

Advances in Police Theory and Practice Series

# Corruption, Fraud, Organized Crime, and the Shadow Economy



Edited by  
**Maximilian Edelbacher**  
**Peter C. Kratcoski**  
**Bojan Dobovšek**



# Corruption, Fraud, Organized Crime, and the Shadow Economy

Edited by  
**Maximilian Edelbacher**  
**Peter C. Kratcoski**  
**Bojan Dobovšek**



**CRC Press**

Taylor & Francis Group  
Boca Raton London New York

CRC Press is an imprint of the  
Taylor & Francis Group, an Informa business

CRC Press  
Taylor & Francis Group  
6000 Broken Sound Parkway NW, Suite 300  
Boca Raton, FL 33487-2742

© 2016 by Taylor & Francis Group, LLC  
CRC Press is an imprint of Taylor & Francis Group, an Informa business

No claim to original U.S. Government works

Printed on acid-free paper  
Version Date: 20150909

International Standard Book Number-13: 978-1-4822-5531-7 (Hardback)

This book contains information obtained from authentic and highly regarded sources. Reasonable efforts have been made to publish reliable data and information, but the author and publisher cannot assume responsibility for the validity of all materials or the consequences of their use. The authors and publishers have attempted to trace the copyright holders of all material reproduced in this publication and apologize to copyright holders if permission to publish in this form has not been obtained. If any copyright material has not been acknowledged please write and let us know so we may rectify in any future reprint.

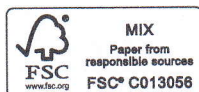
Except as permitted under U.S. Copyright Law, no part of this book may be reprinted, reproduced, transmitted, or utilized in any form by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying, microfilming, and recording, or in any information storage or retrieval system, without written permission from the publishers.

For permission to photocopy or use material electronically from this work, please access [www.copyright.com](http://www.copyright.com) (<http://www.copyright.com/>) or contact the Copyright Clearance Center, Inc. (CCC), 222 Rosewood Drive, Danvers, MA 01923, 978-750-8400. CCC is a not-for-profit organization that provides licenses and registration for a variety of users. For organizations that have been granted a photocopy license by the CCC, a separate system of payment has been arranged.

**Trademark Notice:** Product or corporate names may be trademarks or registered trademarks, and are used only for identification and explanation without intent to infringe.

Visit the Taylor & Francis Web site at  
<http://www.taylorandfrancis.com>

and the CRC Press Web site at  
<http://www.crcpress.com>



Printed and bound in Great Britain by  
TJ International Ltd, Padstow, Cornwall

# Contents

Series Editor's Preface .....	xi
Prologue .....	xiii
Acknowledgments .....	xv
Editors .....	xvii
Contributors .....	xix
 1. Introduction: The Relationship of the Informal Economy to Corruption, Fraud, and Organized Crime. ....	1
<i>Maximilian Edelbacher, Bojan Dobovšek, and Peter C. Kratcoski</i>	
 2. The Informal Economy and Organized Crime. ....	7
<i>Bojan Dobovšek and Boštjan Slak</i>	
 3. Financial Flow of Organized Crime and Tax Fraud in Developed Countries: An Empirical Investigation .....	19
<i>Friedrich Schneider</i>	
 4. Organized Crime and the Mafia between Violence and the Informal Economy .....	37
<i>Arije Antinori</i>	
 5. The Informal Economy: The Connection to Organized Crime, White Collar Crime, and Corruption. ....	53
<i>Peter C. Kratcoski</i>	
 6. The Insurance Industry and the Informal Economy. ....	65
<i>Michael Theil</i>	
 7. The Role of Lawyers as Defenders of White Collar Criminals .....	71
<i>Petter Gottschalk</i>	
 8. Falsified Prospect Theory in the Context of Corruption and Foreign Direct Investment. ....	81
<i>Benjamin Potz, Dominik Sporer, Christian Zirgoi, and Briget Burbeck</i>	
 9. "Construction Mafia?" Social Fraud and Organized Crime—The Austrian Perspective. ....	91
<i>Martin Meissnitzer</i>	
 10. Organized Crime and the Informal Economy: The Austrian Perspective. ....	97
<i>Maximilian Edelbacher</i>	

---

11.	Symbiosis of Politics, the Shadow Economy, Corruption, and Organized Crime in the Territory of the Western Balkans: The Case of the Republic of Serbia .....	111
	<i>Branislav Simonović and Goran Bošković</i>	
12.	The Relationship of the Shadow Economy and Corruption in China .....	125
	<i>Li Xiangxia</i>	
13.	A Change in Activities of Japanese Organized Criminal Gangs: From Conventional Illegal Activities to Erosion to a Legal Economy .....	135
	<i>Minoru Yokoyama</i>	
14.	An Analysis Regarding the Roma Community from Romania .....	147
	<i>Soria-Maria Cofan</i>	
15.	Hells Angels in the Shadow Economy .....	159
	<i>Petter Gottschalk</i>	
16.	A Discourse on the Gray Economy, Corruption, and Organized Crime in Slovenia .....	167
	<i>Katja Eman, Tine Furdi, Rok Hacin, and Bojan Dobovšek</i>	
17.	The Informal Economy in the United States: Size, Determinants, and Comparisons .....	181
	<i>David G. Baker</i>	
18.	Human Factors and Compliance: A Depth-Psychological Perspective on White and Blue Collar Crimes .....	187
	<i>Christian Felsenreich</i>	
19.	Conclusion and Future Perspectives .....	197
	<i>Maximilian Edelbacher, Peter C. Kratcoski, and Bojan Dobovšek</i>	
	Index .....	207



# 11. Symbiosis of Politics, the Shadow Economy, Corruption, and Organized Crime in the Territory of the Western Balkans

## The Case of the Republic of Serbia

**Branislav Simonović and Goran Bošković**

Introduction .....	111
Influence of the Disintegration of Yugoslavia and the Sanctions of the International Community on the Shadow Economy in Serbia .....	112
The Shadow Economy in Serbia in the Period Following the Democratic Changes and the Return of the Country into International Economic Systems .....	114
The Causes for the Development of a Shadow Economy in Serbia .....	115
The Relationship between the Shadow Economy, Corruption, Organized Crime, and Money Laundering. . . .	117
The Shadow Economy and Corruption .....	117
The Shadow Economy, Organized Crime, and Money Laundering .....	119
Problems in Implementing the Measures to Suppress the Shadow Economy .....	120
Conclusion .....	122
References .....	122

### Introduction

This chapter emphasizes that the shadow economy is the *Achilles' heel of a state* (for instance, see Andjelković 2002, p. 407). A high level of the shadow economy represents a symptom of deeper disturbances in the economic structure, weak enforcement of laws, and bad functioning of institutions. The shadow economy is a response to weak functioning of authority (government) and state in the sense of their incapability to enforce laws and regulations (Vujović et al., 2013, p. 6).

The problem of the shadow economy in Serbia is to a certain extent more pronounced than in other East European countries that have also undergone the transition in government and economy considering the wide range of causes and the specificity of the situation in Serbia. Serbia has been in transition for a very long time (extended transition characterized by stagnations

in privatization processes and the changes of principles in its implementation). In addition, the economic growth rates in Serbia are low, the rule of law is at a low level, the government institutions are caved in, the law enforcement is weak, and there is a high level of corruption,\* among other factors. In addition to the problems mentioned, Serbia is characterized by a high unemployment rate, low quality of public services, low tax-related moral and tolerant attitudes of the citizens

\* The Corruption Perception Index (CPI) supports this fact. Serbia is at 72nd position out of 177 in 2013, with index 42, compared to the countries in the neighborhood that have taken much better positions. Slovenia is at 43rd place, and at better ranked are also Croatia at place 57 and Montenegro and Macedonia, both at place 67. The website in which this can be found is the Corruption Perceptions Index 2013, Transparency International, Brochure, <http://cpi.transparency.org/cpi2013/results>. Accessed July 20, 2014.































