

# Legitimacy in Criminal Governance: Managing a Drug Empire from Behind Bars

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**Abstract:** States, rebel groups, and mafias all provide governance beyond their core membership; increasingly, so do prison gangs. Leveraging street-level actors' anticipation of future incarceration, U.S. prison gangs govern retail drug markets from behind bars. Brazil's Primeiro Comando da Capital (PCC) gang goes further, orchestrating paralyzing attacks on state and civilian targets, while imposing social order in slums that vastly reduced homicides. We present and analyze a trove of seized PCC documents detailing its retail drug business and internal disciplinary system. Three descriptive findings stand out: a decentralized but profitable consignment-based trafficking operation; elaborate bureaucratic procedures and recordkeeping; and overwhelmingly nonviolent punishments for debt-nonpayment and misconduct. These features, we argue, reflect a deliberate strategy of creating legitimacy in criminal governance. The PCC's fair rules, collectivist norms, procedural justice, and meticulous "criminal criminal records" facilitate community stigmatization of infractors, giving mild sanctions punitive heft and inducing widespread voluntary compliance without excessive coercion.

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Rebel groups often provide governance as a means of contesting formal state power, but criminal groups with narrower aims also govern people and spaces. Criminal governance can extend beyond organizations' core members to illicit markets and the civilian communities where such markets operate. Canonically associated with mafia and protection rackets (Blok 1974; Gambetta 1993; Tilly 1985), criminal governance is increasingly being provided by drug-trafficking organizations (DTOs), quite often ones based *within* prison. Scholarship on U.S. prison gangs has provided foundational insights (Skarbek 2011), but generally lacks systematic data on the practices that sustain and constitute into prison-based criminal governance, especially beyond the prison walls. Moreover, U.S. cases do not cover the empirical range of prison-based governance: Brazilian prison gangs govern more intensely and extensively, ruling over entire slum populations and across enormous swaths of territory. This article explores the governance practices of São Paulo's Primeiro Comando da Capital (PCC), likely the most powerful prison gang in the world and *the* leading case of prison-based criminal governance. We present and analyze a trove of PCC financial and disciplinary records, identifying a novel variant of criminal governance and theorizing its underlying mechanisms.

Founded within a São Paulo prison in 1993 by a handful of inmates, the PCC has grown into Brazil's foremost threat to state authority. With some 20,000 "baptized" members, it is one the

largest criminal organizations in the hemisphere. The PCC now controls over 135 prisons in São Paulo state alone, and has established cells in all 27 Brazilian states and at least five neighboring countries. It leverages this control to project its power onto the streets, with countervailing effects. The PCC has repeatedly orchestrated debilitating terror attacks on state and civilian targets. Yet it also banned unauthorized killings throughout São Paulo's informally urbanized periphery, contributing to a dramatic 83 percent fall in homicide rates in just seven years, from 65 per 100,000 in 1999 to 10.6 in 2016.

This article makes both empirical and theoretical contributions. We analyze novel systematic data on the PCC's street-level drug business and its internal disciplinary system, distilling three main descriptive findings: drug retailing is consignment-based; punishment is mild; and recordkeeping is meticulous. These features, we argue, flow from the PCC's overarching approach to governance: not just imposing its rule, but establishing its legitimacy along Weberian, rational-bureaucratic lines. This approach induces voluntary compliance among members while minimizing internal violence, keeping a decentralized, consignment-based drug business profitable in spite of endemic agency problems, and in the face of intense, militarized policing.

The empirical findings in this trove are varied. For example, the same organization that provides loaner guns for recently-released members getting a new start, also spent USD\$500 on children's Easter eggs. We highlight three substantively and theoretically puzzling findings. First, the PCC's trafficking operations in upstate São Paulo—the region covered by our data—run on a consignment basis. This contrasts with the hierarchical franchise structure and territorial control employed by Rio de Janeiro's Comando Vermelho—an older prison-gang-cum-drug-cartel that the PCC initially

emulated—and the Chicago gang analyzed by Levitt and Venkatesh (2000). In the five months that we observe, the PCC consigned 550kg of crack and 90kg of powder cocaine to a decentralized, competitive network of some 500 individual dealers across 89 municipalities, extending about USD 3.2 million in microcredit.<sup>3</sup> The non-payment rate, we estimate, was between 14 and 27 percent, lower than the 30 percent markup the PCC charges dealers; the resulting profit finances a transportation system for imprisoned members’ families and other member welfare benefits.

Second, the PCC possesses a complex system of internal discipline characterized by clear rules, rhetorical appeals to collectivist norms, and administrative procedures to ensure transparency and fairness. Critically, we observe that unpaid debts were punished exclusively with nonviolent sanctions like suspension or expulsion from the organization, and that physical punishment was exceedingly rare.

Finally, the documents reveal a thoroughgoing embrace of bureaucracy: codified structures and procedures, reflected in meticulous recordkeeping. While attention to detail is unsurprising in financial documents, even greater care goes into maintaining the individual personnel files we dub “criminal criminal records”, which track members’ background and history of interactions with the organization, including previous infractions. The PCC, our trove reveals, is a prodigious producer and keeper of data.

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<sup>3</sup> Our financial data spans September 2011 – April 2012; for convenience, we use the January 1, 2012 exchange rate (1.867 BRL/USD) throughout. The rate has depreciated significantly since.

We advance a theory of legitimate criminal governance to explain these three findings. The PCC's consignment model is subject to agency problems: it requires regular repayment by far-flung dealers to remain profitable. The procedurally fair and meticulously documented system of "criminal justice" solves this problem, inducing widespread voluntary compliance through several complementary mechanisms. At the level of individual rationality, the PCC's procedures yield an accurate record of dealers' performance and infractions, so that even a mild punishment like a short suspension (by far the most common punishment observed) carries a powerful stigma, incentivizing timely debt repayment. At a more systemic level, the overall mildness of the PCC's enforcement regime, its prioritization of public-goods and welfare provision, and its fairness in business dealings (including flexibility for debtors in dire straits), produce a form of legitimate, rational-bureaucratic authority characterized, as per Weber's (1946) definition, by widespread voluntary compliance.

How do mild punishments like suspension induce individual compliance? Ultimately, by providing information to other criminals. Gambetta (2009) observes that criminals need to work together, and hence to identify and reliably assess one another, without revealing themselves to undercover authorities. Though he focuses on symbolic codes as signals, Gambetta suggests that incarceration can solve this adverse-selection problem nicely, since "just being a prisoner is a clear and simple sign that one is criminally inclined" (Gambetta 2009, 11). Moreover, the fairer the official criminal justice system, i.e. the more accurately it distinguishes the guilty from the innocent, the more reliable the signal that incarceration sends.

An inverse logic applies to prison gangs' internal disciplinary systems. A member in good standing, besides having been convicted by the state, carries the gang's seal of approval; an expelled

or punished member has been found wanting. What others can infer from this depends on that gang's rules, norms, and disciplinary practices. If punishment is doled out arbitrarily, it conveys little information about the punished member's actual performance or "type". Conversely, the fairer the "criminal criminal justice" system, the clearer the signal that punishment sends. A seemingly mild punishment, if fairly meted out and meticulously recorded, can still carry a heavy stigma.

The PCC's elaborate but standardized procedures must be understood in this light. Its system of fixed, graded punishments for dealers with overdue consignment debts—including a "three strikes" rule—is tempered by flexibility and patience when dealers face unpredictable setbacks (like arrest) or make good faith efforts to repay. For more serious infractions, the PCC employs lengthy and potentially risky trials, often adjudicated by imprisoned elders, and designed to reduce false convictions and excessive punishment (e.g. Feltran 2010). The costs of operating this system, we argue, are offset by important dividends: the PCC's reputation for *not* being hasty, arbitrary, or unfair increases the stigma of suspension or expulsion, because those convicted cannot credibly claim innocence.

The PCC's meticulous recordkeeping amplifies this effect; who needs symbolic codes when you have detailed records of previous misconduct and punishment, including a cell phone number to call for case details? This use of recordkeeping to induce good behavior recalls several theorized mechanisms in the literature. Shapiro and Siegel (2012) show how the institutional memory that recordkeeping facilitates allows terrorist leaders to better motivate operatives who may otherwise

slack or skim.<sup>4</sup> Relevant too is Milgrom et al.'s (1990) model of the Law Merchant, in which accurate, centralized recordkeeping can produce cooperation “without the benefit of state enforcement of contracts” (1990, 2). Such conditions prevail generally in the criminal underworld, and especially in the far-flung regions covered by our trope, where the PCC's ability to physically punish rulebreakers may be relatively weak.

However, the PCC's embrace of bureaucracy, codified procedures, normative appeals, and generally mild punishment carries over from places where its punitive power is immense: within prison (Dias and Salla 2013) and São Paulo's urban periphery (e.g. Feltran 2010). Moreover, our data suggests that even when PCC leaders harshen discipline to address excessive non-compliance, they avoid draconian measures that might maximize profits at the expense of fairness. Thus, we argue, the PCC deliberately eschews raw coercive power in order to maintain a form of *legitimacy*, along “Weberian” rational-bureaucratic lines. By this we simply mean that most subjects of PCC governance do not merely submit; they *subscribe* to its rule because they perceive it to be fair and efficacious.

This construction of legitimate criminal governance over relatively autonomous criminal actors contrasts with more hierarchical, territorial, and violent approaches to criminal rule, constituting a novel and potentially transformative model for organizing the criminal underworld,

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<sup>4</sup> Like the PCC, many terrorist organizations prefer suspensions to firing or killing operatives, although the authors attribute this to a lack of ready replacements.

and wider peripheral populations, from behind bars. The PCC's rapid expansion throughout Brazil and into neighboring countries is evidence of this.

The following section conceptualizes criminal governance; Section 3 provides background on the PCC; Section 4 describes our data and related ethical and methodological issues; Section 5 presents empirical findings; and Section 6 considers these findings in light of our theory of the PCC's legitimacy-based approach to governance. We conclude with implications for literatures on state-formation and insurgency.

## **2. Varieties of Criminal Governance**

Criminal governance is more varied than rebel governance. A first dimension of variation is "Who is governed?". "Rebel governance" generally refers to rebel-civilian interaction, and criminal organizations may also impose rules on and/or provide public goods to civilian populations (e.g. Ley et al. 2017). However, studies of criminal governance may emphasize groups' internal governance (e.g. Leeson and Skarbek 2010; Skarbek 2010), or their governance over wider populations of criminal actors, often within a specific illicit economy, ethnicity, or territory (e.g. Skarbek 2011).

Criminal governance also varies in terms of what is governed, and where. Both criminal and rebel governance tend to occur in places where the state is weak. Yet criminal groups rarely pursue rebels' overarching goal of "competitive state-building" (Kalyvas 2006). Rather than challenge state power directly, criminal governance flourishes in its interstices; these may be geographical, like the Sicilian hinterlands where the Mafia arose (Blok 1974), but are often abstract spaces, such as the "stateless areas" created by prohibition of economic activities (Skaperdas 2001). Criminal governance

is often narrow, covering some criminal markets and informal economies but not others; when it extends over civilian life, it often does so unevenly. A gang might monopolize drug sales, prohibit property crime, and punish civilian contact with police, but leave realms like informal transport, land disputes, and electoral politics unregulated. Consequently, the boundary between criminal and formal state governance is routinely blurred, fluid, or even porous (Arias 2006).

Another source of variation is “who governs?” Whereas traditional mafias, drug cartels and street gangs tend to govern the areas and social strata where they are present (e.g. Gambetta 1993; Levitt and Venkatesh 2000), prison gangs have demonstrated a capacity to govern criminal activity from a distance. This allows them to organize retail drug markets at city and state-wide scales, something street gangs and mafias have rarely if ever accomplished (Hagedorn, 1994; Skolnick et al., 1990). Skarbek (2011) attributes this to prison gangs’ “encompassing interest” in street-level drug markets and an ability to punish and reward members inside prison. Yet micro-level observations of the administrative, extractive, and punitive practices that sustain prison-based criminal governance are rare, limited to ethnographic observation or selective court documents. Moreover, U.S. prison gangs’ governance typically extends only over co-ethnic street gangs, and hence to limited geographic areas and populations.

A final dimension of variation, we argue, concerns the “how” of criminal governance. Conventional wisdom portrays criminal governance as highly coercive, personalistic, and arbitrary. Dons, capos, and gang bosses are often charismatic authority figures, cultivating fearful reputations, and deploying violence strategically to assert dominance and reward blind loyalty. We document a style of criminal governance closer to Weber’s notion of “rational-bureaucratic legitimacy”.

One contribution of this paper is to document important empirical variation along these dimensions. We analyze a rare body of systematic data on the administrative and disciplinary practices that support prison-based governance of a vast street-level network of sworn members and autonomous affiliates and the retail market they operate within. These data were produced by a prison gang whose governance is, relative to U.S. cases, more universal, covering multiethnic populations across large urban peripheries; more extensive, covering all of São Paulo state, and expanding rapidly to the rest of Brazil; and, we suspect, less violent. Our primary data, and hence our core findings, concern PCC governance of the retail drug market. Nonetheless, additional sources suggest that it adopts similar governance practices within prison and over non-criminal civilian populations.

### **3. The PCC, First Among Factions**

The PCC is the largest and most sophisticated of Brazil's *facções criminosas*, or “criminal factions”—gangs born and based in prison that come to control slum territories and illicit markets beyond prison. The PCC initially modeled itself on the Comando Vermelho (CV), which formed in the prisons of Brazil's military dictatorship in the 1970s and dominated Rio de Janeiro's favelas in the 1980s. The CV then fractured, and has fought brutally against rivals and police in Rio ever since. In contrast, the PCC maintains the hegemony it developed over São Paulo's sprawling prison system in the 1990s and its urban periphery in the 2000s, subsequently expanding across Brazil and to neighboring countries. It also developed into a more complex organization than the CV, with distinctive governance practices and a deliberate policy of expansion beyond São Paulo. Since 2000,

the rest of Brazil has become “factionalized”, with local factions often emerging in response to the PCC’s (and to a lesser extent, the CV’s) arrival.

Recalling social movements, Brazil’s factions often arise in response to state oppression, framing their purpose as a righteous “struggle” (*luta*) against violence and abuse. This intermingling of normative and criminal goals began with the CV. Its founders gleaned collectivist techniques from leftist militants, unwisely housed together by the military dictatorship. Whereas the leftists eventually won amnesty by distinguishing themselves from common criminals, one CV founder explains, “Our path could only be the opposite: integration with the prison masses and the fight for liberty using our own resources” (Lima 1991, 43).

The PCC was also born in response to state repression: the 1992 Carandiru prison massacre, in which São Paulo Military Police killed 111 mostly defenseless prisoners who had rioted to protest guard abuse. A group of survivors, transferred to a harsh maximum-security prison under Carandiru’s former warden, formed the PCC in 1993. Its founding statute states: “We must remain united and organized to avoid a similar or worse massacre... The massacre will never again be forgotten...because we, the Comando, will change the way that prisons are inhumane, full of injustice, oppression, torture, and massacres.” The statute declared an alliance with the CV, borrowing its motto “Peace, Justice, and Liberty”. The statute has been updated several times since,

and further distilled into a guiding mission: “peace among thieves and war against the state” (Biondi 2016).

Like the CV did in Rio, the PCC violently eliminated its rivals and imposed a governance regime that won the allegiance of prison populations. It prohibits theft, rape, extortion, and unauthorized violence; provides limited welfare (food, medicine, and hygiene products) for the poorest inmates; ensures the supply of drugs, cell phones, and other contraband; effectively administers daily prison life; and pressures officials for improvements in conditions, especially around family and conjugal visits. A disastrous official policy of transferring PCC leaders to other prisons (in hopes of neutralizing them) helped them dominate São Paulo’s prison system and establish cells throughout Brazil (Figure 1) (Gentile 2017).

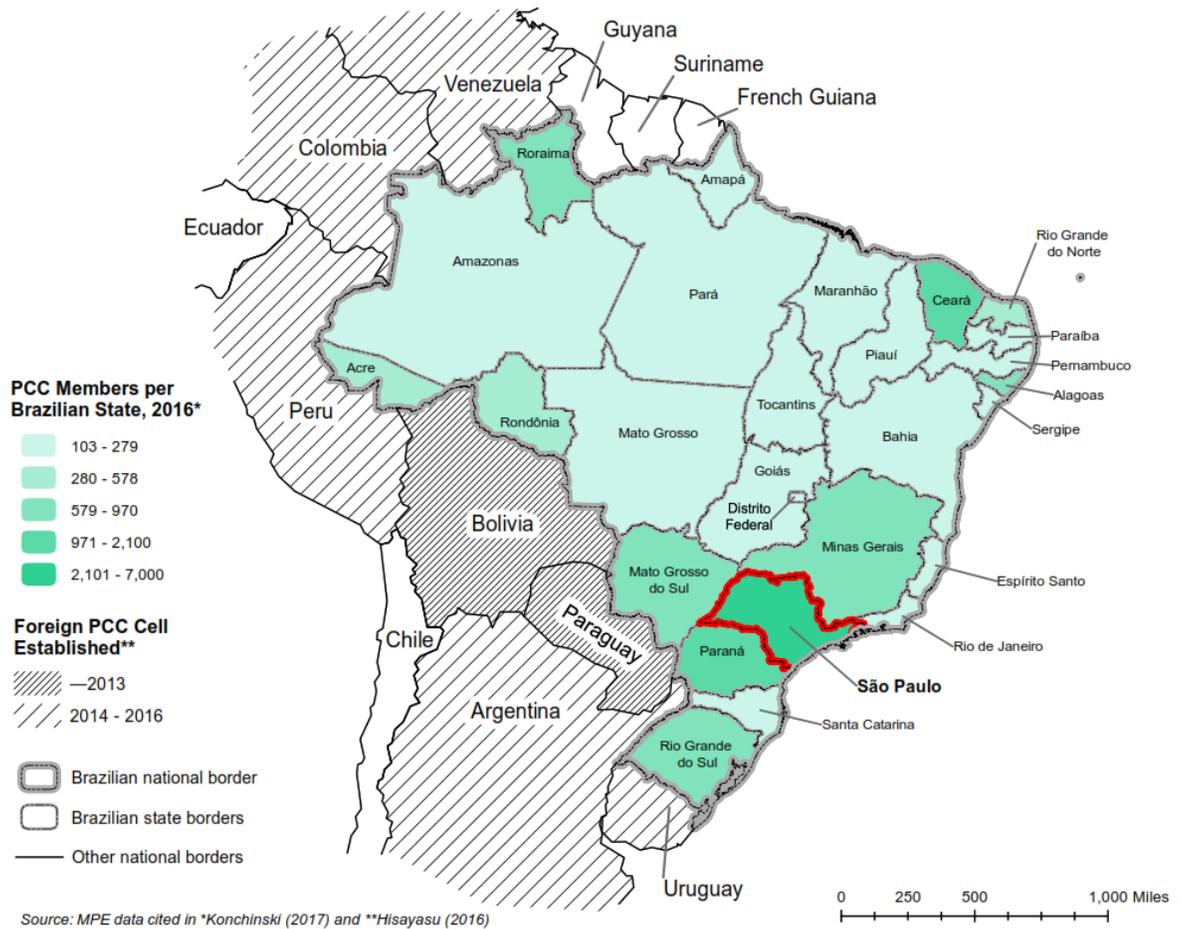


Figure 1: Geography of PCC Expansion in South America.

The PCC diverged from the CV in structure and style after a 2003 internal coup led to a “democratizing” structural reform, symbolized by the addition of “Equality” to the “Peace, Liberty, and Justice” motto. The new leader, known as Marcola, replaced the PCC’s personalized, “pyramidal” structure with a flattened hierarchy of institutionalized posts called *responsas* (“responsibilities”), through which members rotate. He instituted norms against pulling rank (*humildade*), a practice of open debate at every level of decision-making, and formal tribunals

(*debates*) for serious violations in which juries of imprisoned leaders hear out witnesses, victims, and even “counsel” (King and Valensia 2014).

In the wake of the 2003 coup, and as the PCC established hegemony within prison, it moved away from brutal executions of rivals and non-compliers, adopting a system of gradated, mostly nonviolent punishments (Dias and Salla 2013) similar to the one we observe outside prison. It also developed a rich normative vocabulary emphasizing both individual moral uprightness (*proceder*) and a collective “ethos of crime” (Marques 2010).

From 2000 on, the PCC extended both its criminal activity and governance practices from prison to the urban periphery of São Paulo and beyond. Whereas the CV established militarized control over peripheral communities, granting its semi-autonomous bosses local monopolies on drug sales, the PCC established a thoroughgoing presence but not hard territorial control, regulating criminal activity and supplying drugs to a wide network of members and affiliates.

The PCC established a monopoly not on drug retailing but on the legitimate use of force, banning killings except those sanctioned by its prison-based tribunals. Ethnographies of low-income neighborhoods in the early 2000s document the imposition of this “criminal code of conduct” (*lei do crime*)—sometimes violently resisted by incumbent criminal groups but often peacefully acceded to—and the subsequent drop in killings that were “no longer allowed” (Feltran 2010; see also Alves 2015; Hirata 2010). Biderman et al.’s (2014) difference-in-differences analysis confirms that the PCC’s arrival into neighborhoods caused sharp local reductions in homicides, contributing significantly to São Paulo’s massive crime drop since 2001 (Figure 2) PCC’s tribunal system is now

used throughout São Paulo’s periphery, including by non-criminals for everyday dispute resolution. It has a high bar for conviction, and deters false accusations by sanctioning unsuccessful plaintiffs (Biondi 2016; Feltran 2010).

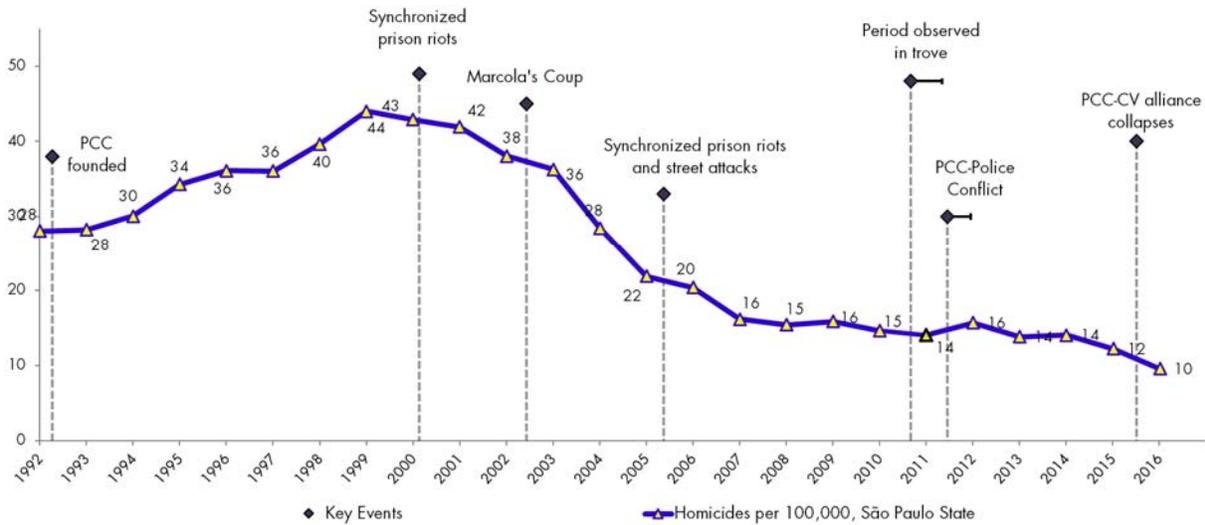


Figure 2: Timeline of the PCC.

In 2006, the PCC used its power on the streets to launch a synchronized wave of attacks on São Paulo city’s transportation, police, and banking infrastructure, while instigating simultaneous riots in over 90 prisons. The attacks brought São Paulo to a standstill for four days, ending only after officials negotiated with Marcola. Since 2006, São Paulo has seen relative calm, suggesting unspoken accords between authorities and the PCC. A brief outbreak of PCC–state conflict in 2012–13 was likely the result of a renegotiation of this tenuous consensus. Meanwhile, the PCC’s early, haphazard spread gave way to a deliberate strategy of expansion to every corner of Brazil and even neighboring countries (Figure 1). This colonizing project has brought it into conflict with CV-allied local

factions, contributing to the 2016 collapse of the PCC-CV alliance and the subsequent outbreak of street-level turf wars and prison massacres throughout Brazil, leaving hundreds dead.

#### 4. Data

A trove of internal PCC documents, our primary source, was given unsolicited to Author 2 by a São Paulo state bureaucrat involved in investigations of the PCC, during an informal conversation. We describe these data, address ethical and methodological concerns, and discuss the additional sources we use to increase reliability and provide context.

The document trove consists of computer files and scans of a handwritten notebook seized by police during the 2012 arrests of two PCC members who held the posts of bookkeeper (*livro*) and disciplinarian (*disciplina*). Almost all the documents relate to and were created by the administrative unit known as the “Interior”, covering most of São Paulo state outside Greater São Paulo city, and its seven regional subdivisions (*Regionais*). The documents refer overwhelmingly to the period September 2011 - October 2012.

The trove contains over 500 files, including duplicates and dozens of .mp3 music files apparently intended to deceive investigators if seized. We focus on a subset of unique documents:

- 23 ledgers (*fechamentos*, literally “closings”) (19 weekly, 1 bi-weekly, and 3 monthly).
- 15 “X-Ray” documents (*raio X*) detailing individual drug consignments to members and affiliates.

- 5 “bad-debt reports” (*relatórios*) listing debts thought to be uncollectable because of individuals’ expulsion, disappearance, imprisonment, or death.
- 66 scanned pages from the disciplinarian’s handwritten notebook (henceforth “DHN”), mostly detailing individual punishments.
- A set of 98 Word files, each recording an individual punishment, seized together with DHN (henceforth “DWF”).
- 10 assorted Word and Excel documents, including intra-organizational communiqués.

Such data raise important ethical and methodological concerns. Critical to both, our trove is almost certainly part of a larger cache of internal PCC documents amassed by the São Paulo Office of the Public Prosecutor (Ministério Público do Estado, MPE) during a major investigation that produced over 150 indictments—though few convictions—in 2013. We sought, unsuccessfully, to obtain the complete MPE cache. However, detailed accounts of these documents and the MPE’s analysis of them appear in the State Record of Judicial Proceedings (Diário Oficial de Justiça de São Paulo, DJSP); sample documents and summary findings were also published by journalists who were given partial access (e.g. Barbieri 2014; Godoy and Paes Manso 2014). These sources’ descriptions of the documents’ formatting and structure match those in our trove. Moreover, it is unlikely that state officials possessed our trove yet withheld it from the MPE. Hence our supposition that the MPE’s cache includes our trove, and our confidence that our documents are genuine.

Our data contains personally identifiable information (PII) about individuals’ criminal association and drug trafficking; none of these individuals gave informed consent, raising serious

ethical concerns. We obtained waivers of consent from our respective IRB boards<sup>5</sup> based on our anonymization of results; the security regime we employed to prevent data leaks; and the low risk of additional harm to subjects and their families from inadvertent leaks, since the data was previously vetted by officials as part of a major investigation.

The data also raise questions of reliability and bias. How do we know these documents are genuine, and that that they provide a representative picture of the PCC? We follow Mafia scholars' advice to seek both external validation using "all available contextual evidence"—including official files and interviews with key informants—and to carry out "internal validity control" by checking consistency across our documents and analyzing their metadata (e.g. Campana 2016, 5).

Both external and internal evidence suggests our trove was not forged. The MPE's description (DJSP 2015) of its cache of documents closely resembles ours, including the "smokescreen" .mp3 files. Our trove's internal consistency also makes a forgery by officials implausible; for example, the ledgers' closing dates match their respective "last-modified" dates in the file metadata. The PCC *could* have fabricated or falsified the data to mislead officials, but then why would it include so much evidence of criminal activity, linked to hundreds of individual names? That the documents were seized in raids along with drugs and weapons casts further doubt on this possibility. As an additional check, we located media reports and official records validating numerous individual arrests and the single execution recorded in our data.

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<sup>5</sup> IRB Protocols #[suppressed]

A key concern for reliability is the incompleteness of our data on two fronts. First, as is often true of seized internal documents (Gutiérrez Sanín 2008), the trove is a non-random sample covering less than a year in the life of one PCC administrative subunit, limiting our view geographically (only part of São Paulo state), structurally (only the street-level drug business, from the Interior level downward), and temporally. This could lead to bias if the region, administrative practice, and/or period we observe are exceptional. We draw on secondary evidence suggesting that operations elsewhere are broadly similar. However, the PCC is a large and evolving organization. Without additional systematic data we cannot be sure our findings apply beyond the time and places observed.

Second, some documents are clearly missing: at least one monthly ledger and several “X-Ray” documents. These gaps seem minor—there is enough redundancy across documents to fill in most missing information, or make educated guesses. However, we cannot rule out the possibility that an entire document type is missing. The most relevant possibility is that violent punishments were carried out but not documented together with the non-violent punishments recorded by the disciplinarian. If true, our claim that the PCC relies almost exclusively on non-violent punishment would be biased. However, the recording of a single execution—as well as many non-violent punishments—in the bad-debt reports suggests that, had other executions occurred, we would have some record of them.

Could the trove’s incompleteness, and any resulting bias, be due to deliberate withholding of documents? We believe this is unlikely. First, Author 2 observed the bureaucrat copying the trove from his computer, and saw no effort to selectively include or exclude material. Second, following

Robertson (2007, 790–91), we can consider the likely motives of officials who provide sensitive data. Such motives, if acted on, likely shaped the data provided to Brazilian media around this time. The resulting articles emphasized the PCC's size and brazenness, suggesting that if officials leaked selectively, they sought to foster a fearful image of the gang. Yet our trove lacks data on the PCC's core drug markets (Greater São Paulo), and points to less sensational qualities than officials hypothetically sought to convey. Our informant might have sought to counteract prior leaks, but handing a carefully curated data trove to a graduate student seems like a suboptimal way to do so. In any case, the caveats above apply to any bias, whether accidental or deliberate.

A final reliability concern involves interpretation. Formatting, orthography, and accounting conventions are extremely erratic; nicknames, abbreviations, slang, and code-words are ubiquitous and inconsistent. While both authors are fluent in Portuguese and familiar with gang tropes, the nature of the data called for thoughtful approaches to analysis and, at times, careful conjecture.

To “stay true” to the data, we conducted our analysis before turning to additional sources for triangulation and context. The MPE's analysis and secondary sources largely corroborate our assessment of the PCC's structure and interpretation of key terms. Two additional data sources come from the authors' field research. The first is a smaller trove of seized PCC documents (henceforth S2) given to Author 2 by a different state bureaucrat. Unlike our primary trove, S2 covers Greater São Paulo, but thinly; it covers a wider variety of PCC administrative subunits, including prison administration, but does not contain punishment records. Because of S2's variegated but limited nature, we do not systematically analyze it. Rather, it corroborates some findings, and provides context about the PCC's larger structure and division of labor. Second, we draw on Author 1's

ongoing study of the PCC's expansion throughout Brazil, including interviews with incarcerated PCC members, state officials, and slum residents.<sup>6</sup> This study excludes São Paulo state to focus on PCC expansion, so it cannot directly corroborate our data. However, it includes places like Paraná state that resemble São Paulo's Interior in terms of PCC penetration and distance from São Paulo city.

## 5. Findings

### Organizational Structure

The PCC has a sophisticated bureaucratic structure, made up of executive and managing committees (*sintonias*, literally “getting in tune”) for different functions, replicated across multiple administrative levels. Our data directly confirms the existence of at least three levels, Regionals, Interior, and at the very top, the *Sintonia Geral e Final* (which we call “Central Management”). Composed of the PCC's ranking leaders, mostly housed together in a single prison, Central Management has final authority over the entire organization inside and outside prison. We observe this authority in the communiqué (*salve geral*) and “aid bank” documents discussed below.

Journalistic accounts and the MPE's analysis (DJSP 2015) report that beneath Central Management lie four main branches, also coordinated by *sintonias*: the prison system (*sistema*), the “street” (*rua*), other states beyond São Paulo (*estados*), and a “support” branch (*apoio*) of specialized

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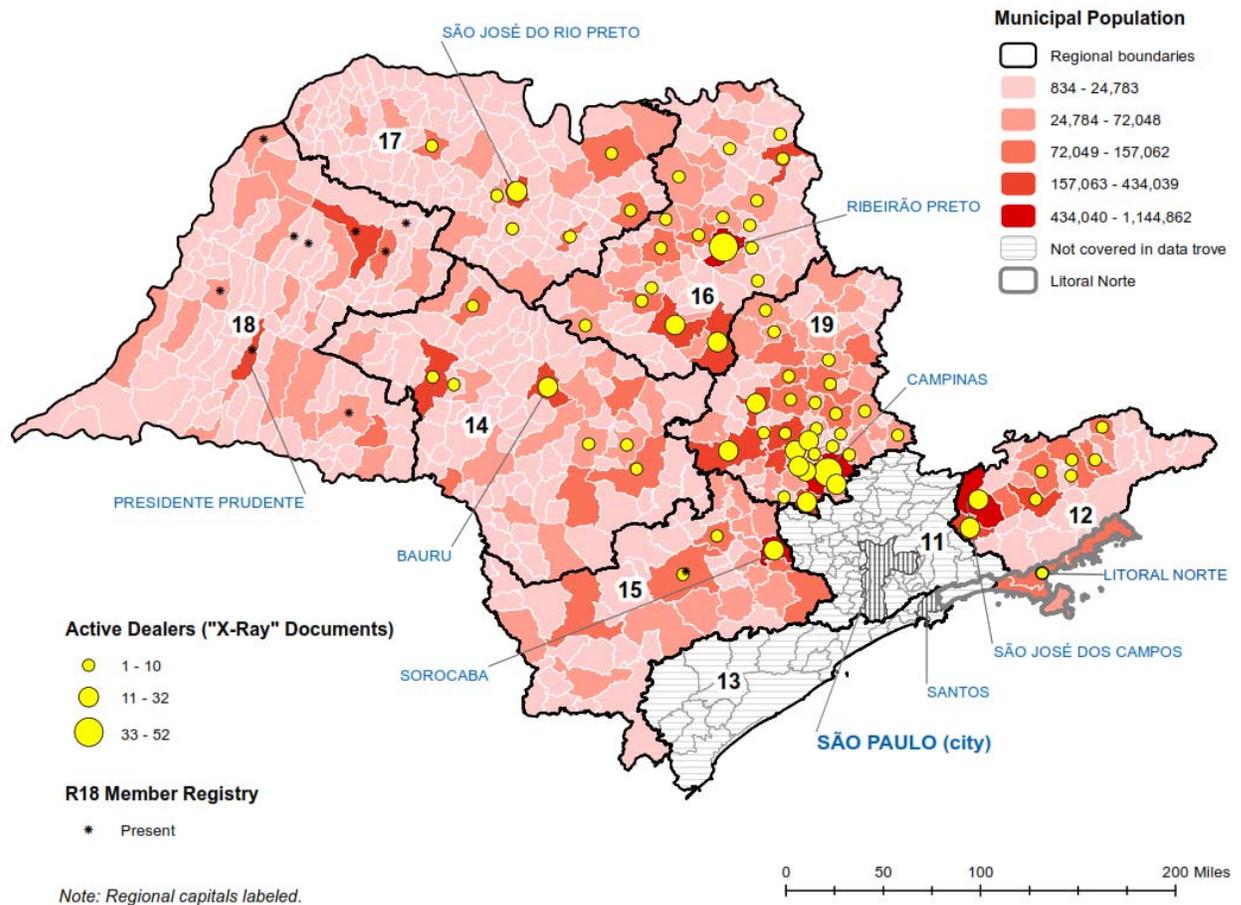
<sup>6</sup> This study received separate, full-board IRB approval. Protocol #[suppressed]

*sintonias*.<sup>7</sup> The “street” branch has eight geographic subdivisions: five for the capital city and one each for the São Paulo suburbs (*ABC*), the port city of Santos and coastal lowlands (*Baixada Santista*), and the remainder of the state (*Interior*).

The PCC’s division of the Interior into Regional subunits follows São Paulo state’s official telephone area codes (Figure 3). Our documents refer to the Interior as comprising Regionals 12 and 14-19. Beyond references to “Capital” as an administrative unit, our documents shed no light on how Regionals 11 (Greater São Paulo) and 13 (Baixada Santista) are administered. In the Interior, our data shows, Regional-level administrators interact directly with individual dealers in over one hundred *quebradas* (“locales”, mostly single municipalities in our data); the Regionals answer to the Interior which in turn answers to Central Management, as in the MPE’s analysis.

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<sup>7</sup> Including: membership dues (*cebola*), welfare assistance for members (*ajuda*), lawyers (*gravatas*, literally, “neckties”), and cigarettes (*cigarro*).



**Figure 3: São Paulo State: Population and PCC Presence.** “Regionals” correspond to and are numbered by telephone area codes. Our trove comes from the Interior administrative unit, which covers Regionals 12 and 14-19. Circles represent number of active dealers per municipality identified in consignment-level data. Stars are members listed on a unique registry for Regional 18.

Replicated across this vertical structure is a horizontal division of labor into defined job posts (*resposnas*). At each level, there is a Financial, Disciplinary, and General Manager or Council, and other key posts like bookkeeper (*livro*, “book”) and messenger (*jato*, “jet”). Posts are reportedly unpaid (Barbieri 2014), and our documents contain no record of salaries. One-year bans on holding posts are common punishments, one reason why rotation is frequent.

Our data tells us little about how the PCC operates inside prison. It does confirm that the collection of members' dues (a monthly fee plus obligatory participation in a raffle) is separate from the administration of the street-level drug trade. Our primary trove covers only the latter, whereas S2 includes files from the dues unit, confirming oversight by Central Management.

### **Drug Trafficking**

Roughly half the trove concerns the financial side of the PCC's drug operation, detailing an elaborate consignment system for retailing crack, cocaine, and marijuana. Consignment differs from two more commonly observed models of drug retailing: "freelance" operations where individual dealers purchase their supplies up front from wholesalers, and hierarchical, firm-like franchises whose owners pay dealers fixed salaries or commissions and claim residual profits. Each model has strengths and weaknesses. Levitt and Venkatesh (2000) report that the takeover of a Chicago drug market from a gang employing a freelance model by a more sophisticated gang using a franchise model led to a tripling of profits; they attribute this to the severe credit constraints endemic to freelance systems. Hagedorn (1994) also finds centralized retail drug operations to be highly profitable, but more visible and hence vulnerable to law enforcement, and less adaptable to changing circumstances.

Similar dynamics prevailed in many Brazilian cities, including São Paulo prior to the PCC's widespread involvement, where the concentration of retail drug markets varied as smaller firms expanded and larger firms fell prey to repression and succession battles. For decades the key exception was Rio's CV, which has always been organized on the franchise model, as a confederation of bosses running his own firm, with hierarchies, salaried posts, and a local monopoly within his

turf. While the CV has survived and at times proven quite lucrative, it has suffered both intense militarized state repression and predation by corrupt police, losing considerable ground since 2008.

The PCC's consignment model constitutes a middle path, alleviating the credit constraints of freelance operations by extending microcredit to dealers, while avoiding the risks and costs of maintaining local monopolies over retail turf associated with hierarchical models.<sup>8</sup> The consignment model also provides money-making opportunities for members and affiliates while isolating these from the PCC's collective (and collectivist) endeavors. On the other hand, it creates agency problems, requiring mechanisms to track dealers' debts and induce timely repayment.

How profitable is the PCC's drug business? The timing of drug consigning and repayment coupled with the relatively short period we observe complicates estimation. Nonetheless, the non-payment rate on consignment debt appears to be less than the Interior's markup, suggesting the business is basically profitable. In terms of cash flow, total revenues equal total outlays, with no profits explicitly reported. However, included in reported expenses are the costs of a major transportation network for incarcerated members' families and other welfare benefits. Overall, we conclude that the business made enough "profit" to finance this network and replenish its drug inventory. We turn now to the details.

In our data, crack is by far the dominant economic activity (accounting for 92 percent of revenue), followed by powder cocaine, with marijuana a distant third. The Interior makes wholesale

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<sup>8</sup> Our primary trope indicates that the Interior operated on a purely consignment basis; S2 shows that in Greater São Paulo, the PCC complements consignment with direct operation of drug retailing points (*bicas*).

purchases of drugs (100-500kg in our sample) from unspecified “suppliers”. Drugs are disbursed among the Regionals in lots of 5–103kg, and thence consigned (at a markup) to individual dealers. Dealers can be baptized PCC members (*irmãos*, “brothers”) or un-baptized “affiliates” (*companheiros*), and can obtain consignments of virtually any size, for which they incur debt at a fixed rate of BRL 8,500/kg of crack and BRL 5,000/kg of cocaine, roughly 4,552 and 2,678 USD respectively.<sup>9</sup> No marijuana consignments occur in the period we observe, although small outstanding debts indicate that previous consignments occurred.

The Interior purchases crack from its supplier at a flat rate of BRL 6500/kg, retaining the BRL 2,000/kg (USD 1,071) markup. Our data contain one wholesale marijuana purchase of 500kg at BRL700/kg but no consignments to dealers, and consignments of cocaine at BRL 5000/kg but no wholesale purchases, so we cannot calculate the markup for either. Wholesale purchases are paid in installments; for example, a note in the December 2011 ledger (Figure 4) discusses the purchase of 150kg of crack at BRL 6500/kg (for a total of BRL 975,000), stating that two payments have already been made, and that BRL 63,576.50 “remains to be paid to the supplier”. The same note details the disbursement of 150kg of crack to the Regionals, along with their corresponding increases in the Interior’s outstanding debt at the BRL 8500/kg rate (totaling BRL 1,275,000).

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<sup>9</sup> This price differential suggests that powder cocaine is highly diluted; a note repeated in several weekly ledgers confirms this: “the 20[kg] of pure [cocaine] in our stockpile has been cut into 120kg of cocaine for retail sale.”

**OBS:** Referente a compra de 150 caixas de PT do mes 12/2011 foi pago 6.500,00 cada caixa num valor total de 975.000,00, mais já fizemos um arremesso de 655.703,50 data 20/12/2011 e outro de 255.720,00 data 26/12/2011 totalizando 911.423,50 já pago para o fornecedor de PT restando para pagar 63.576,50 de PT ao fornecedor.

**OBS:** Nesse fechamento foi acrescentado 90 caixas de ML no valor de 5.000,00 cada caixa num valor total de 450.000,00 sendo acrescentado no debito de ML do interior,tambem foi acrescentado 150 caixas de PT no valor de 8.500,00 cada caixa num valor total de 1.275.000,00 sendo acrescentado no debito de PT do interior.

E nas regionais foram acrescentados os seguintes valores abaixo:

**Regional 019: 225.000,00 → 45 caixa de ML**  
**Regional 016: 100.000,00 → 20 caixa de ML**  
**Regional: 015: 25.000,00 → 05 caixa de ML**  
**Regional 014: 60.000,00 → 12 caixa de ML**  
**Regional 012: 40.000,00 → 08 caixa de ML**

**Regional 019: 595.000,00 → 70 caixa de PT**  
**Regional 017: 85.000,00 → 10 caixas de PT**  
**Regional 016: 255.000,00 → 30 caixa de PT**  
**Regional: 015: 85.000,00 → 10 caixa de PT**  
**Regional 014: 127.500,00 → 15 caixa de PT**  
**Regional 012: 127.500,00 → 15 caixa de PT**

**Figure 4:** Note from December 2011 ledger detailing bulk crack purchase by Interior from an unidentified “supplier” (*fornecedor*) and marked-up disbursements to Regionals.

The fact that the Interior makes bulk purchases (partially) on credit suggests that the “supplier” could be PCC Central Management, essentially consigning large shipments to the Interior.

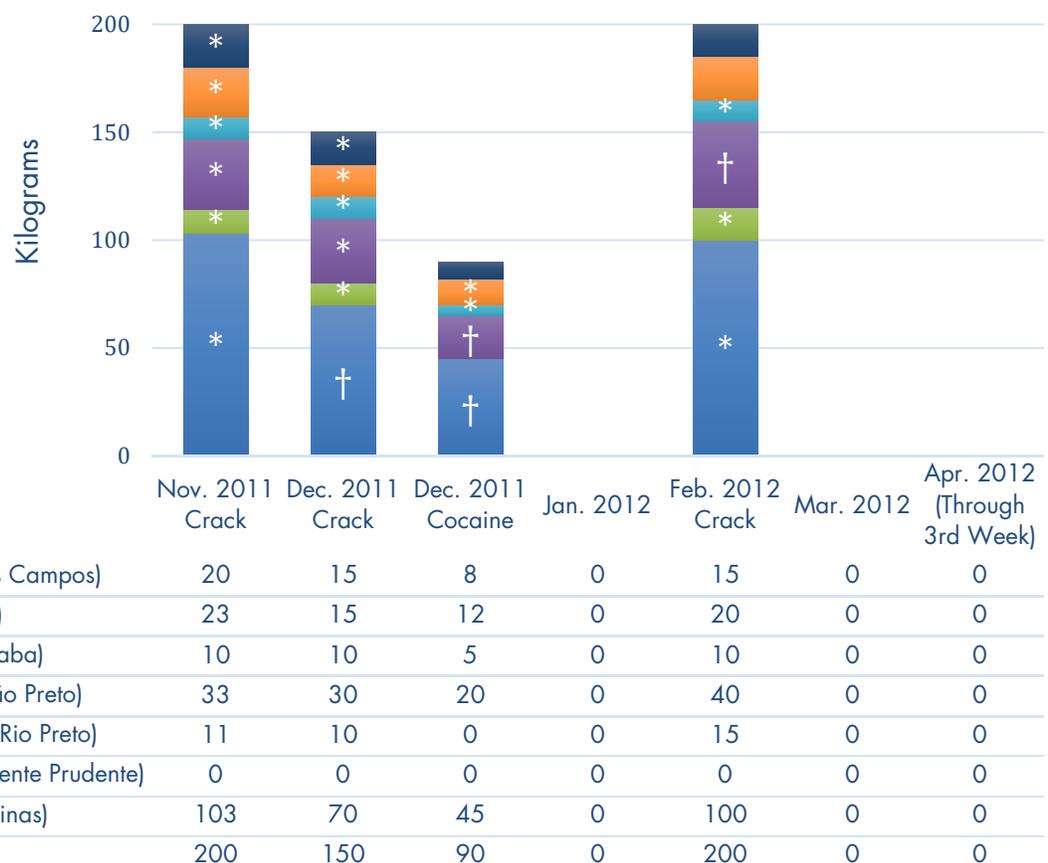
However, in contrast to Regionals’ debt to the Interior, the documents never mention an Interior debt to Central Management; rather, outstanding debts to suppliers are noted haphazardly in text boxes pasted into ledger spreadsheets, and installment payments are recorded as business expenses. Moreover, the marijuana wholesale purchase is described as “for the Capital” (hence its disbursement does not appear in our data) while the 120kg of powder cocaine the Interior had on hand in December was “being disbursed, with 30 to the Capital and 90[kg] to the Interior.” The only other recorded financial interactions between the Interior and the rest of the organization are two business

expenses totaling BRL 57,000 to Central Management for a “project” (*progresso*) in March.<sup>10</sup> Many possible financial and logistical arrangements between the Interior, the Capital, and Central Management are consistent with these limited observations.

There is significant regional variation in trafficking volume. Regional 19, containing Campinas, the second largest city in the state, was responsible for 47 percent of incoming revenue, while the sparsely populated Regional 18 received no new consignments and made a single small debt repayment. There is also temporal variation, with the largest disbursements in late November 2011 and February 2012, and none in March or the first three weeks of April (Figure 5). Seasonal variation is a plausible explanation: the end of November marks the beginning of summer in Brazil, and the lead-up to Christmas vacation. Summer continues through Carnival, which fell on February 17-21 in 2012, when drug consumption is probably very high. Work rhythms resume in March, and it is possible that retail drug markets contract accordingly.

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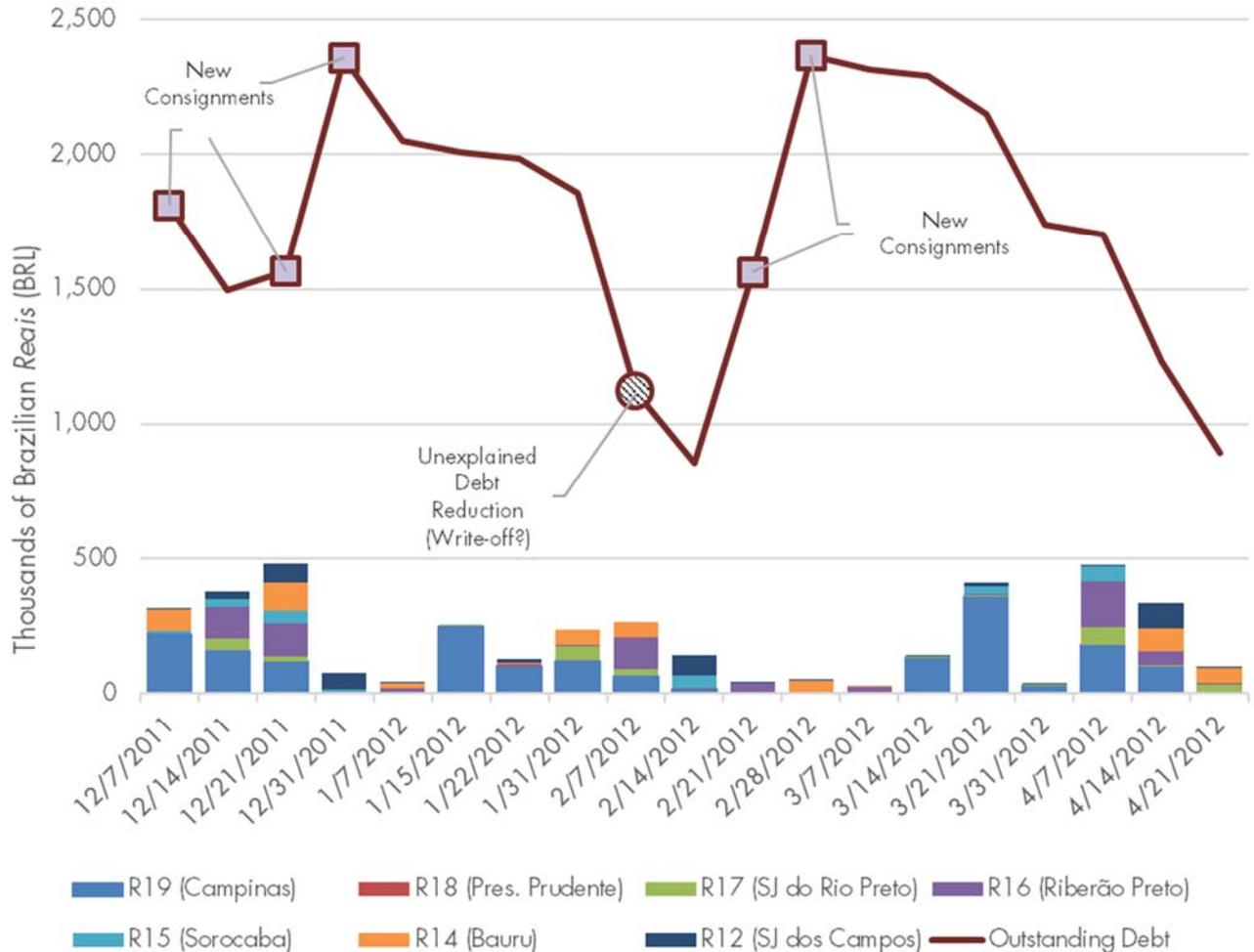
<sup>10</sup> *Progresso* usually means “the drug business”, but can refer to other collective projects, such as a planned prison break or bank robbery (Biondi 2016, 170).



**Figure 5: Drug Disbursements by Regional.** Symbols indicate disbursements for which the X-Ray documents provide complete (\*) or partial (†) data on individual consignments.

We do not observe dealers' income from drug sales, nor the markup they charge consumers. We do, however, observe the repayment of consignments by the Regionals to the Interior, which is quite variable likely due to the vagaries of retail-level drug sales and the fates of individual dealers. Figure 6 shows the Interior's outstanding debt (accounts receivable) and revenues from debt repayments over the period observed. Overall, the Interior took in BRL 3,938,605 and made BRL 3,425,000 in new

consignments; an additional BRL 502,647.50 of debt disappears from the books, due, we conjecture, to a write-off of uncollectable debt.



**Figure 6: Interior's Total Outstanding Debt and Debt Repayments by Regional.** Weekly ledgers show a large debt reduction between January 31 and February 7; the January monthly ledger that should explain it is missing. We conjecture it was a one-time write-off authorized by Central Management.

As an upper bound on profits, the Interior stood to make 2000/kg on the 550kg it consigned, for a total of BRL 1,100,000; if we assume cocaine has a similar markup (30 percent), the maximum

profit possible for this period was BRL 1,205,000. However, debts are not always repaid in a timely fashion, or at all.

To estimate the non-repayment rate, we analyzed the “*relatório*” (report) documents, running tallies of the Interior’s overdue debts among dealers who have been expelled, gone missing, been arrested, or died. These documents are not consistently dated or organized, limiting our analysis. Two reports list “total overdue [debt],” “total current [debt]” (i.e. recently issued) and “total outstanding debt” (the sum of overdue and current debt) for the Interior, allowing us to calculate a rough non-payment rate (overdue / total debt). However, these line items occur twice in each report, consecutively, under different headings, with different values for “overdue debt.” Table 1 illustrates this, combining the two reports, maintaining the original terms and formatting, and adding translations and our non-payment rate calculations. We suspect that the bottom entries (*débito do Interior*) exclude debts considered irrecoverable, but the debt for marijuana *increases* between the top and bottom entries (the Regional totals show similar increases for crack and cocaine). Regardless, the observed range of non-payment rates, 14 to 27 percent, is less than the 30 percent markup on crack. Since many of these overdue debts had been on the books for over a year, this seems like a manageable level of non-payment.

**Table 1: Total Reported Overdue and Current Debts, and Authors' Estimates of Non-Payment Rates.** Besides our highlighted estimates and labels, the original formatting is maintained. The reports "relatorio (3).doc" and "relatorio (2°).doc" each contain two different sets of totals, as shown, yielding four estimated non-payment rates.

	<b>Document name:</b>	<b>relatorio(3).doc</b>	<b>relatorio(2°).doc</b>
	<b>Last-modified date:</b>	<b>8/23/2012</b>	<b>9/27/2012</b>

**Valor a receber no interior. [Value to be received by the Interior.]**

<b>PT atrasado: [Overdue crack]</b>	247.107,85	248.452,50
<b>MI atrasado: [Overdue cocaine]</b>	126.756,50	150.567,00
<b>Bob atrasado: [Overdue marijuana]</b>	9.025,00	9.025,00
<b>PT atual: [Current crack]</b>	<b>1.396.390,00</b>	<b>1.099.438,00</b>
<b>Valor total atrasado: [Total overdue]</b>	<b>382.889,35</b>	<b>408.044,50</b>
<b>Valor total atual: [Total current]</b>	<b>1.396.390,00</b>	<b>1.099.438,00</b>
<b>Valor total do debito: [Total debt]</b>	<b>1.779.279,35</b>	<b>1.507.482,50</b>
<b>Authors' estimate of non-payment rate:</b>	<b>21.5%</b>	<b>27.1%</b>

**Debito do interior [Debt of the Interior]**

<b>PT atrasado:</b>	166.607,35	144.473,35
<b>ML atrasado:</b>	51.062,00	51.062,00
<b>Bob atrasado:</b>	13.169,00	13.169,00
<b>PT atual:</b>	1.396.390,00	1.099.438,00
<b>Valor total do debito: [Total debt]</b>	<b>1.627.228,35</b>	<b>1.308.142,35</b>
<b>Authors' estimate of non-payment rate:</b>	<b>14.2%</b>	<b>16.0%</b>

We see no record in our data that the Interior owes this money (as accounts payable) to Central Management. On the other hand, the first bad-debt report (by last-modified date) opens with a note indicating that the Interior is under pressure from Central Management to balance its books, which has authority to cancel debts it deems uncollectible:

Report of debts among the expelled and of unknown whereabouts who have not settled their debts until today whose values are just bulking up the regional spreadsheets and making it difficult to balance our books, and we are forwarding these names to Central Management, to be analyzed case by case and together with us from the Interior begin to remove from our ledgers this backlog of values that we are not managing to collect<sup>11</sup>

Our trove also contains a *salve geral* (a communiqué from Central Management to all members) dated (and last modified) January 23, 2011:

Central Management hereby communicates, by means of this memo, to all those with outstanding debts with the drug trade and finance sector to take responsibility and pay off your debts.

From the date February 20, 2012, those who have not zeroed their overdue debts will be communicated within the central disciplinary sector (*nossa disciplina*). It will not be necessary for the regional disciplinarian to personally meet each one to let them know, since from now on [if one's allotted time for repayment] has expired he is automatically suspended[.] Everyone knows their responsibility, and defaulting on debts sets back all of the family's [i.e. PCC's] activities.

Around the time of this *salve*, we observe a permanent and unexplained reduction in the Regionals' debt to the Interior by BRL 502,647.50, about one-third of total outstanding debt. We conjecture that this was a one-time write-off authorized by Central Management, in conjunction with the disciplinary reform described in the *salve*. We note, however, that no reduction occurred in the Interior's debt to its wholesale "supplier" (which may or may not be Central Management), which received payment in full for the wholesale purchases we observe.

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<sup>11</sup> Grammatical errors and color formatting appear in the original.

Another way to estimate profits is to focus on the Interior’s cash flows, recorded as revenues and expenses (*entrada e saída de dinheiro*). Revenue consists of debt repayments. Expenses are divided into wholesale drug purchases—about 90 percent of outflows—and operating expenses that account for the rest. Critically, the latter category includes and is dominated by expenditures on welfare provision for members and their families, mostly stemming from an elaborate network of vans and busses for transporting families of incarcerated members to far-flung prisons for visitation (Figure 7). These expenditures total about BRL85,000/month (USD 45,525), while traditional business expenses like cell phones and courier services account for only about BRL 20,000. The remaining cash on hand, anywhere from BRL 500,000-1,000,000, goes toward bulk drug purchases, often paying down the Interior’s debt to its supplier for prior shipments.

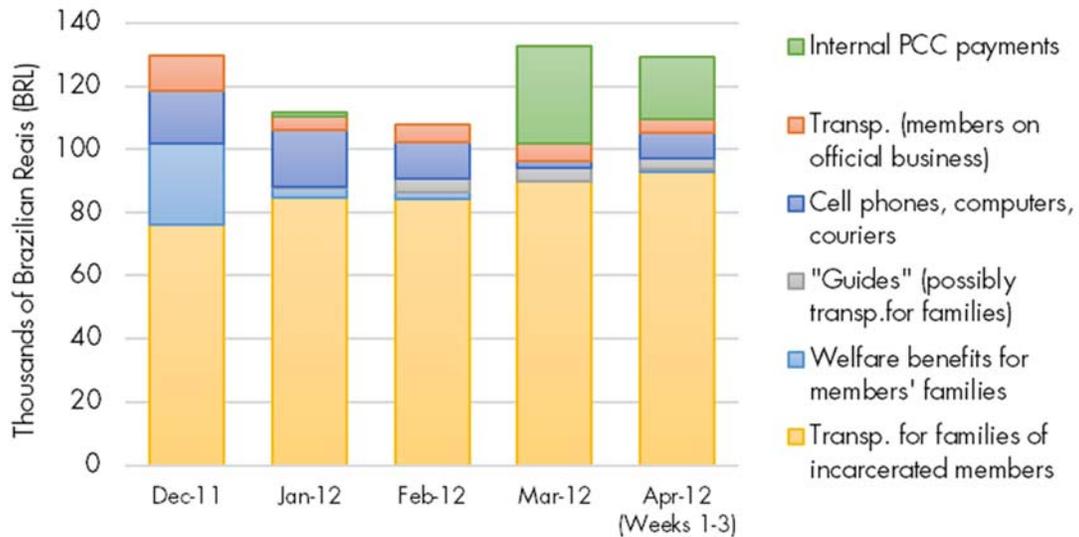


Figure 7: Business Expenses (*Saida de Dinheiro*) Reported in Monthly Ledgers.

Thus, although the Interior records no profits, it clearly uses the revenue from its drug business to provide collective benefits for members. This collectivist approach is echoed in another Central Management document proposing “aid banks” for each Regional that provide loans of guns and money to members recently released from prison, to help them “get on their feet.” Each bank should have on hand BRL 500,000 (USD 267,800) and a standing inventory of twenty automatic rifles, fifteen submachine guns, fifty pistols, thirty grenades, and twenty revolvers. Gun loans must meet a “principle of proportionality” in which “nobody shall request a machine gun to rob a car.” Although a separate document reports the Interior’s arsenal as only four automatic rifles and two handguns, the proposal is a prime example of how collectivist norms infuse the PCC’s rhetoric and praxis. By establishing these banks, the document says, “The family puts the theory of equality into practice, with criminals aiding criminals, recovering the spirit of struggle surrounding our organization.”

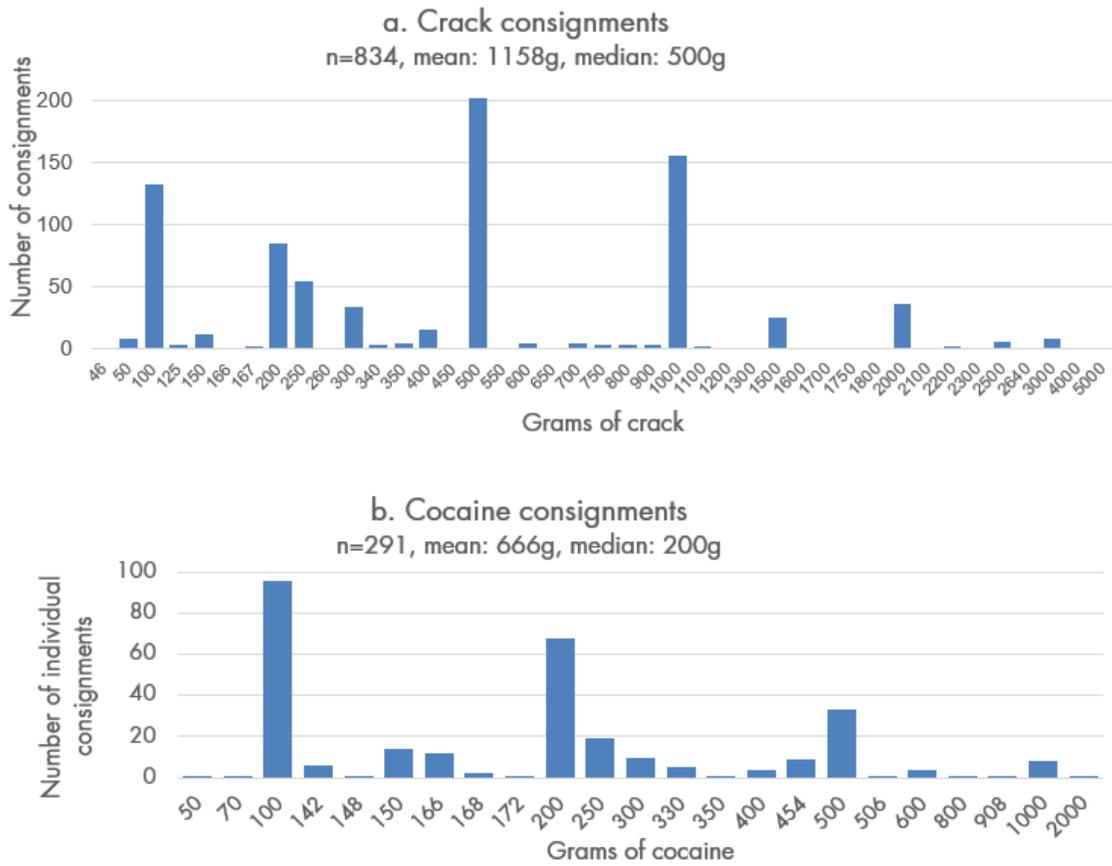
Finally, the “X-Ray” documents shed light on the structure of drug markets in the Interior. Each records individual consignments to dealers, organized by municipality, for a single drug disbursement (crack or cocaine in our trove). These are compiled first by Regional bookkeepers, then merged into a master document for the Interior. We have the complete master document for the November 2011 crack disbursement; in the other four cases, we are missing X-Ray documents for some Regionals (Figure 5).

Pooling the available X-Ray documents, we observe 1,134 consignments to about 500 individual dealers<sup>12</sup> operating in 89 municipalities (Figure 3). These are conservative estimates of PCC presence, since there are likely active dealers in other municipalities who did not receive consignments in the period we observe. In particular, Regional 18 received no consignments but carried debts, indicating that it *sometimes* receives consignments. Including the municipalities mentioned in a Regional 18 membership registry (the only such registry in our trove) and the “bad-debt reports” yields 117 municipalities. As Figure 3 reveals, PCC activity is concentrated in the most populous municipalities, encompassing roughly 14 million people, or about 69 percent of the Interior’s population.

The median, and modal consignments for crack were 500g, with 100g, 200g, and 1kg consignments also quite common. However, many odd-sized consignments (e.g., 46g or 2640g) occur, suggesting that dealers can request any size consignment they wish. Cocaine saw smaller consignments overall, though this could be due to the limited sample size (one disbursement). Figure 8 plots histograms; numbers on the horizontal axes represent sizes with at least one observation.

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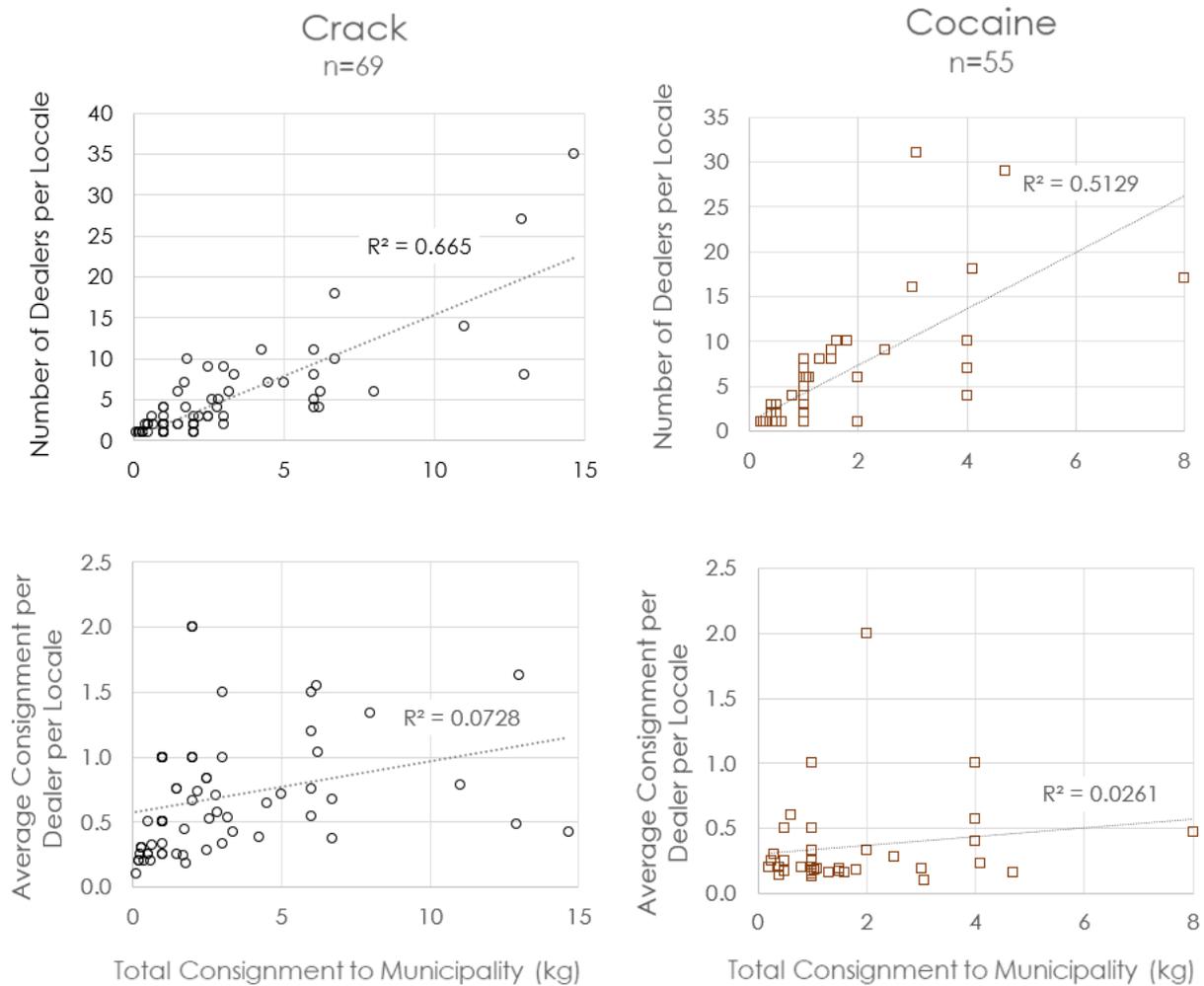
<sup>12</sup> Dealers are identified by nickname, and some common nicknames (e.g., “Fatso”) appear in multiple municipalities within single disbursements. Assuming one dealer per nickname across municipalities yields 488 dealers; assuming one dealer per nickname per municipality yields 632 dealers.



**Figure 8: Number of Individual Drug Consignments by Size.** Numbers on the horizontal axes represent sizes with at least one consignment.

Retail drug markets appear to be relatively competitive. We analyze the crack disbursement for which we have complete consignment-level data (November 2011), as well as the single cocaine disbursement (December 2011). Figure 9 shows that for both drugs, the number of active dealers in each of municipality is correlated with the total amount consigned to that city, so that larger markets have more dealers operating. Consequently, the degree of concentration (i.e. the mean consignment per dealer operating in each locale) is essentially uncorrelated with the total size of consignments to

that locale. In fact, the “biggest fish” seem to operate in smaller ponds. These data confirm the conventional wisdom that the PCC does not attempt to monopolize retail trade.



**Figure 9: Number and Average "Size" of Dealers per Municipality.** Points represent municipalities that received crack or cocaine consignments in the respective disbursements. The top panels show how many dealers received consignments in each municipality; the bottom panels show the average consignment per dealer per municipality.

## Punishment

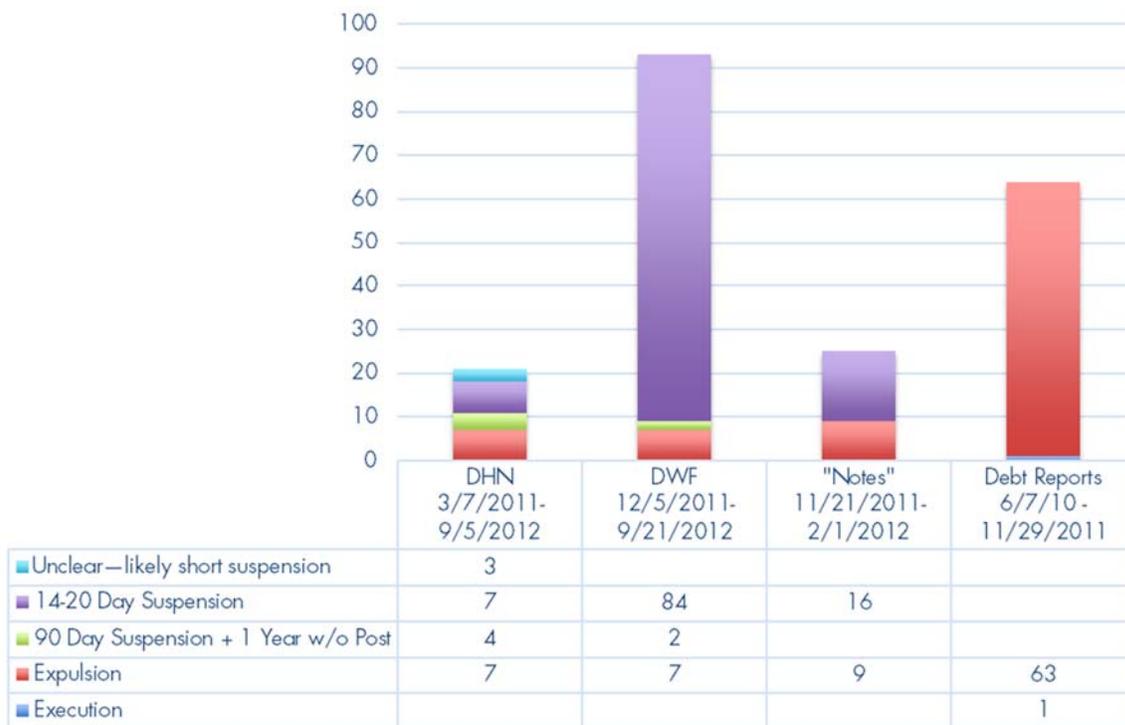
Internal discipline is a challenge for all organizations, but it is a critical one for the PCC's drug operation because of dealers' temptation to default. While we might imagine repayment, and gang rules in general, being enforced at gunpoint, there are reasons to avoid extreme punishment. Dealers face great uncertainty and risk, and outcomes are not perfectly correlated with effort. Under those circumstances overly harsh punishments can encourage exit. More broadly, the PCC's normative mission centers on *proceder*, or proper criminal comportment (Biondi 2016; Marques 2010); its moral authority could be undercut if punishment were seen as arbitrary, disproportionate, or vindictive.

Our main descriptive finding is that the PCC, at least in the Interior during the period observed, relies overwhelmingly on suspensions and expulsions. Of the 203 individual punishments documented in our trove, only one—an execution—involved physical violence. Relatedly, punishment is highly bureaucratized, involving significant, standardized paperwork and numerous mechanisms for administrative review. Our documents paint the PCC as strict and meticulous, yet also clearly concerned with fairness and “hearing out” suspects of wrongdoing.

Punishment data come from several different sources within our documents. The most direct evidence comes from the disciplinarian's handwritten notebook (DHN) and Word files (DWF). DHN contains 21 standardized punishment records, blank templates and instructions for filling them in, as well as other notes and records. DWF contains 100 Word files: 95 unique, individual punishment records, 3 duplicate records, and 2 punishment-record templates. Because DWF does not duplicate the records in DHN, while both cover punishments that occurred from late 2011

through September 2012, we suspect that the disciplinarian was in the process of digitizing the records in DHN when he was arrested. Another document, “Anotações do Caderno Parte 1,” henceforth “Notes,” contains 25 additional unique records from November 2011 through January 2012. These three sources provide the best measure of the relative proportions of different punishments meted out over time. Additional punishment data comes from the bad-debt reports (*relatórios*); because these mention punishments only in the context of overdue debts belonging to members who have been excluded or killed, they potentially capture only a subset of exclusions and executions, and no suspensions.

We coded the punishments recorded in these four sources by type (Figure 10). The overwhelming majority of punishments are 15-20 day suspensions, but a significant number of expulsions also occurred. This is particularly true of the period covered by the bad-debt reports.



**Figure 10: Punishments Recorded in Disciplinarian’s Handwritten Notebook (DHN) and Word Files (DWF), “Notes” file, and Bad-Debt Reports.** Date range of punishments recorded within each source as noted.

No executions appear among the DHN, DWF, and “Notes” files; we suspect that none occurred during the periods covered, but cannot rule out the possibility that executions occurred but were not recorded alongside other punishments. However, the bad-debt reports *do* document an execution, strongly suggesting that the PCC does not systematically hide violent punishments. Moreover, this likely represents *all* cases of executed debtors, because these reports detail uncollectable debts to be written off by Central Management, and, as the authors note, “we know that the debts of killed members are automatically written off.” Executions of members *without* debts would not be reported here, but we suspect such executions are rare, since theft from the

organization is a prime motivation for execution. More broadly, all of our data points to the PCC's fervor for recordkeeping, suggesting that, like many regimes, it keeps careful track of even its most repressive actions. In any case, only 1 out of 203 punishments in our data corresponded to an execution.

Most punishments were the result of the PCC's automatic, graded punishment system for overdue drug debt, laid out in this template from DHN.

Members: first suspension is 15 days. If they pay, they're back, if they don't pay they're out of the Comando.

2nd suspension: 90 days automatically and 15 more days to pay up. If they don't pay, they're out.

3rd suspension: Automatic Expulsion. And they enter an "affiliate's twenty-day suspension."

"Affiliates" are immediately subject to twenty-day suspensions when they do not pay.

The January 2012 *salve* suggest that this automatic-suspension policy was new, although numerous first suspensions occur in the months prior as well.

Expulsion usually comes as an automatic response to non-payment of debts, but we also observe expulsions for being "out of touch" (*falta de sintonia*), and for lack of "vision," "responsibility," and "transparency." Expulsion is considered a major punishment and bureaucratic safeguards are in place to ensure that it is not wrongfully applied, as a note in DHN explains:

All expulsions must be sent through a disciplinarian or general manager. Never record an Expulsion reported by a member who does not hold a post (*responsa*) nor without the knowledge of Central Management or of the Regional. ... We bookkeepers should never

record an Expulsion without first receiving the Summary (*resumo*) from Central Management.

The very production of these punishment records constitutes an important empirical observation. All large organizations face the challenge of keeping track of members' performance; for criminal organizations the challenge is exacerbated, since records can be seized by authorities and used as evidence. Many gangs maintain, at best, a membership roster, with reputation based on collective memory, word of mouth, and codes of learned behavior (Gambetta 2009). This can become problematic in large, dispersed organizations.

The PCC, in contrast, has developed a system of standardized personnel records consisting of standardized data fields covering individuals' history with the organization, laid out in the punishment-record templates (Table 2). These same data fields appear in other PCC documents, particularly when a member or affiliate comes under scrutiny. Because these data fields "follow" individuals, and because they include previous punishments (*punição anterior*)<sup>13</sup> and the bureaucratic processes that accompanied them, we call them "criminal criminal records."<sup>14</sup> While we lack similar data for other gangs, intelligence officials in seven Brazilian states confirmed that none come close to this level of recordkeeping.

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<sup>13</sup> The use of "*punição*" throughout our documents contrasts with Biondi's claim that PCC members "do not use the term *punição*", preferring "consequences" as a way to "turn sanctions into naturalized results of one's own actions". Such linguistic norms may change over time.

<sup>14</sup> PCC members often refer to these as *cadastros* (registers) or, collectively and humorously, as *cara-crachá* (a members-only credentialing system, as at a private club).

**Table 2: "Criminal criminal records": data fields in punishment-record templates.**

<b>Data field</b>	<b>Literal translation</b>	<b>Explanatory note</b>
<i>Nome</i>	Name	
<i>Matrícula</i>	Member number	Assigned by government upon entering prison system, used by PCC as ID number.
<i>Vulgo</i>	Nickname	
<i>Quebrada</i>	Locale	In the Interior, <i>quebradas</i> mostly correspond to municipalities; in Greater São Paulo <i>quebradas</i> can refer to neighborhoods.
<i>Três ultimas</i>	Last three [places imprisoned]	
<i>Punição anterior</i>	Previous punishment	Date, location, and motive also recorded where relevant.
<i>Linha Vermelha</i>	Hotline	Cell phone number of PCC member with knowledge/ records of the subject.
<i>Três ultimas responsa</i>	Last three posts	Unpaid “positions of responsibility”, like bookkeeper, disciplinarian, or manager.
<i>Data batismo</i>	Date of Baptism	Baptisms require sponsoring members (“godfathers”), usually three. Godfathers’ home locales are also recorded.
<i>Local batismo</i>	Place of Baptism	
<i>Padrinho</i>	Godfather	
<i>Data de saída</i>	Date of exit [from prison]	

Explicit instructions accompany the template in DHN: “When registering a suspension, all personal data is required. Name, nickname [etc.]... if he’s received a punishment by the family [i.e. the PCC] and if so, its locale, motive, and date.” For expulsions, additional information is required: motive, locale, date, and *acompanhamento* (“involvement”), a list of PCC officials involved in judging the case, running from the Regional disciplinarian up the chain of command to Central Management.

Much of this data reappears when individuals are mentioned in other documents. For example, the bad-debt reports contain 63 unique records of expulsions for overdue debt. Although these reports focus on tracking and recovering debts rather than punishment per se, they recapitulate key data from individuals' "criminal criminal records." Figure 11 provides an anonymized example, with data-field names and key entries translated, and the original formatting preserved.

### Regional 019

#### Expelled members.

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**Name:** ■■■■■■■■

Nickname: ■■■■■■■■

Locale: Iracemápolis

Godfathers: ■■■■■■■■, ■■■■■■■■

Date of Baptism: 5/21/2009

Last three [places imprisoned]:

[Prior] Punishment: Private-debt suspension prior to expulsion.

Motive for expulsion: Private-debt suspension expired with outstanding debt of BRL 5,350.00

Date of expulsion: June 7, 2010

**Value of outstanding debt:** BRL 3,000 in crack and BRL 925 in cocaine June 2010 [On 8/20/2011 BRL 1,300 was paid = Current debt BRL 2,625 crack for October](#)

**NOTE:** This person has an expired suspension period and is in the street as of 6/7/2010, he was in Ribeirão Preto on 8/7/2011 we spoke with him by phone he said he didn't have the money, he asked for a few days along with brother [i.e. baptized member] ■■■■ and ■■■■ agreed to bring the report and at that time asked that the report be made, the person in question is working in the street and earning a monthly salary of BRL 1,000.

### Regional 019

#### Excluído.

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**Nome:** ■■■■■■■■

Vulgo: ■■■■■■■■

Quebrada: Iracemápolis

Padrinhos: ■■■■■■■■, ■■■■■■■■

Data de batismo: 21-05-2009

Três ultimas: CDP de Piracicaba, CPD de Americana e P2 de Itapetininga

Punição: Um prazo particular antes da exclusão.

Motivo da exclusão: Prazo particular vencido no valor de 5.350,00

Data da exclusão: 07-06-2010

**Valor dos débitos:** 3.000,00 de PT e 925,00 de MI 06/2010 [Dia 20/08/2011 foi arremessado 1.300 = Dívida atual 2.625 PT mês 10](#)

**OBS:** O mesmo está no prazo vencido na rua da data 07-06-2010, encontra-se em Ribeirão Preto na data 07-08-2011 trouxemos o mesmo na linha ele passou que estava sem a moeda, pediu alguns dias junto com o irmão ■■■■ e ■■■■ ficou de vim com o relatório e na mesma hora pediu para que fosse feito o relatório, o mesmo está trabalhando na rua e salariado com o valor de 1.000,00 mensal.

**Figure 11: Example of a "criminal criminal record" from a bad-debt report.** 14 months after this individual was expelled, he was contacted by the PCC and ended up paying back a significant portion of his outstanding debt.

These cross-listings strongly suggest that "criminal criminal records" can be queried by members, at least those occupying posts. For example, the entry in Figure 11 was prepared sometime between July 2011 (the last date mentioned) and September 27, 2012 (the file's last-modified date),

but references an expulsion from more than a year earlier. File metadata reveals that these reports' authors were not the same as the punishment records', and the former were unlikely to know the relevant facts offhand. Key elements of members' "criminal criminal record" are similarly reproduced across PCC documents, suggesting that the underlying data are accessible.

Author 1's interviews with imprisoned PCC leaders in other states corroborate this view. One mentioned a queryable "central database" of personnel records in São Paulo.<sup>15</sup> Another explained that newly arrived inmates are expected to report the information in their "criminal criminal record" to local PCC representatives. Author 1 asked if this included "previous punishments":

A1: ...I'm asking because I'm doing a study with [PCC] documents from São Paulo, ... and they always note "previous punishments."

I: "Previous punishment" is asked about. If someone shows up and doesn't report it, "Ah, I have a punishment in São Paulo but I won't report it here." But the Central [Committee] has it.

A1: You would have a way to find that out?

I: Absolutely. [...] We can find that out here. ... The General Manager for the state, he has our registry (*cadastro*) and it will go into the summary (*resumo*), the summary covers Brazil, it will be noted there in the registry, dates of baptism by his godfathers...

A1: Will "previous punishments" also be recorded?

I: "Previous punishments," absolutely. Every act is recorded there.

A1: But you guys, being in other states [i.e. not São Paulo], do you have a way to consult it? Send a message, "Hey, can you look this guy up?"

I: We do.<sup>16</sup>

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<sup>15</sup> Interview, July 25, 2017.

<sup>16</sup> Interview, July 3, 2017.

Intriguingly, this ability to query—combined with moral sanction for lack of transparency—seems to induce an equilibrium in which truthful provision of personal information is the dominant strategy, and querying is rarely necessary:

I: Every time a member or affiliate arrives here in our wing, he comes to us, and if he has something to tell us, if he has a debt with the Comando, he will pass along the information. Transparency speaks volumes in a situation like that. If you arrive here full of lies, and later we get confirmation that those situations were true that you failed to tell us about, that generates a different type of situation. Not that you will necessarily be punished for it, but it's a different situation.

A1: You won't trust the guy as much?

I: Right. [...] All of us, whenever there is contact. If I were released today, I'll find the Comando wherever I end up, I will seek out the representative of that city, that neighborhood, that disciplinarian, that prison unit, and I'll pass along my record (*cadastro*). I will have to act with transparency, because a Comando member is like that, he *is* transparency, he cannot lie.<sup>17</sup>

Our trove does not contain systematic data on members' provision of personal information.

However, we do observe multiple expulsions for "lies" or "lack of transparency," and one illuminating example of the voluntary-transparency equilibrium in action, a record of an uncollected debt from an imposter:

...Upon incarceration he opened his heart... he told the truth that he wasn't a member and had been using the name [of a member] while in the street.

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<sup>17</sup> *Ibid.*

## 6. Discussion

We argue that three central empirical findings---the PCC’s consignment-based drug trafficking business, its relatively mild and “sympathetic” punishment regime, and its resource-intensive recordkeeping---are causally interconnected. Analyzed together, they reveal a powerful approach to criminal governance that has probably facilitated the PCC’s unprecedented growth and resilience.

One advantage of the PCC’s consignment model is its potential for flexible, decentralized expansion. Yet consignment only works if dealers regularly repay their debts in a timely fashion. Dealers have incentives to pay up and receive the next consignment, but in the rough-and-tumble world of drug dealing there are countless frictions that can make delay or default tempting. Hence the need, articulated in our documents, to “lean on” debtors. Yet the very decentralization that consignment permits, particularly in “frontier” areas such as São Paulo’s Interior, means that physically coercing individual street dealers could be costly or impractical.

The PCC has an elegant solution to this agency problem. First, it is inadvertently aided by the state, which—through its mass incarceration policies—directs significant resources toward arresting dealers and bringing them to places where the PCC *can* easily punish them: the prison system. Crackdowns that drive up incarceration rates (and at 497 per 100,000 residents in 2014, São Paulo state’s is *very* high) raise dealers’ expected probability of being sent to a PCC-controlled prison, and hence increase the downside risk of running afoul of its disciplinarians.<sup>18</sup>

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<sup>18</sup> Even when state forces resort to lethal violence—São Paulo police killed 856 people in 2016—it can strengthen the PCC, whose stated mission is to protect criminals against state violence.

Even in prison, though, the PCC metes out little physical punishment. We observe dozens of individual records of dealers imprisoned while holding debt; among these, only suspensions and expulsions are noted. This corroborates Dias and Salla's (2013) finding that graded punishments replaced more violent and arbitrary sanctions within prison. Here too the PCC benefits from the actions of the state, which—despite extensive prison construction—maintains a burgeoning inmate population in conditions of intense overcrowding, precarious infrastructure, and insufficient and/or abusive guards. Under such conditions, the prospect of losing PCC protection and welfare is a powerful incentive for repayment.

The PCC's internal disciplinary system further amplifies the force of nonviolent punishments in two key ways. First, in combining automatic suspensions with a system of jury trials and appeals, the PCC guarantees procedural justice (Tyler 2003): sentences are handed down in a consistent, transparent, and non-arbitrary way. Mechanisms to avoid false positives ensure that only the guilty are punished.

Second, the PCC's "criminal criminal records" guarantee that infractions and resulting punishments become and remain common knowledge. PCC members, and potentially affiliates, can learn about someone's past actions and make accurate inferences about their future reliability. Suspensions may carry only a minor direct cost in missed opportunities for profit, but, like low credit scores, they reduce members' reliability and reputation in the eyes of potential future collaborators.

Do members and affiliates in fact stigmatize the punished? Within prison, Dias and Salla note that even brief suspensions involve “losing social status before the prison population.” (2013, 404). In the urban periphery, Feltran’s (2010) account of a PCC-led trial of a non-member, accused of embezzling from a local non-PCC drug firm, is illustrative. The accused’s defense was strong and courageous, but a previous 30-day suspension counted against him, and he was sentenced to a beating. The true punishment, however, was the stigma attached to his conviction, as a relative explained: “He was completely demoralized in the world of crime, and there was no way he could return.” (Feltran 2010, 65). Our data suggests that this example is not atypical: of the 63 expulsions recorded in the “bad-debts” documents, 27 note that the expelled member fled his home municipality and could not be located.

Of course, meticulous recordkeeping alone does not guarantee fairness or induce compliance; after all, many authoritarian regimes have kept detailed records of genocide, mass killings, and torture.<sup>19</sup> Rather, recordkeeping works in conjunction with an efficacious and procedurally fair “criminal criminal justice” system to create the conditions for widespread voluntary compliance. We argue that the resulting system of governance approximates Weber’s (1946) ideal type of rational-bureaucratic legitimacy: “[legitimation of] domination by virtue of ‘legality,’ by virtue of the belief in the validity of legal statute and functional ‘competence’ based on rationally created rules.”

Weber’s formulation is meant to be scientific and observable, but we rarely know whether subjects truly believe in the legitimacy of the authorities to which they submit (Wedeen 2015, *xiv*).

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<sup>19</sup> We thank an anonymous reviewer for suggesting this point.

PCC specialists disagree about this very point: in Biondi's (2016) prison ethnography, PCC authority derives entirely from shared norms, whereas other scholars emphasize fear of punishment (Dias and Salla 2013; King and Valensia 2014).

While our data cannot decide the question, our theory illuminates the potential complementarity between the PCC's collectivist norms and its "criminal criminal justice" system. In a non-normative account, mild punishments carry coercive weight because members know that suspensions and expulsions (1) reflect accurate assessments of behavior, (2) are carefully recorded and can be queried, and hence (3) are generally voluntarily reported to unfamiliar members, who will then (4) treat infractors accordingly. Norms come into play at steps (1) and (4): if the behavior in question is seen as unethical (and not merely prohibited), members are more likely to stigmatize transgressors. Punishment by an unreliable tyrant can be quite harsh, but it will carry little additional stigma if others perceive the accusation as potentially false or the violated rules as arbitrary. Punishment by a decentralized and deliberative network of dedicated volunteers committed to a clear set of rules can be mild precisely because its mere application is a trustworthy signal of rule-breaking to others. In the PCC's case, those rules reflect shared norms of integrity and equanimity that, when collectively practiced, produce a better criminal underworld for everyone. Thus, their violation produces, in an organic way, a strong social stigma. Obsessive recordkeeping and a habit of transparency ensure this stigma will be long-lasting and far-reaching.

Our claim is not that legitimacy and a perception of fairness are necessary to generate compliance, nor that they always induce *more* compliance than brute coercion, at least locally. Had the PCC adopted harsher punishments, it is quite possible that non-payment rates would have been

lower. Indeed, many expelled members simply flee rather than pay up; in one case, a member accused of unauthorized killing—an infraction punishable by death—is given a chance to collect evidence for his defense prior to PCC trial, and takes the opportunity to flee. Such under-punishment likely motivated the January 2011 *salve*, which made punishment marginally harsher in response to excessive outstanding debts. Yet this readjustment did not affect the overall mildness and procedurally transparent aspects of the PCC disciplinary regime, suggesting a profit-satisficing rather than profit-maximizing approach. Central Management appears to consciously adjust the harshness of its punishment practices to maintain basic profitability, but stops short of draconian punishments that might undercut perceived legitimacy.

This hypothesized prioritization of legitimate governance and procedural justice over profits finds support in the PCC's bookkeeping practices. Punishment records are decidedly more detailed and meticulous than the purely financial documents; the bad-debt reports—containing both financial and personnel data—offer the clearest evidence. Whereas each individual's "criminal record" is dutifully reproduced, including negotiated repayment schedules, excuses given, rumored whereabouts, and PCC personnel involved in punishment decisions, the actual debt totals are inconsistent and frequently differ from the sum of individual outstanding debts. The individual consignment data contain clerical errors; expense accounting in the ledgers is haphazard; and one major reduction in outstanding debt goes unaccounted for. However important bookkeeping is to the PCC's successful scaling up of drug trafficking operations, financial efficiency does not seem to drive its embrace of bureaucracy.

All of this suggests that the PCC views drug profits less as an end than as a necessary means to strengthen and expand the organization. Indeed, it seems to have deliberately designed flexible business-side rules in order to produce a perception of equanimity and fairness. The severest punishments are reserved for betrayals of core organizational values; if that means a somewhat higher (but manageable) level of non-payment on debts, so be it.

A slightly different interpretation is that the PCC strategically trades off short-term profits for long-term expansion, which legitimate governance facilitates. While we cannot know how a counterfactually draconian PCC would have fared, it is undeniable that the PCC expanded far more rapidly after the 2003 coup ended its founders' harsh, personalistic rule. Indeed, Marcola's imposition of "democratic" governance structures was motivated by the violence being meted out by the PCC's then-rulers: "the leadership was drunk with its own success [...] and ended up committing atrocities worse than those they had sought to restrain [...] It was a huge abuse of power, 80 or 90 inmates assassinated per year." (in Marques 2010, 322).

We can also compare the PCC's trajectory to that of the CV, whose system of autonomous franchises run by charismatic leaders has certainly proven resilient. Nonetheless, the CV never recovered its initial hegemony in Rio, and in the rest of Brazil has built loose alliances with local factions rather than an integrated organizational presence. With the collapse of the PCC-CV non-aggression pact in 2016 and the ensuing eruption of inter-faction conflict throughout the country, the coming years will provide a grim test of which approach is superior.

## 6. Conclusion

Scholars have long compared state-making to banditry and racketeering (e.g. Olson 1993; Scott 2009; Tilly 1985). These metaphors can be fruitfully reversed to illuminate criminal governance. If California prison gangs function as Olsonian stationary bandits (Skarbek 2011), Brazilian prison-gang expansion has a Tillyian cast: the PCC made war, and war made the PCC. Like the CV before it, the PCC eliminated armed rivals within a delimited territory (the prison system), established a monopoly on the use of force, provided order in exchange for tribute, and proceeded to expand to new territories (the urban periphery) where the process repeated. This process both fed and was fed by the factions' development of internal organizational structures and outward governance practices. The PCC's structure and approach to governance diverged from the CV's, and so too have its ambitions. In Tillyian fashion, thirty years of increasingly competitive expansion have left the most territorially extensive criminal faction with the most sophisticated bureaucracy and organizational structure.

Prison-gang expansion diverges from Tillyian state formation in key respects, however. First, it does not occur in a stateless realm. True, organized crime thrives on power vacuums (Skaperdas 2001), and gangs often arise and assert control in spaces (prisons, urban peripheries, illicit markets) where state presence is weak. Yet these spaces are embedded within state-led societies, shaped and often constituted by state policies and actions. Tilly's proto-states clash on an empty stage, constrained only by geography. The topology that shapes prison-gang expansion—prison vs. street, state vs. federal prisons—is primarily legal and jurisdictional, state-made. So too are many of the mechanisms by which prison gangs traverse these obstacles: the flux of criminals in and out of the

prison system, and the transfer of gang leaders across state lines. Prison-gang governance is thus deeply paradoxical, both opposed to and symbiotic with the state.

Second, any legitimacy in criminal governance must, by its nature, be bottom-up. In Tilly's cynical view, "Legitimacy is the probability that other authorities will act to confirm the decisions of a given authority" (1985, 171). If this is contentious with respect to states, it is clearly wrong with respect to criminal groups. Factions are illegal, regularly demonized and actively combated by state authorities. Within prisons and peripheries, state deference to faction authority is common, but it is also shameful and thus closeted. If the PCC's governance is legitimate, it is because the prison masses and peripheral populations it governs see it as such.

In constructing legitimate criminal governance, the PCC certainly draws on its social-movement-like origins and orienting mission. Yet if factions are social movements, they remain movements by, of, and for self-defined criminals: factions may fight for inmates' human rights, but they also have, since their founding, operated drug businesses, organized robberies, and orchestrated prison breaks and mass violence on the streets. No faction has articulated a real political program, not even the PCC—despite its nickname "the party of crime." As such, they lie outside most conceptions of civil society.

In this sense, factions resemble insurgencies, which also benefit from an ability to motivate members with ideological rather than purely materialistic appeals (Gutiérrez Sanin 2008, Weinstein 2006). Although scholars generally treat criminal groups as profit-seeking, smaller gangs are often held together primarily by culture and identity (e.g. Venkatesh and Levitt 2000). The PCC's

approach to governance depends on factors that are similarly non-materialistic, but centered on universal norms and objectives—a kind of criminal ideology—rather than specific, local identities. This ideology contrasts with those typical of insurgencies, which promise a utopian future after victory. The practical objective of the PCC’s lofty “peace among thieves and war on the state” mission, often articulated by members during interactions with officials, is hardly revolutionary: the “dignified serving of one’s time” (Biondi 2016, 63). Ironically, this objective has largely been achieved in São Paulo, where prison violence has dramatically diminished. If the PCC’s rapid expansion is any indication, this ideological form of criminal organization and governance is both resilient and replicable, posing a novel threat to state authority.

Whether U.S. prison gangs—quite powerful already—could come to emulate the PCC is an open question. Strong racial divisions among U.S. inmates make hegemony like the PCC’s unlikely, and anti-state violence is extremely rare. Nonetheless, U.S. incarceration rates remain astronomical, while increasing economic inequality and decreased public spending have left many low-income communities bereft of effective governance. Meanwhile, the *mara* gangs of Central America have achieved feats of street-level governance approaching those of the PCC, including both orchestrated attacks and homicide-reducing “truces.” Across contexts, future research on criminal governance can benefit from comparison and contrast with the PCC’s astonishing example.

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