Gangster’s Paradise
The Untold History of the United States and International Crime

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The dark underside of the global economy is thriving. Globalization has been good not only for legitimate businesses but also for those who traffic in illegal drugs, evade sanctions or taxes, trade stolen goods and intellectual property on the black market, smuggle immigrants, and launder money. Some of these activities are merely policing headaches. But others pose major security challenges to governments around the world.

These various illegal activities are often lumped together and categorized as global or transnational organized crime. According to a 2011 White House report, such crime has “dire implications for public safety, public health, democratic institutions, and economic stability.” That sentiment is shared by the UN Office on Drugs and Crime, which in 2010 declared that “organized crime has globalized and turned into one of the world’s foremost economic and armed powers.” Illicit trade has become a source of tension between major powers, as well: U.S. officials berate China for not doing more to prevent intellectual piracy and counterfeiting. Pundits have also sounded the alarm, fretting over the potential for international crime to cause conflict between states and perhaps even erode the foundation of the modern state itself. The journalist Moisés Naím, for example, describes efforts to curb cross-border crime as “wars of globalization” and argues that governments are losing the battle.

This anxious rhetoric has spurred governments to tighten controls and plug leaky borders, with Washington leading the way. In recent decades, the United States has aggressively and successfully exported its crime-fighting agenda and promoted its favored anti-smuggling practices abroad through bilateral agreements and multilateral initiatives. The State Department even hands out annual report cards grading countries on how well they are doing in fighting human trafficking and the international drug trade, with many countries scrambling to at least project an image of progress and compliance.

As the world’s leading antidrug campaigner, the United States has spent tens of billions of dollars in recent decades trying to stop the smuggling of drugs into the country (even while doing relatively little to stop the flow of guns smuggled out). Reflecting the dramatic escalation of the drug war, the United States has become the world’s leading jailer—with more people locked up for drug-law violations today than western Europe has in jail for all offenses combined.

To fight the perceived menace of illegal immigration, the U.S. government doubled the size of its border...
patrol in the 1990s and then doubled it again during the last decade. It has also erected hundreds of miles of formidable fencing and deployed new military-style surveillance technologies to monitor U.S. borders, including Predator drones that now fly over the U.S.-Mexican border. Last year, the Obama administration devoted more funds to immigration control—some $18 billion—than it did to all other federal law enforcement activities combined.

There is no doubt that cross-border crime and illicit trade harm individuals and communities and pose challenges to governments, including the United States. But the panicked discourse and frenzied law enforcement policies that define Washington’s current approach are an alarmist overreaction. Pundits and policymakers in the United States have grossly distorted the threat and have neglected to place modern crime in historical perspective.

Contrary to the conventional wisdom, much of today’s cross-border crime problem is not new. In fact, states have struggled with this precise challenge for
centuries. And far from being a passive victim, the United States has fostered as rich a tradition of illicit trade as any other country in the world. Since its founding, the United States has had an intimate relationship with clandestine commerce, and contraband capitalism was integral to the rise of the U.S. economy.

Recognizing this somewhat awkward truth should help cool down today’s overheated debates about the phenomenon and how to respond to it. Americans ought to understand and acknowledge their country’s own history of complicity in illicit trade. This is especially true of U.S. policymakers. A better understanding of the historical realities of cross-border crime might even reduce the perverse and counterproductive consequences of government crackdowns and redress the chronic lack of attention to the demand side of illicit trade.

“DO AS WE SAY, NOT AS WE DID”
The lack of awareness about how the United States historically profited from international crime is most glaring whenever U.S. officials gripe about China’s unwillingness to combat counterfeiting and pirating. The complaints are not without merit. Businesses pay a price when knockoffs of Louis Vuitton handbags and Rolex watches flood Canal Street in New York City and Santee Alley in Los Angeles or, what is more ominous, when hackers believed to be based in China pilfer technical blueprints for U.S. fighter jets. But Americans have conveniently forgotten that when the United States began to industrialize in the late eighteenth and early nineteenth centuries, founding fathers such as Alexander Hamilton enthusiastically encouraged intellectual piracy and technology smuggling, especially in the textile industry.

In his *Report on Manufactures*, published in 1791, Hamilton argued that “to procure all such machines as are known in any part of Europe, can only require a proper provision and due pains,” even if this involved breaking the laws of other countries. The report acknowledged that most manufacturing nations “prohibit, under severe penalties, the exportation of implements and machines, which they have either invented or improved,” but this did not deter Hamilton’s call for what amounted to industrial theft.

High fashion and high technology are not the only contemporary industries that complain about China: many American authors and filmmakers are also understandably upset that Chinese-produced bootleg copies of their books and films hit the black market immediately after their official release. Washington has been at the forefront of international efforts to push other governments to crack down on such theft. But in the nineteenth century, the shoe was on the other foot, and it was British authors, such as Charles Dickens and Anthony Trollope, who were outraged by the widespread copying of their works in the United States, where the government was unwilling to do anything about it. The U.S. Copyright Act of 1831 ignored the issue of international literary piracy, and it was not until American authors, such as Mark Twain, became victims of such theft that the country began promoting international copyright standards.

Beijing should try harder to protect intellectual property. But Washington needs to accept that China’s behavior today is not so different from that of
American smugglers put their illicit transportation methods, skills, and networks to use when they covertly supplied revolutionary troops with desperately needed arms and gunpowder. Motivated as much by profit as patriotism, smugglers also served as privateers, recruited into George Washington’s makeshift naval force (although the British still considered them pirates).

Long after the country’s independence, illicit trade continued to play a major role in the rise of the United States on the global stage, not least by creating some of the first major American family fortunes. John Jacob Astor, the first American multimillionaire and the richest man in the country at the time of his death, in 1848, was an accomplished smuggler. Astor engaged in a variety of illicit trading ventures, smuggling opium to East Asia, doing business with the enemy during the War of 1812, and clandestinely exchanging banned alcohol with Native Americans for furs.

Astor was far from unique. Stephen Girard, also one of the richest men in the country when he died, in 1831, made his fortune partly through various forms of smuggling, including the Chinese opium trade. Warren Delano, Jr., grandfather of Franklin Delano Roosevelt and creator of the family fortune, also benefited from the same business, which he referred to as a “fair, honorable and legitimate trade.” Never mind that the Chinese authorities considered him an outlaw, having banned the opium trade by imperial edict in 1729.

**PATRIOTIC SMUGGLERS**

Transnational crime remains a real threat, especially when it fuels violence, such as the cocaine-financed guerrilla wars of recent decades in Colombia and the ongoing opium-backed Islamist insurgency in Afghanistan. Yet it is important to remember that this nexus of crime and violent conflict is nothing new. In the years before the American War of Independence, Colonial merchants were leading players in the Atlantic smuggling economy, most notably in the illegal importation of molasses from the West Indies for distilleries in New England.

The American rebellion was in part sparked by a British crackdown on this trade. British authorities were also outraged that Colonial merchants had made illicit fortunes by supplying French forces during the Seven Years’ War. The increasingly militarized British crackdown on smuggling in the decade before the American Revolution provoked mob riots, the burning of customs vessels, and the tarring and feathering of customs agents and informants.

It was also thanks to smuggling that a ragtag force of Colonial rebels was able to defeat the world’s most powerful military.
those who claim that U.S. borders are
go out of control now forget that those
borders were never effectively con-
trolled in the first place. In fact, the
United States has always had highly
permeable borders. Border smuggling
has defined the U.S.-Mexican economic
relationship from the start; the same is
ture of the U.S.-Canadian relationship.
During Prohibition, the Detroit-Windsor
border was just as much a smuggling
corridor as the El Paso–Ciudad Juárez
border is today. Both the northern and
the southern U.S. borders provided a
backdoor for illegal Chinese and Euro-
pean immigration long before Mexican
immigration became the primary
border concern.

The U.S.-Mexican border has become
increasingly militarized in recent years,
with Washington deploying thousands
of U.S. National Guard troops to help
secure the country’s southern frontier.
On the other side of the fence, Mexico
has already turned its soldiers into front-
line troops in the “war on drugs.” But it
should be remembered that militarizing
the struggle against smuggling back-
fired long ago, when Great Britain used
its navy to crack down on Colonial smug-
gling in the late 1700s. Benjamin Franklin
was one of many critics of the policy,
sarcastically exhorting the British in
1773 to

convert the brave, honest officers of
your navy into pimping tide-waiters
and colony officers of the customs.
Let those, who in time of war fought
gallantly in defence of the commerce
of their countrymen, in peace be taught
to prey upon it. Let them learn to be
corrupted by great and real smugglers;
but (to shew their diligence) scour
with armed boats every bay, harbour,
river, creek, cove, or nook throughout
the coast of your colonies; stop and
detain every coaster, every wood-
boat, every fisherman. . . . O! this will
work admirably!

Much has changed since Franklin
wrote those bitter words, but his basic
critique of turning a military into an
antismuggling force still holds true.
Soldiers typically do not make good
cops: they are trained to kill rather than
arrest and detain, they might not respect
civil liberties, their heavy-handed tactics
can alienate the very communities they
are supposed to protect, and handing
them messy policing tasks that place
them in close proximity to smugglers
and other criminals can lead to increased
corruption.

Americans also often conveniently
forget that the magnitude of today’s
border-smuggling challenge was partly
self-created: pressure placed on Colom-
bian drug-trafficking routes through the
Caribbean and southern Florida in the
1980s pushed the illicit trade westward,
to the U.S.-Mexican border, much to the
delight of Mexican traffickers. Similarly,
crackdowns on illegal immigration at
urban ports of entry along the same
border in the 1990s pushed immigrants
to rely much more on smugglers to
navigate the border crossing, creating
a far more profitable and sophisticated
transnational crime problem. The reli-
ance on smugglers has also generated
hundreds of immigrant deaths per year
as smugglers have adopted risky cross-
ing strategies over remote and harsh
terrain to evade U.S. border agents.

As has always been the case, there are
limits to how much Washington can deter
and detect illicit economic activities
across U.S. borders, especially while maintaining an open society and allowing legal trade and travel. In 2010, an average of nearly one million people, 250,000 privately owned vehicles, and more than 60,000 truck, rail, and ship containers legally entered the country every day. That same year, more than $2 trillion in legal imports crossed U.S. borders. Facilitating this enormous volume of legitimate border crossings while attempting to enforce laws against illegal traffic is an extraordinarily cumbersome and frustrating task. The practical reality is that U.S. borders cannot be fully secured and sealed; they are supposed to be extremely permeable, serving as busy bridges rather than simply fortified barriers.

Obsessively chasing foreign smugglers and beefing up border enforcement will achieve little without much more focused and sustained attention to the demand for illicit goods that fuels the cross-border clandestine economy, most notably the United States’ addictions to cheap immigrant labor and mind-altering substances. The United States will make little progress if policymakers continue to see these problems as primarily rooted in transnational crime, rather than in outmoded labor-market regulation, a dysfunctional immigration system, an overly punitive drug-control system, and failures in education and public health policy.

Americans need to take a deep breath: there is no need to hyperventilate about broken borders and global crime threats. U.S. borders are more patrolled, monitored, and difficult to cross than ever before. Law enforcement agencies are cooperating both regionally and globally to an unprecedented degree. Of course, border crossings should be more effectively managed and regulated—not only to discourage unwanted crossings but also to facilitate legitimate trade and travel.

Using history to evaluate the illicit side of globalization is crucial for a number of reasons: because it is so glaringly missing from today’s debates about transnational crime, because it corrects for the hubris of the present and the common tendency to view recent developments as entirely new and unprecedented, and because it helps Americans make sense of their past, present, and future. The great irony is that a country that was born and grew up through smuggling is now the world’s leading antismuggling crusader.

Battles over illicit trade will no doubt continue to shape the United States and its engagement with its neighbors and the rest of the world. The particular smuggling activities and policing priorities will surely shift over time, as they always have, but it is safe to predict that the centuries-old illicit trading tradition will survive. Drawing more public and policy attention to these serious challenges, however, should not devolve into shrill calls to regain control when Washington never actually had control in the first place and, in fact, once caused the very type of chaos it now scrambles to contain.®