right people”. [...] He is able to perform important favours and be rewarded in return with money or power (Abadinsky, 1998: 12).

Interestingly, critical scholars of organized crime such as Pierce, Block, Chambliss and Woodiwiss have argued that rather than politicians and businesses being victims of, and ceding power to, organized criminal racketeers, they have tolerated their involvement because it is ultimately in their interests to do so. And so rather than Capone reigning supreme over 1920s Chicago, he remained subservient to business and political elites (Pierce, 1976: 124 - 131).

More widely, the notion of ‘underworld as servant’ (ibid: 124) has been developed in a number of analyses. In this configuration, rather than violent racketeers intimidating business owners into submission, they are invited to participate in the conflict between capital and labour in a way which will benefit the former. Thus, although they were undoubtedly sometimes the victims of violence and extortion, ‘[c]ontrol of workers through violence and the threat of violence lined the pockets of the employers first and foremost, and then professional criminals and corrupt union officials’ (Block and Chambliss 1979: 15). Further, it can be argued that much of the violence surrounding business racketeering was essentially ‘employer on employer’ (ibid: 20).

The career of Al Capone and the fictionalized rise and fall of various other mafia families has become embedded in present day mass culture (see for example *The Godfather*, 1972; *The Sopranos* 1997-2007). Perhaps less well known today is the way in which racketeering gained a prominent place in the public consciousness (in America if not beyond) during its heyday from the 1920s to the 1940s. Acres of newsprint charted the careers of Capone, Buchalter, Rothstein, Schultz, and others, including their imprisonment, execution, violent death and violent death, respectively. Additionally, news coverage had from at least the mid-1920s begun to characterise the gangs as akin to ‘industrialists and financiers’ (Woodiwiss, 2001: 229) and films such as *Scarface* (1932), *The Public Enemy* (1931), and *Little Caesar* (1931) portrayed entrepreneurial individuals going from rags to riches ‘in the classic American Way’ (ibid: 229). Parker notes that aside from the thousand gangster films produced between 1915 and 2003, the earliest example in the genre is D. W. Griffith’s *The Musketeers of Pig Alley* (1912). Establishing a trope that endures to this day, the villain of the piece, the gang leader ‘Snapper Kid’ ends the film a free man thanks not only to a false alibi, but also to an apparently cosy relationship with the local police. Appearing after the policeman

leaves and as the gangster is given a wad of money by an off-screen 'hidden hand', the final title card reads: 'Links in the system'.

Critical Theory and the society of rackets

The Frankfurt School were a group of predominantly Jewish Marxists connected with the Institute for Social Research established in Frankfurt in 1923. Writers such as Theodor Adorno, Max Horkheimer, Herbert Marcuse and Otto Kirchheimer sought to account for the failure of Marx's revolutionary teleology to play itself out. To this end they developed a broad approach to social analysis which took in psychology, existential Marxism and political economy, as well as sociology and politics. They pursued a 'Critical Theory' of modern society which unlike 'Traditional Theory' (Horkheimer, 2002) would look at the totality of capitalist social relations, from culture and ideology to economics, to the subconscious. A key characteristic of Critical Theory is its willingness to search for, reveal, and explain (if in sometimes rather aphoristic terms), the hidden links between these spheres. Thus, the experience of listening to the radio, the reading of horoscopes and a wide range of cultural phenomena could be linked to the political economy of capitalism (author name removed for review). As we shall see, this notion of hidden links was extended by Horkheimer in particular but also by Adorno and Kirchheimer. This extension took the concept of hidden connections and operationalised it in a more literal sense, to characterise social relations between individuals, groups, and classes. This came to be known as the theory of rackets (Stirk, 1992: 141; Schulte-Bockholt, 2001, Heins: 2007, 2011; Bröckling, 2014).

The theory of rackets was part of a characterization of advanced capitalism as sharing many characteristics with totalitarianism and more specifically, Fascism (see for example Marcuse, 2002; Adorno and Horkheimer, 1992). Certainly, fascism was to play a central

element in the lives and careers of the Frankfurt School since their religious status and political affiliation meant that relocation in the United States was necessary to avoid death at the hands of the Nazi regime. Already keen observers of popular culture in Germany, Adorno and Horkheimer continued their engagement with the cultural sphere upon relocation to America. Their writings on the culture industry (1992) became influential and their personal circumstances had early on drawn them into contact with émigré film makers, and playwrights such as Bertold Brecht (Jay, 1973: 194). Schulte-Bockholt (2006: 22-23) and Jay highlight Brecht's play *The Resistible Rise of Arturo Ui* - written in 1941 - as characteristic of an émigré attitude to Nazism that saw the 'Nazis as gangsters, at least metaphorically' (Jay, 1973: 172). The play satirises Hitler's rise by transposing it to the supposedly fictional cauliflower rackets of 1930s Chicago.

Many of the Critical Theorists were also living in an America where the phenomena of gangsterism and racketeering had entered the popular consciousness via the news media, film and literature (see above). Thus as Stirk notes (1992: 140), the influence of American culture and society at the time should not be understated. It was under these circumstances that they sought to integrate the concept of the racket into their wider social theory. Adorno, Horkheimer et al. had nearly paid the ultimate price for their intellectual resistance to the coalescence of corporate and (extremist) political interests which constituted the Nazi state and this coalescence formed one of the key elements in the theory of rackets. Rackets are, according to Adorno and Horkheimer, comprised of and operationalised by:

...cliques, gangs and other established groups that act protectively towards their own members, while externally they attempt to circumvent the market process by misappropriating economic income and by deceiving the public (Heins, 2007: 792).

Despite the fact that racket theory remained essentially at the level of notes and sketches, we can outline some of the key elements here. There are many intersections with the actual practice of rackets as already discussed, and indeed the racket of gangsters, politicians and businessmen of the day, provides the starting point from which the elaboration to the plane of the social system proceeds. But the racket theory also focuses our attention on the tendency for corporate capitalism to operate increasingly as a racket, to become a sphere not of the formality of the state and the rules of the market, but of conspiracy, connections, and private power.

The theory of rackets emphasises a shift away from formality or meritocracy, to a society in which personal connections play the key role in life and career. Under such conditions, to ask someone ‘what is your racket?’ is part of a tacit acceptance that;

within the organizational framework of our society attainment of a given position is out of proportion to abilities and efforts which have gone into that endeavour. It infers that a person’s status in society is conditional upon the presence or absence of a combination of luck, chance, and good connections (Kirchheimer, 1944: 160).

Similarly for Adorno, the racket society is suffused with conspiracy, and individuals on the path to power and wealth are apt to cultivate ‘murky connections’ (Adorno, 2005: 23). These proliferate in a society of closed and monopolistic hierarchies where those seeking material success develop a ‘knowledge of all the channels and plug-holes of power, they divine its most secret judgements and live by adroitly propagating them’ (ibid: 24). In such a society, ‘[g]etting through by hook or crook is the secret ideal’ (Horkheimer, 1941: 385).

In political terms, the racket society represents a drift away from liberal democracy towards direct and privatized rule by powerful cliques. To some extent, this constitutes a new or refined theory of the ruling class. For Horkheimer, the understanding is that every level of society, from the ‘highest capitalistic bodies’ (1943: 23) to the gangs of the proletariat (ibid:

22) are engaged in a struggle to acquire a ‘large part of the circulating surplus value’ (ibid: 20). Thus the role of the ruling class is concretized by its inclusion in the theory of rackets, as simply the most powerful of society’s competing gangs. In some ways, this conception of the ruling class serves as an additional dimension in explaining the nature of domination in modern society. Whilst Adorno, Horkheimer and Marcuse were better known for their analysis of the role of ideology in maintaining the hegemony of capital, their writing on rackets offers another way of exploring elite rule under monopoly capitalism.

One way in which Horkheimer used the concept of privatized, as opposed to democratic rule, was in the more (to contemporary readers) familiar sense of the privatization of socially necessary functions (Stirk, 1992: 209). This serves as a method of converting the political authority of ruling cliques into economic and financial power.

In Italy, electric factories, the monopolies on telephones and life insurance, and other governmental and municipal operations, and in Germany the banks above all, have gone into private hands. Of course, only the powerful profit from that (Horkheimer, 1939: 116 [page reference is to the original German text]).

This kind of process speaks to the fusion of corporate and political elites which is a central feature of the racket society. Operationally, this is partly facilitated by the ‘revolving door’ between the corporate and political worlds. Here, ‘[e]xective office, whose holders often change between both spheres, has successfully resisted all attempts at legal formalization’ (Kirchheimer, 1944: 167). Thus the political corporate nexus remains a grey zone of informal links and hidden connections, unrestrained and largely unregulated.

Whilst ruling elites are distinguished from criminal racketeers in that they ‘use their productive apparatuses as others hold to their guns’ (Horkheimer, 1943: 20), they remain threatened by their competitors and thus must align themselves politically and gain alliance

with the (armed) forces of law and order (Horkheimer, 1941: 8). This dynamic played out most notably in Fascist Italy and Nazi Germany, but at the international level, Horkheimer noted that the pressure of ‘giant investments’ had developed into ‘the struggle for world conquest interrupted only by periods of precarious compromise’ (ibid: 9). Similarly, Adorno remarks on the fact that the liberal critique of ‘war as business’ is no-longer an exaggeration. Whilst air attacks serve as advertisements for the firms which manufacture the planes (Adorno, 2005: 53), ‘every laudatory mention of the chief contractor in the destruction of cities, helps to earn it the good name that will secure it the best commissions in their rebuilding’ (ibid: 54).

Methodologically speaking, the theory of rackets predates and yet fits in with the notion of parallels between the worlds of business and crime that we discussed above. Horkheimer asserted that ‘[a] study of such border phenomena as racketeering may offer useful parallels for understanding certain developmental tendencies in modern society’. (1941: 375) and it should now be apparent that this is the approach taken by the current paper. This approach is not without its own literature, although it is fairly limited. Tilly (1985) for example, has written an influential treatment of the nation state as protection racket. With direct reference to the Frankfurt School, Schulte-Bockholt has looked at the nexus between organized crime and politics in the first instance (2001, 2006) although he also provides some analysis of the role played by corporate elites in such corrupt regimes as Fujimori’s Peru (2013). In organization studies, the notion of rackets has so far not been utilised extensively, although organizational theorists are increasingly turning to metaphors from ‘alternative’ organizations such as the mafia (Parker, 2012). One recent example is Gond (2009) who explored corporate social responsibility through the use of the ‘mafia metaphor’ and in this journal, Fichtner has compared hedge funds to pirates or privateers (2014). In a further exploration of the cultural economy of financialized capitalism, Erturk has extended the metaphorical sphere to include representations of the uncanny - that most literal of ‘parallels’, the *Doppelgänger* (2016).

There have been criticisms of racket theory. Heins for example characterizes it as something akin to a conspiracy theory, a tired Hollywood cliché (2006: 70). He also asserts that the theory of rackets ended up for Horkheimer as a ‘rhetorical hypostatization’ (ibid: 70) which was shielded from empirical criticism (ibid: 67). The scope of racket like behaviour may be in some ways so pervasive that it is impossible to systematize in a way that links theory and empirical evidence. Certainly that which remains hidden is hard to analyse in a definitive sense, although it is a feature of Critical Theory that the definitive is not something to be beholden to. Turning again to the current paper, it is to be noted that although the scope is limited, I have the opportunity to examine the concept of rackets and the society of rackets in a more empirical context. In doing so, I hope that by outlining both rackets as they occur(ed), and as conceptualized by the Frankfurt School, the reader will be able to read what follows with those discussions in mind. The aim is to discuss racket like behaviour in the context of politics and organization *in the light of* these discussions, rather than constantly resorting to a point by point, didactic referral back to prior arguments. In short, I offer examples of corporate/political dynamics which are demonstrative of the racket society *in action*.

Corporate-political nexus as racket: Three contexts

Although the tone shifts somewhat in the conclusion, in the following discussion, I favour the phrase ‘racket like’ over ‘racket’ or ‘racketeering’. The central reason for this is that in the US context, racketeering has become a significant part of legal discourse. Since the introduction of the Racketeer Influenced and Corrupt Organizations statute (see Blakey and Goldstock, 1980), RICO, as it is commonly known, has been used not only to prosecute the mafia, but also to pursue corporations and businesspeople (Anderson and Jackson, 2004). Thus, ‘racket like behaviour’ is used to try and maintain the distinction in both discursive and

conceptual terms of behaviour which parallels that of racketeering in the criminal sense, but is not in itself deemed to be criminal in the eyes of the law.

Racket like behaviour in relation to the nexus between corporations and political actors such as politicians and regulators, operates through interconnecting modalities. From the Frankfurt theory of the racket society, one might highlight a) hidden links between corporate and political actors, b) fusion of corporate and political interests and c) the protection of racketeer interests. To some extent, as we will see, the supposed 'hidden' links can be alternatively described as obscure. The actors in question may not choose to advertise them, but they are open to the forensic research of investigative journalists and others. In practice b) and c) are often manifested through the promotion of 'legislation that benefits corporations at the expense of individual citizens' (Barley 2007: 201) and 'the capturing of regulatory agencies by those whom the agencies were designed to regulate', respectively (ibid.) The following cases speak to all three modalities of the racket society and we will also see how a), b) and c) have played a role in the corporate colonization of socially necessary functions which goes far beyond what Horkheimer observed in 1939 (116).

Context one: Financial deregulation in the USA.

In the context of financial deregulation in the USA during the last thirty years, one can observe patterns of relationships that mirror the patron client networks of organized crime racketeering. The clients; financial corporations such as Enron, Lehman Brothers, Citywide, and Goldman Sachs. Taking the role of patron; politicians and regulators who occupied positions which allowed them to shape the environment in which financial companies do business.

Lobbying has become shorthand for some of the processes involved in corporations influencing regulators and politicians and has attracted much critical attention in recent years (see for example Kaiser, 2010; Mayer, 2016). In the context of the financial sector and particularly in the world's most powerful economy, the USA, this lobbying is seen as having been so successful that commentators speak of 'regulatory capture' (Dal Bo, 2006) by financial corporations. This process gathered impetus following the rise of neoliberal doctrine in the 1970s and saw a succession of legislative changes including the repeal of regulation such as Glass-Steagall via acts of deregulation such as Gramm-Leach-Bliley (GLB) in 1999 and the Commodity Futures Modernization Act of 2000 (CFMA). Deregulation allowed financial corporations to take advantage of newly developing, and highly profitable, models of risk management such as the collateralization of debt via mortgage backed securities. Commentators such as Johnson (2009) have placed particular emphasis on the revolving door between regulators and financial institutions, which saw significant interchange of personnel between corporations and those institutions regulating them. These institutions were able to influence not only politicians and regulators but also the intellectual frameworks used to legitimise new models of financialized risk. As the documentary *Inside Job* revealed in uncomfortable detail, academics at elite universities were paid by financial organizations and wrote reports which lent legitimacy to their calls for deregulation (Ferguson, 2011).

The case of Enron is quite distinctive since it has now become a byword for corporate malfeasance and corruption. Before its collapse, however, it was lauded as one of the world's 'most admired' companies (Stein, 2000). It also spent heavily on lobbying regulators and politicians (Van Natta Jr., 2002). With Enron and the Gramms (husband and wife) we have a case that relates to the promotion of legislation that benefits corporations at the expense of citizens, and the capturing of regulatory agencies by those whom the agencies were designed to regulate (Barley 2007: 201 and see above). It is also useful because it illustrates three specific

methods of achieving these goals – campaign funding, personal connections, and the revolving door. In a 2001 report by Slocum, the relationships between Wendy Gramm, Phil Gramm, and Enron, are mapped out and a summary of these relationships includes the following salient points: In 1992, Wendy Gramm was chair of the Commodity Futures Trading Commission (CFTC) – a leading financial regulatory agency of the US government. At the time, Enron was lobbying for the loosening of restrictions on futures contracts trading. Also at this time, ‘Enron was a significant source of campaign financing for Wendy Gramm’s husband, U.S. Senator Phil Gramm’ (Slocum, 2001: 3). Wendy Gramm granted Enron the exemptions which it had requested, then resigned her post on the CFTC six days later. Five weeks after that she was appointed to the board of directors at Enron, receiving between ‘\$915,000 and \$1.85 million in salary, attendance fees, stock option sales and dividends from 1993 to 2001’ (Slocum, 2001: 3). There are of course many further twists and turns in the story, and indeed the broader legislative career of Senator Gramm, who was instrumental in shaping both GLB and the CFMA, but the dynamics outlined here are illustrative of the wider behaviour of financial companies and politicians. As is typical in such cases, the correlation between personal enrichment of the patron, and the execution of the will of the client - the corporation enriching them - is not conceived of in legal terms as corrupt. Unlike cases of racketeering in organized crime, corporations and politicians tend to be given the benefit of the doubt and indeed, while conflicts of interests are easy to portray as highly likely, they are harder to prove conclusively.

These relationships, processes and outcomes relating to financial deregulation are important because they are very strongly implicated in the global financial crisis of 2008: ‘Overall, our findings suggest that the political influence of the financial industry played a role in the accumulation of risks, and hence, contributed to the financial crisis’ (Igan et al., 2100: 6). If we accept that the financial crisis has led to great economic and social damage, it follows

that this is an example of racket like behaviour contributing to wider societal harm on a very significant scale.

Context Two: Geopolitics and economic restructuring

Global economic restructuring since the 1970s has focused on two processes: Opening up previously circumscribed economies in Asia, Eastern Europe and Latin America to international trade and investment, and the internal restructuring of these economies. Clearly interrelated, these processes have been implicated not only in social harms such as the growth in inequality and human rights abuses but also global conflicts such as the occupation of Iraq. Given the immense level of ‘violence, dispossession, and death’ (Bannerjee, 2008: 1543) that is involved, this serves once again as an example of how social disintegration and harm are central elements in the society of rackets.

The analysis of links between corporations, imperialism and politics is nothing new, as indeed we saw in our discussion of racket theory above. In the post-Second World War era, attention from critical scholars often focused on the role of the Military Industrial Complex (MIC). This formed one of the topics for Marcuse’s critique of American capitalism in *One Dimensional Man* (1964) and has been the subject of work by Chomsky (see for example *Manufacturing Consent* and *What Uncle Sam Really Wants*). More recently scholars such as Klein and Bannerjee have positioned the process of global economic reform as one in which corporations (often connected with the MIC) and political interests work together to “crack open” (Klein, 2008) new markets for their products and services. This has involved, in the first instance, indirect and direct military intervention.

The use of violence, of force, is certainly one parallel with the rackets of organized crime, and this has led commentators such as Chomsky to portray US foreign military intervention as a protection racket (Gardner and Kobtzeff, 2012: 145 and see the reference to Tilly above). Another parallel is the conspiratorial nature of the corporatist project. On this understanding, interventions on behalf of the multinationals are actively planned by a closed group, circumventing recognised democratic channels (Bannerjee, 2008: 1549), and this mirrors the methods used in the takeover of unions and businesses by organised crime. Another notable parallel is that we have the same sense of an intermediary or patron. Someone who has the contacts, holds the right post, to ensure that intervention is taken in such a way that key groups of corporate actors can benefit. Political actors are crucial to this for three reasons. First (as with the deregulation of the financial sector) it is policy makers who shape the systems of rules within which corporations operate at the international level. Second, although corporations are increasingly involved in warfare as private military contractors (see for example Godfrey et al., 2014), the ‘shock and awe’ of expeditionary conflict is the purview of those who hold the monopoly on armed force – the state. Third, in post-conflict states such as Iraq from 2003 to the present day, it is globally dominant governments who award the contracts for reconstruction, consultancy, services, etc. which are involved in economic restructuring.

In the case of the latter element, political actors hold a particularly powerful role since the awarding of contracts is potentially in their gift. This enables them to turn their public position into private gain. Political actors are not only in charge of setting the rules which allow such a system to exist, they are also responsible for failing to create any ‘legal formalization’ (Kirchheimer, 1944: 167) which would effectively prevent such behaviour. That is, they are in charge of regulating corporate behaviour, but perhaps more crucially still, are in charge of regulating their own behaviour. This system allows individuals to drift between representing corporations in the commercial sphere, to representing them in government, and back again –

the now familiar revolving door. This situation can be justified because the corporate world is positioned as offering a reservoir of expertise on how to do things efficiently and effectively. This expertise can be drawn upon either by bringing corporate advisers into government, or allowing government actors to rotate in and out of the corporate sector.

Between the invasion of Iraq in 2003, and 2013, private contractors involved in services, security and reconstruction profited to the tune of an estimated \$138bn (Fifield, 2013). The involvement of private capital in Iraq has come under particular scrutiny due to the unusually high calibre of the connections involved. Consider for example, the case of Dick Cheney. A former US Vice president, his career appears to be a case study of the revolving door between business and politics, and has generated considerable controversy. As US Secretary of Defence in 1992, he oversaw the handing of a major contract to multi services contractor Halliburton. When Clinton moved into the White House in 1993 Cheney, a Republican, moved out and was recruited by Halliburton as their new CEO (Klein, 2008: 291). By the time of the Second Iraq war in 2003, Cheney held the post of Vice President. His connections with Halliburton at this time are a matter of debate, with some claiming that a ‘continuing financial interest’ might have existed, and others noting that he had cut his ties with Halliburton when he left in 2000 to take up government office (Rosenbaum, 2004). What is a matter of record is that in 2003 Kellogg, Brown and Root (KBR), a subsidiary of Halliburton until 2007, was given a contract by the Pentagon to operate Iraqi oil wells. This contract ‘could be worth as much as \$7bn’ (Rosenbaum, 2004). By some estimates, KBR made \$39.5bn from the entirety of its work in Iraq between 2003 and 2013 (Fifield, 2013).

With this example we encounter once again a key problem with researching the society of rackets. Almost by definition, there is a lack of concrete evidence of wrongdoing and the discussion takes on the colour of innuendo and conspiracy theory. The protagonists involved have a variety of legitimating discourses on which to draw regarding matters of national and

international security. War is a volatile business and decisions have to be made quickly. Very few companies have the logistical scope needed to provide effective service in major conflict zones, and few have the necessary security clearance to share information and operate in close proximity with the state's military apparatus. Financial, institutional and familial relationships are woven into networks that are both complex and obscure. Motives are unclear and hard to prove, often resting, ultimately, on questions of integrity. This sort of opacity poses a central challenge to research. How does one go beyond the argument that 'there is no smoke without fire'? What is called for, perhaps, is greater support for the sort of forensic research which can accurately map the relationships – financial and personal – which form the context of second order corruption. Although the present paper does not constitute such a form of research, it is hoped that the conceptual framework under development can also contribute. By supplementing this with more forensically situated research, we can better understand the landscape of the racket society. To that end, I conclude the case studies of racket like behaviour with an example of corporate colonisation of the caring responsibilities of the state.

Context three: Public policy reform

In the context of national economic restructuring under neoliberal capitalism, there is a sense that a system can be created where the same interests seem to profit 'at both ends'. Here, rackets constitute a long term strategy, a pattern of actions over time that despite their significance overall, is hard to detect, track, and resist. In this case, a drive towards free enterprise sees industries deregulated, social inequality rise, social spending cut, unemployment, crime and civil unrest increase. At the same time, the matrix of interlocking corporate/political interests who oversaw these developments over recent decades is able to respond profitably to its more troublesome aspects. In response to an underperforming education system, a shift to charter

schools or, in the UK context, ‘academies’ is called for. Regarding the criminal underclass clogging up overcrowded, decrepit prisons, private security companies are able to offer creative, affordable solutions. Those members of the ‘disposable poor’ (Klein, 2008: 444) who are still at large but unemployed can be offered “pathways” back to work by private employment and skills providers who are able to pick up a profit along the way. Healthcare is another, very significant sector where private expertise and capital is seen as offering a solution to an apparently permanent fiscal crisis of the state.

International colleagues should know that the UK National Health Service or NHS was established after the Second World War as a free at the point of need, publicly owned and taxpayer funded health system. In the last thirty years it has been under political and corporate pressure (both overt and covert, see Ruane, 2010; Travis, 2016) to open up to private companies – with considerable success. It could be argued that this process has seen services degraded and staff and patients put at risk, and has been carried out against the wishes of much of the population (author reference removed for review). The privatisation of healthcare services in the UK has seen frequent and multidirectional entries and exits through the revolving door connecting government with the corporate world and its orbiting think tanks and research units. Private healthcare firms and management consultancies with healthcare interests have been able to supply the government with advisors who have taken senior positions in the construction of a role for the private sector in UK healthcare (Crouch, 2011: 92). This has involved significant input to strategy documents such as the NHS Plan of 2000. The plan helped shape the discourse around private sector involvement, as well as having significant institutional implications. It was effectively a bridgehead to the opening up of the service to private companies (Leys and Player, 2011). Thus it seems they were adept, in Adorno’s terms at locating the ‘channels and plug-holes of power’ (Adorno, 2005: 24); indeed, according to Ruane, corporate interests were able to create their own ‘channels’, creating and shaping

institutions to facilitate the more effective penetration of policy making processes (Ruane, 2010).

Former Secretary of State for Health Patricia Hewitt provides an example of the revolving door in this context. Having worked previously in the consultancy field, she then pushed for the marketization of community health services when in government. In 2007 she transitioned from government minister back to the private sector, as paid advisor for a range of private healthcare companies, including Boots and Cinven. In the case of the latter, Leys and Player note that Cinven's 'portfolio of hospitals positions it nicely for a role in the Extended Choice Network, which Hewitt herself set up' (2011: 80). Cases such as this abound and a full review is beyond the scope of the paper but another recent example could comprise Andrew Lansley, the UK Health Secretary from 2010 - 2012 and considered by many a key figure in the NHS privatisation process. Having moved into the House of Lords in 2015, he now appears to have roles advising a range of companies with an interest in healthcare policy, including management consultants Bain & Company, Blackstone private equity, and pharmaceuticals giant Roche (Syal and Hughes, 2015; Mason, 2015).

As with Cheney's links to Halliburton, there may be legitimate reasons for career paths such as these and certainly, no legal impropriety is implied. Although alleged conflicts of interest in business and politics can lead to job departures etc. across the spectrum of organizations and society (Robertson, 2016; Vasarri, 2016; Golson, 2016), there are justifications available for the maintenance of links between political and corporate worlds. There can be few more qualified than a former health minister to advise companies on health policy, and as long as politicians declare their interests to the appropriate regulator, all is above board. Academics, activist and journalists, indeed the popular media, are able to map out and critique lobbying (see for example the work of Spinwatch, Centre for Public Integrity, Transparency International and for a recent potted history of the revolving door, see Jenkins

2016) and pressure from the public sphere has helped to invoke promises, at least, of tighter controls on lobbying and conflict of interest (Cave, 2013). But is it possible that politicians may favour corporate interests while in post, in exchange for a ‘cushy job’ (Zyglidopoulos, 2015: 2) upon retirement – a matter of ‘winks, sly hints, complicity in deceit’ (Horkheimer 1941: 385)? Certainly a temporal disjuncture can be an effective way of obscuring a variety of motives. While this question remains open, such has been the conspiratorial nature of the corporate penetration of the health service that Leys and Player have called it a ‘plot against the NHS’ (2011).

Although the evidence would benefit from a more detailed analysis than I have scope for here, the growing tendency for essential social services to be delivered by private organizations appears conducive to the blurring of boundaries between racket like, and outright illegal behaviour. The “cash for kids” case, which saw Judges imprisoning children for a cut of the privatised prison’s profits (Getlen, 2014) provides a relatively rare example of racket like behaviour in the state/corporate nexus leading to significant punishment for those involved. In other cases, major security companies (Morris, 2013) and employment agencies who have colonised many services previously provided by the state, have been found to be creating ‘ghost’ clients (BBC, 2012) in order to boost recorded performance and revenue. With greater freedom over appointments and contracting than traditional state run schools, it seems that academy schools in the UK are particularly prone to ‘financial irregularities’ (BBC, 2013) and private providers’ ambitions for growth in the UK healthcare sector have prompted some to raise concerns about the potential for fraud in an increasingly deregulated healthcare market (Morris, 2013). It seems to be the case that alongside the privatization of socially necessary services, come concerns about corruption and crime in the traditional sense.

Discussion and conclusion

While in office, the power of state actors in liberal democracies is formally recognised and democratically mandated. We have seen that at this stage, corporate actors are able to exert influence through lobbying, which covers such mechanisms as financial contributions either directly, or through friendship and family networks. Similarly, we have noted that corporations are able to offer material assistance by supplying advisors and support staff; it might be assumed that such assistance is not given purely philanthropically, but rather in order to influence policy and to gain knowledge of, and a position within, networks of power. The revolving door between politics and business represents, arguably, another form of lobbying, if we accept that all parties concerned have a tacit understanding of how ‘the game is played’ and a familiarity with the art of the deal. In all of these instances, it is commonly the case that nothing illegal has occurred. Indeed, it is possible that financial contributions are legitimate demonstrations of corporate managers’ genuinely held political beliefs which they believe the recipient (or their wider network) shares. Similarly, corporations supplying advisors might be seen as a way for governments to draw on private sector expertise in a cost effective manner, rather than evidence of the merging of corporate and political elites. What makes both of these arguments irrelevant in practical terms, however, is that mechanisms of lobbying such as those described here, are integral to the political and corporate sphere. That is, they are not distortions of the system – they are the system.

Rather than episodic cases of politicians colluding with corporations to further their own interests, it is the case that the political-corporate nexus parallels the criminal-corporate nexus in that the abuse of power is built into the dynamics of the system. In the context of business and politics, it is the politician, rather than the gangster, who functions as patron and intermediary. In government, they are systemically endowed with the power to dispense favours (contracts and favourable policy) in return for financial contributions, administrative assistance which will presumably help further their career, or the tacit understanding that they

will be rewarded 'down the line'. In this case, they are the intermediary not between corporations and politicians (a role played by lobbyists and advisors), but between corporations and public policy, that is, the social context. Once formally back in the corporate sector (often working alongside their erstwhile corporate advisors) former politicians retain the intermediary role but at this stage are one step removed in that they sell access to information, and to networks of decision makers, rather than functioning as decision makers themselves. The changing nature of their role as intermediaries is neatly encapsulated by this quote from Klein:

...stay in government just long enough to get an impressive title in a department handing out big contracts and to collect inside information on what to sell, then quit and sell access to your former colleagues (2008: 315).

What all of this represents is a system where decisions are made not in the interests of customers and citizens, but in the private interests of corporate managers and politicians. The decision making process is fixed – it is made up of 'vicious circles' (Kwitny, 1981) facilitated by willing buyers and sellers of influence. Complexity and opacity make such a conception difficult to conceive of in concrete terms, and so this represents effectively a conspiratorial system made up of caliginous connections which is constructed and maintained to facilitate the development of private interests; a racket, in conceptual, sociological and organizational terms, if not in the eyes of the law. This system is, as already noted, non-criminal. Lawmakers have tended to criminalise the rackets of organized crime, whilst their own systems of influence and subversion of markets and regulations remain 'legitimate' – an indication of the ultimately dominant position of political over criminal elites and their desire perhaps, that this remain so.

Like the theorists of the Frankfurt School, many scholars of management and society have sought to understand, to uncover, hidden structures and abstract ideological frameworks, and the present piece is located in that tradition. That much of what organizations do, and that

links between them at institutional, financial and individual levels remain unseen is accepted as part of scholarly project as, increasingly, is an appreciation of the 'dark side' of organization (Linstead et al., 2014; Hanlon, 2015) It is in this unseen space that a conceptualisation of the society of rackets dwells. As we examine it further, we begin to see that 'murky connections' (Adorno, 2005: 23) and obscure motives, if not conspiratorial dynamics, exist to such an extent, and in connection with matters of such importance, that we may wish to take them more seriously than tends to be the case in mainstream sociological and organizational analysis. My purpose in this article has been to focus not on the authors of conspiracy, the 'cliques, gangs and other established groups' (Heins, 2007: 792) in themselves, but to outline the concept of the racket as a systematization of the operation of power under corporate capitalism. In doing to, I have tried to highlight the parallels between rackets in the criminal world, and in the sphere of business and politics. In part, this has been an intellectual exercise in drawing attention to a less well known current in Frankfurt School Critical Theory. I hope also to have illustrated the potential for the society of rackets to serve as a conceptual tool in analysing the relationships between business, politics and society and concomitantly, to have highlighted the degradation of social, political and moral life which the society of rackets represents.

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