

Legitimate Criminals:

How to Build a Drug Empire From Behind Bars

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Abstract: In 20 years, São Paulo’s Primeiro Comando da Capital (PCC) went from fledgling prison gang to largest criminal organization in South America, controlling over 100 prisons, imposing a “criminal code of conduct” on the underworld, and orchestrating mass terror and anti-state violence. This paper analyzes a trove of internal PCC documents, including financial and personnel records, generating novel descriptive findings. Three stand out: (1) the extent, complexity, and consignment basis of the PCC’s drug trafficking operations; (2) the almost exclusive reliance on suspension and exclusion, as opposed to violence, as punishment for misconduct; and (3) the meticulousness of PCC administrative procedures and record-keeping, particularly as regards membership and internal discipline. We argue that these go hand in hand: fair rules and an efficacious “criminal criminal justice” system mean that even mild punishments carry powerful stigmata, while the perceived legitimacy of the PCC’s rule induces widespread voluntary compliance; this lowers the cost of administering a massive consignment drug network.

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1 Introduction

In 2013, the world's most powerful prison gang celebrated its twentieth anniversary. São Paulo's Primeiro Comando da Capital (PCC), once a fledgling prison gang, has grown into the largest criminal organization in South America and a major threat to state authority in Brazil. The PCC today controls over 100 prisons, has imposed a "criminal code of conduct" (*lei do crime*) throughout the urban periphery, and has on multiple occasions orchestrated debilitating terrorist and anti-police attacks.

Valiant researchers have documented and analyzed the PCC's influence over prison life (Biondi 2009; Dias 2011), penetration into the urban periphery (Feltran 2008; Telles and Hirata 2009; Denyer Willis 2009), and pacification of the criminal underworld (Biderman et al. 2014; Feltran 2010; Denyer Willis 2014; 2015), yet much of the organizations' internal structure and functioning remains to be elucidated. This article seeks to contribute to this task through an analysis of a trove of internal PCC documents, mostly dealing with the prison gang's drug trafficking operations, personnel records, and sanctioning of its members for misconduct. We present our empirical findings in detail in the course of this paper. Some of these are purely descriptive, hopefully interesting for their own sake, offering a sense of the scale and scope of a portion of the PCC's drug retailing operation. Others shed light on the PCC's fascinating penchant for welfare provision and public relations within its constituency: the same organization that enshrines in its founding statute the obligation to murder police officers in revenge also spent \$500 on Easter eggs.

Three findings, however, stand out as particularly significant. First, the PCC's drug trafficking operations run on a consignment basis, essentially extending microcredit to decentralized network of hundreds of individual dealers throughout an enormous geographic area. This stands in marked contrast to the hierarchical corporate structure and rigid territorial control employed by Rio de Janeiro's Comando Vermelho, an older prison-gang-cum-drug-cartel that the PCC initially emulated, as well as the Chicago drug gang famously analyzed by Levitt and Venkatesh (2000). Second, the documents reveal a complex system for internal discipline that is rule-based, shot through with both rhetorical appeals to collective norms and practical supervision mechanisms to ensure transparency and fairness, and which in practice relies almost exclusively on non-violent punishments (suspension and expulsion from the organization). Finally, the documents testify to the meticulousness of PCC administrative procedures and record-keeping. While attention to detail is perhaps not that surprising in the financial documents we analyze, even greater attention seems to go into maintaining individual "criminal criminal records" detailing each members' background and

history of interactions with the organization. Put together, these findings suggest that the PCC is concerned with maintaining its legitimacy as a security provider over and above an organizational desire for revenue.

We argue that these three findings go hand in hand: a procedurally just “criminal justice” system with reliable and accurate public records means that even a mild punishment can carry a powerful stigma for career criminals. This, together with the perceived fairness and of PCC rules, statutes, and business dealings, helps the PCC establish a form of legitimate authority, in Weber’s sense of inducing widespread voluntary compliance. Such compliance is, in turn, likely a necessary condition for the viability of a massive and decentralized consignment-based drug trafficking network. More broadly, the PCC’s strategy of constructing legitimate criminal governance over relatively autonomous criminal actors stands with more rigid, hierarchical, and territorial models of criminal rule, constituting a novel and potentially transformative model for organizing the criminal underworld and peripheral populations in general.

How do seemingly mild punishments induce compliance? Our argument builds off Gambetta’s (2009) seminal observation that potential criminals’ need to identify one another without revealing themselves to police or law-abiding civilians constitutes a fundamental problem, which the symbolic codes of the underworld were designed to solve. Yet as he points out, the (official) criminal justice system can sometimes solve this problem quite nicely:

Just being a prisoner is a clear and simple sign that one is criminally inclined. The hard part is paying the price of going there in the first place. But it is precisely that cost that makes a prison term such a good sign of being a real criminal (Gambetta 2009, 11).

As Gambetta notes, the fairer the criminal justice system, i.e. the more accurately it distinguishes the guilty from the innocent, the more reliable the signal that incarceration sends.

This same logic applies in reverse to membership in prison gangs. A member in good standing, on top of being screened by the criminal justice system, carries the seal of approval of a criminal organization; an expelled or punished member has been found wanting in some regard. What we can infer from this depends on that organization’s rules, norms, and internal disciplinary regime. Here too, the fairer the “criminal justice” system, the clearer the signal.

The PCC’s elaborate but standardized procedures, and ultimately mild punishments must be understood in this light, as though bureaucratic documents. One might wonder why the PCC goes to great lengths to be understanding, but the more it does so, the more its judgements gain a reputation for *not* being hasty,

arbitrary, or unfair. This increases the coercive threat posed by suspension or exclusion, because those punished will have a more difficult time convincing anybody that they have been misunderstood or deliberately wronged. The PCC's meticulous record keeping amplifies this effect: who needs symbolic codes of the underworld when you have detailed and accurate "criminal criminal records" of every members' previous misconduct and subsequent punishment?

The use of detailed records of past interactions in lieu of coercive force to induce compliance recalls Milgrom et al.'s model of the Law Merchant (1990). As they point out, accurate centralized record-keeping can be an efficient way to produce cooperation "without the benefit of state enforcement of contracts or an established body of commercial law", conditions that certainly prevail in the criminal underworld. Indeed, our findings demonstrate the PCC's ability to keep defection to a manageable level in a far-flung network of drug traders, many of whom are not true members but merely affiliates, operating over a large geographic area far from the gang's epicenter of power in the city of São Paulo. If the PCC's ability to physically punish defectors were very weak in such outlying regions, the "criminal criminal records" / Law Merchant approach may have been the best available institutional arrangement.

However, we believe that this logic only goes so far in explaining the PCC's organizational behavior. The principal evidence here is the PCC's move toward a system of similarly mild punishments *within* prison, after an initially more violent approach (Dias and Salla 2013). A reputation for cruelty or violence may be useful in intimidating opponents and establishing hegemony within a delimited territory, but the PCC has enjoyed hegemony within São Paulo's prison system for more than decade. Since 2003, when its founding leaders were executed and replaced with a more "democratic" form of replicated, distributed governance, it has pursued not only power and profits, but, especially, *legitimacy*. It has done so by distilling a coherent system of rules and sanctions based on powerful normative and ideological concepts enshrined in its motto ("Peace, justice, liberty", and since 2003, "equality"), and by constructing an astonishingly elaborate and resource-intensive "criminal criminal justice system" to enforce that system. This has enabled the PCC to realize its stated goal of "peace among thieves" (Biondi 2010) not only within prison, but on the streets: the violence-reducing *lei do crime* (criminal code of conduct) it has imposed throughout São Paulo's urban periphery has materially contributed to a drastic reduction in homicides over the past decade, while presumably increasing the profitability of the drug trade. It has also, we argue, made its territorially extensive and decentralized drug-consignment business model feasible, by bringing levels of debt default down to tolerable levels.

2 Background

Although the PCC was not officially founded until 1993, most versions of its origins trace its genesis to the Carandiru prison massacre of 2011. In the bloodiest episode in Brazil's carceral history, Sao Paulo's military police entered the maximum security complex, ostensibly to quell a riot, but ultimately shooting and killing 111 prisoners. Drawing on his patients' eyewitness reports, Varella (1999), a doctor at the prison, found that most of the victims were summarily executed by police while defenseless in their cells, and that surviving prisoners were made to carry the dead and to stack the bodies in long rows. The prison was deactivated and its inmates redistributed, many to newly built maximum security facilities.

In 1993, a group of prisoners who had survived the massacre drew up a sixteen-point statute outlining a new system of order, justice and brotherhood among all inmates, under the protective banner of a new organization known as the Primeiro Comando da Capital. It refers explicitly to the Carandiru episode: "The massacre will never again be forgotten in the Brazilian conscience," it reads, "...because we, the Comando, will change the way that prisons are inhumane, full of injustice, oppression, torture, and massacres...[members] will respect and hold in solidarity all (other) members...any attempt to divide the brotherhood will lead to excommunication and punishment." That statute is now available in nearly every prison, though in later iterations—the most recent being a 2011 version.

According to one prison ethnography (Biondi 2010), the PCC is guided by two overarching and complementary "projects": *peace among thieves* and *war against the state*. The core idea is that prisoners and criminals more generally must avoid unnecessary internecine violence, and instead take a united stand against abuse by guards and police. Since establishing hegemony over rival gangs the mid to late 1990s, the PCC has come to largely manage the prisons under its control, both in everyday practical matters like cooking and cleaning, and in terms of regulating violence. The PCC brings in basic goods and resources, including food, toiletries and hygiene products, and allocates prison space to inmates. In terms of violence, the PCC introduced a code of conduct aimed at peaceful resolution of conflicts and prohibiting vengeance killing without authorization. It also developed a "criminal judicial" system of tribunals that bring together those involved in problematic incidents, including witnesses, victims, alleged perpetrators, and 'legal' defense for either party before a jury of imprisoned leaders. For Biondi, adherence to these rules is largely voluntary, a

question of community norms, while King and Valencia (2014) describe a somewhat heavier top-down structure that induces compliance through fear of retaliation. Dias and Salla detail the evolution of this system, arguing that once the PCC established hegemony, often relying on brutal execution of rivals and non-compliers, introduced a graded system of far milder punishments--essentially the same system of suspensions we see deployed outside prison in our document trove. Scholars agree that the PCC's justice system seems to err on the side of caution, by avoiding punishments that are "absolute" like killing or torture, and by building in safeguards and opportunities for appeals and further discussion.

The logic behind this management of violence has strong normative roots in what it perceives to be injustice and repression. In 2006, after the organization undertook a series of attacks on targets in Sao Paulo, including killing upwards of 50 police and prison guards, the PCC's alleged leader was called to a parliamentary inquiry. He had much to say, and made a number of statements that resonate in the documents we examine. The attacks were, he argued, a response for the unjust day-long transfer of a number of prisoners without food, water or clothing in the back of an enclosed metal truck in the tropical heat. At one point, he contextualized the PCC as follows:

"We are all sons of misery, all descendants of violence, from childhood we have been accustomed to live with it, in the misery and the violence. In any favela you'll find a dead body, lying there all day. What I'm saying is that violence is normal for prisoners. This is normal. So, [prisoner groups] come along in an effort to restrain this normal violence. What do they do? They prohibit prisoners from certain behaviors that are otherwise normal, but that in this place infringe on the space of others... (CPI 2006 : 25)."

From the early 2000s onward, the PCC has extended its authority and violence-regulating function beyond the prison walls to the urban periphery of São Paulo and beyond. Ironically, São Paulo's mass-incarceration policies during this period probably contributed to the PCC's capacity to project power beyond the prison walls: a high likelihood of (re-)incarceration gives street-level affiliates greater incentives to obey imprisoned leaders who control life on the inside (Lessing 2013). While the PCC used this power in 2006 to orchestrate three waves of terrorist attacks that paralyzed the capital city, it has also used its influence to reduce violence.

Ethnographers working in low-income neighborhoods have given first-hand accounts of how the PCC systematically came to impose a set of rules on and arbitrate disputes among criminal actors, informal

businesses, and even the larger population (G. de S. Feltran 2010; Hirata 2010; Telles and Hirata 2009). This is thought to be part and parcel of the PCC's larger "peace among thieves" mission, driven in large part by exceptionally high homicide rates among young males. The PCC's tribunal system is now used throughout the periphery of São Paulo, and especially in socio-economically marginalized areas. Wiretaps and other research have caught the organization deciding on punishments like a beating from the neck down, a broken leg, or a severe but non-lethal beating and exile by bus to a remote corner of the country (Feltran 2011; Denyer Willis 2015). Homicide rates fell drastically in São Paulo between 2001-2011. Many of the most historically violent districts of Sao Paulo where the PCC is now present have seen declines in the homicide rate by upwards of 85% (Feltran 2010; Denyer Willis 2015), while Biderman et al. (2014) observe a correlation between the PCC's first "appearance" in a neighborhood and the onset of homicide reduction.

The punishment documents that we analyze are presumably each an instance of a particular tribunal and its outcome, in Sao Paulo state. Each document is a recording of how the organization dealt with a particular case, denoting the infraction in question, the history of the person involved and who was present in deciding the punishment –if necessary- and what their role was in the organization. This is to say that there is good reason to believe that these punishment documents are deeply connected to the central rationale of the organization.

3 Data

The findings in this paper are based primarily on an analysis of this trove of internal PCC documents. These documents were given to one of the authors from an employee within the São Paulo state public security system, who the author had approached unsolicited for an informal discussion. The trove of documents in our possession are mostly digital copies of computer files seized by police during the arrests of two different PCC members, one a bookkeeper and the other a "disciplinarian"; in addition, a handwritten notebook (henceforth HN) belonging to the disciplinarian was scanned into digital images, copies of which are included in the trove.

Almost all of the documents in the trove relate to the "*Interior*", a word that in general usage indicates the area of a state (in this case São Paulo) outside its major metropolitan areas (in this case Greater São Paulo), and in our documents also refers to the administrative substructure within the PCC that corresponds to it. Both the bookkeeper and the disciplinarian from whom these documents were seized worked in the Interior.

All told, the trove contained over 500 files, including multiple copies and near-copies of certain documents and a large number of .mp3 music files, apparently intended to deceive police in case of seizure. The documents fell into four broad categories: spreadsheets detailing the organization's finances, principally associated with the drug trade; Word documents with more detailed reports, generally detailing the outstanding debts and whereabouts of individual members and affiliates; intra-organization communiqués; and documents tracking the punishment of members and affiliates. Herein we focus primarily on the following:

- 23 unique ledgers (*fechamentos*, literally “account closings”) (19 weekly, 1 bi-weekly, and 3 monthly) broken down by the *Interior's* seven Regional directorships (*regionais*)
- 15 “X-Ray” documents (*Raio X*) which detail the distribution of crack and powder cocaine on a consignment basis to members and affiliates within the various Regionals.
- 4 Reports (*relatorios*) that list all outstanding debts of individual members and affiliates which are thought to be uncollectable, because the individual has been expelled (*excluido*), has disappeared, has been imprisoned, or has died.
- 66 scanned pages from the disciplinarian's handwritten notebook (HN)
- An additional 98 Word documents documenting punishments meted out to individual members and affiliates.
- 10 assorted Word and Excel documents, including intra-organizational communiqués and non-drug inventory reports (e.g. cars and guns).

Proper analysis of the documents was complicated by several factors. First, formatting, orthography, punctuation, and accounting conventions were all erratic. Second, throughout all the documents organizational nicknames, abbreviations, slang, and code-words are used heavily and somewhat inconsistently. Third, we have systematic financial data for only a relatively short period (December 2011-April 2012) and even there some key documents seem to be missing. And finally, the fact that we have essentially no documents from the PCC's central administration (the level above the Interior) gives us a somewhat truncated view of the organization as a whole. These limitations called for creative approaches to analysis and, at times, inference and conjecture.

For example, only three complete monthly ledgers (*fechamentos*) were present, December 2011, February and March 2012. We consider these documents the most authoritative than the weekly ledgers, in part

because the monthly ledgers contain details on expenses, drug consignments, and other information that help make sense of the ledger entries. However, weekly ledgers are available from the first week of December 2011 through the third week of April 2012, allowing us to capture a full 19 weeks of drug market activity. While these weekly ledgers accord with those monthly ledgers we possess, there is a major discrepancy between the last week of January and the first of February 2011. As discussed below, we believe this represents a write-off of debt by the PCC's central executive committee; however, we are missing the January monthly ledger which would have likely provided explanatory details. Moreover, we lack accounting documents from the PCC's central financial administration that could help confirm or disprove our write-off hypothesis.

How do we know these documents are genuine? And how do we know that we have properly interpreted them? An important source for triangulation comes from a larger cache of digital and physical internal PCC documents amassed by the São Paulo Office of the Public Prosecutor (Ministério Público do Estado, MPE), mostly through the work of a specialized investigatory police group known as GAECO. This massive investigation led to over 150 indictments---though few successful convictions---in 2013 and 2014. We have sought, thus far unsuccessfully, to obtain these primary documents. However, detailed accounts of the MPE documents and prosecutors' initial analysis of them appears in the official state record of judicial proceedings (Diário Oficial de Justiça de São Paulo, DJSP), as well as in several journalistic accounts by reporters who had access to some of the original documents (Barbieri 2014; Godoy and Paes Manso 2014; Pagnan, Benites, and Jozino 2012). The description of the actual documents---their formatting and structure---in DJSP (2015) conforms very closely to our experience, and the MPE's analysis largely coincides with our assessment of the PCC's general structure, and our interpretation of key terms. Indeed, we believe that the MPE's document base includes those in our trove and that their indictments draw significantly on evidence culled from many of the documents included in our trove.

Nonetheless, the MPE's analysis of the data contained in their document base cannot be considered objective or scientific, since its primary goal is to generate admissible evidence leading to successful prosecutions. Moreover, the investigation and indictments were themselves important *political* events, in the context of an incumbent, hardline governor who was running for reelection in 2014. Finally, the MPE's analysis is based in part on hundreds of hours of wiretapped conversations, only selections of which are reported in the indictments. For this reason, we first conducted our own analysis of the documents in our possession; we then turned to additional sources to check whether they were consistent or supportive of our

primary findings, inferences, and conjectures, or could offer additional context about issues not directly addressed in our document trove.

4 Findings

Organizational Structure

Our documents make clear that the PCC has a highly articulated management structure with at least three principal levels for administering its activities on the street. General managers or managing committees, known as *sintonias* (literally “tuning”, as in “in tune”), exist for each administrative level, and there are also many specialized *sintonias* for specific tasks, like managing weapons stockpiles. At the top of the PCC structure lies the central administration, or *Sintonia Geral e Final*, with authority to make rules for the entire organization.³ Because almost none of the documents in our trove originated at this level, we have little direct evidence of how it is structured, although we do observe some financial and other transactions between central administration and the Interior.

Almost all of our documents come from next two levels down: the Interior, responsible for most of São Paulo state minus the São Paulo metropolitan area,⁴ and the “Regionals” (*Regionais*), the sub-units into which the Interior is divided. Our documents make clear that the *Interior* is a mid-level administrative unit that answers to the central administration, and this is confirmed by the MPE’s analysis (DJSP 2015).

The PCC’s administrative structure follows telephone area codes (*códigos DDD*) in dividing São Paulo state into 9 regions.

³ We observe this in the *salve geral* (general communiqué) discussed below.

⁴ In Brazil, *interior* refers to the portion of a state outside its principal urban areas, and is commonly used as an administrative, bureaucratic, statistical, or geographic division.

Densidade do Celular por Código DDD - São Paulo AGO/07

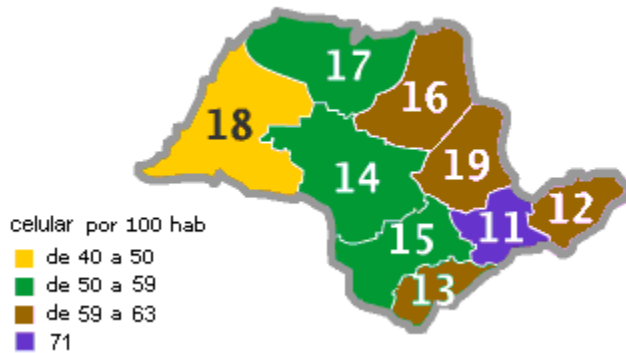


Figure 1: São Paulo State Area Codes. Source: <http://www.teleco.com.br/comentariol/com229.asp>

Our documents refer to the Interior as comprising Regionals 12 and 14-19. Region 11 is the São Paulo metropolitan area; Regional 13 comprises the port city of Santos, the surrounding Baixada Santista area, and the southern coast of São Paulo state. Beyond references to “Capital” as an administrative unit, our documents provide no direct evidence of how Regionals 11 and 13 are administered. The MPE finds that they are grouped under a Greater São Paulo administrative unit, parallel to the Interior. This unit is then further divided into six sub-units for Regional 11 (“Capital”) plus another for Regional 13 (“Baixada”) (DJSP 2015).

The administration at the level of the Regionals interacts directly with individual dealers, who are either “baptized”---officially inducted---PCC members (known as *irmãos*, or brothers) or unbaptized “colleagues” (*companheiros*). These dealers operate in hundreds of *quebradas* (“locales”, usually municipalities but sometimes neighborhoods or regions). Documents prepared by Regional officials detail the consignments, debts, and payments of these individuals, as well as tracking their actions and whereabouts, and detailing any punishments meted out.

Replicated across this vertical structure is a horizontal division of labor into a host of tasks and corresponding positions (*responças*). At each level, there is a Financial, Disciplinary, and General manager or council (*sintonia*), as well as roles like *livro* (“book”, i.e. bookkeeping), *jato* (“jet”, messenger/delivery) and so on. According to Barbieri (2014), these positions are unpaid. **NTD: Expand list of *responças*.**

All of our documents refer to the PCC’s activities outside prison; beyond references to members’ last three prison stays (a standard part of every individuals’ “criminal criminal record”) they tell us very little about how the PCC operates inside prison, nor the administrative structure of those operations. One thing,

however, is clear: the collection and disbursement of members' dues (which consist of a direct monthly fee as well as obligatory participation in a raffle) is entirely separate from the administration of the street-level drug trade and its related consignments and debts. Our documents cover only the latter; we conjecture that the former is the purview of the within-prison branch of the PCC administration.

Drug Trafficking

Roughly half of the files in our trove are from the business side of the operation. They detail the operation of a sophisticated consignment system for trafficking and retailing crack, cocaine, and marijuana. The Interior-level management purchases large wholesale quantities, on the order of 100-200 kilos, then distributes these to the managers of each Region, who then further distribute the supply, on a consignment basis, to individual dealers who are either baptized PCC members (*irmãos*) or un-baptized "colleagues" (*companheiros*). Dealers incur a debt based on a fixed rate of BRL 8500 per kilo of crack and BRL 5000 per kilo of cocaine, independent of quantity consigned (which can be as little as 50g). The debts are recorded, then totaled by city (*quebrada*) and region. The weekly and monthly general ledgers only record the total outstanding debt for each region, but additional "X-Ray" documents, which are only prepared when new shipments are disbursed, track the disbursements down to the individual level.

Financial records suggest that the Interior management purchases its drugs directly from a (potentially outside) supplier, rather than receive them on consignment from the PCC central administration. For example, a December 2011 disbursement of 150kg to the Regions, along with their corresponding increases in debt (*acrécimos de débito*) at the BRL 8500/kilo rate, are detailed in a note and reflected in the ledger entries. A separate note in the same document refers to the "purchase" of 150kg of crack from a "supplier" at BRL 6500/kg (for a total of BRL 975,000), noting that two payments totaling BRL 911,423.50 have already been made, and reporting the remaining amount. This amount is not recorded as a debt (i.e. accounts payable) to the central administration or anyone else, and the payments, along with two final payments for a previous shipment of 200kg of crack, are recorded as business expenses (*saida de dinheiro*). This all suggests that the Interior buys its supplies directly (albeit on an installment plan) and retains the BRL 2000/kg markup on crack. (There are no purchases of cocaine or marijuana recorded in the period our documents cover so we do not know what the markup on these drugs are.)

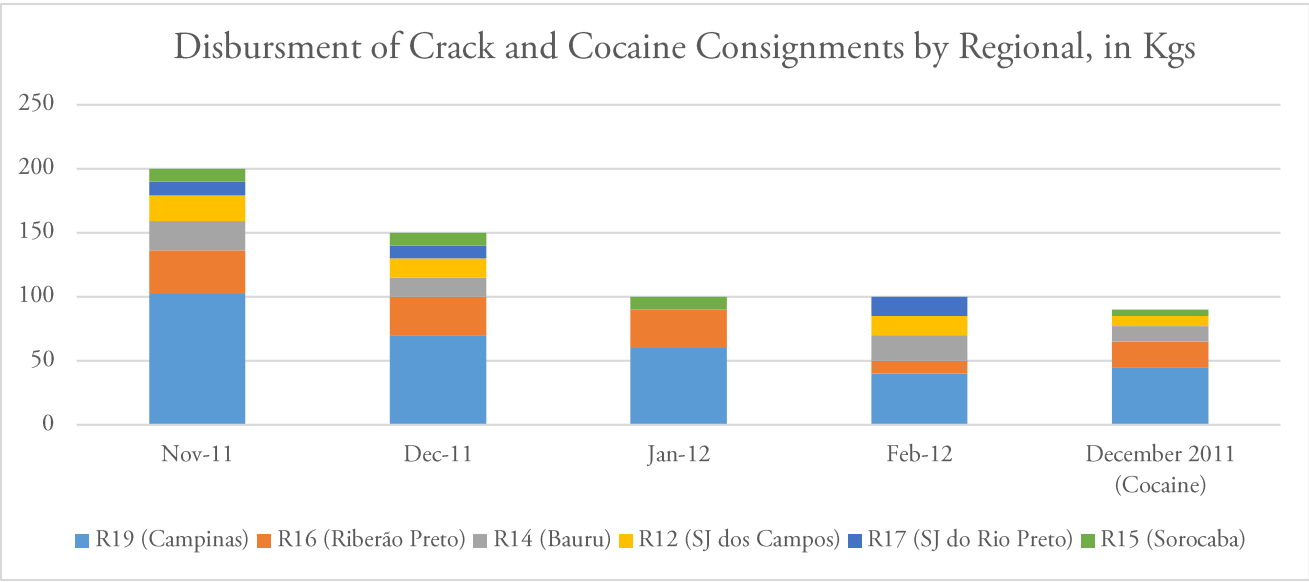
While our trove includes monthly ledgers for December 2011, February and March 2012, a more detailed picture is provided in a series of weekly text documents, also called *fechamentos*, running from the first week of December 2011 through the third week of April 2012. These provide, for each of the 7 regions covered, and for each drug type (crack, cocaine, and in some regions, marijuana), carried debt from the previous period, debt repaid during the current period, and outstanding balance at the end of the period. In a separate portion of these documents there is information about new consignments.

The ledgers contain entries for crack, cocaine, and marijuana. In volume, crack dealing is by far dominant economic activity in the ledgers, followed by powder cocaine, with marijuana a distant third. Indeed, out of the seven Regionals, only three even have entries for marijuana consignments, and in our dataset, no actual marijuana-trafficking activity is recorded, just small outstanding debts that are not paid down in the period observed.

There is also great variation in the volume of activity across regions over the period we observe. Regional 19, containing Campinas, largest city outside in the state beyond the São Paulo metropolitan region, was responsible 47% of the incoming revenue (paying down debt consignments), while Regional 18, representing the sparsely populated westernmost portion of the state, saw virtually no activity, with exception of a small debt payment of BRL1,271 (USD400).

Overall, the flow of drugs is quite uneven in the period we observe, suggesting seasonal variation. Two large consignments occur in November and December, then two smaller consignments in January and February. After that, no additional consignments occur, though we do not observe the final week of April, and new consignments seem to frequently occur in the last week of months. Seasonal variation is quite plausible: November and December are the first months of summer in Brazil, and also of Christmas vacation. Summer continues through February, and closes with Carnaval. Work rhythms resume with the coming of autumn in March, and it is possible that retail drug markets contract at this time.

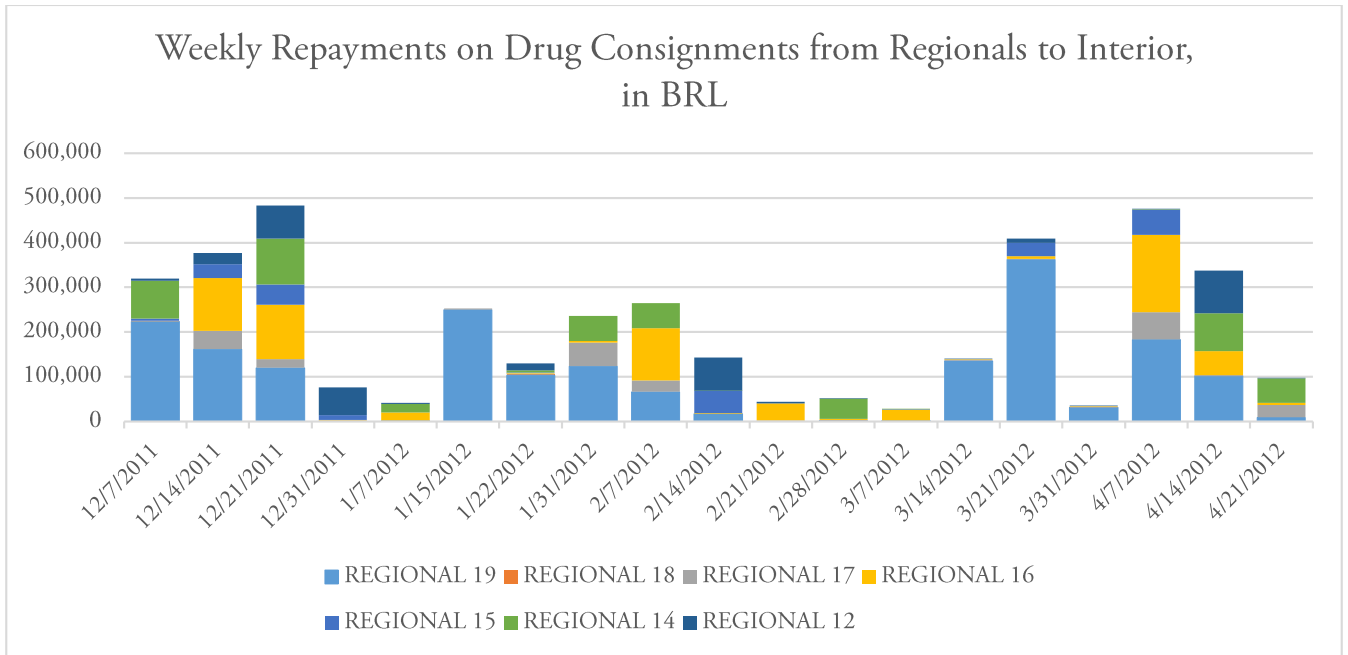
Incoming Drug Consignments at the Interior Level						
	11/2011	12/2011	1/2012	2/2012	3/2012	4/2012 (through 3 rd week)
Crack	200	150	100	100	0	0
Powder Cocaine	0?	90	0	0	0	0



Thus, over the period observed, 550kg of crack were consigned; at a markup of BRL 2000 per kilo, the Interior stood to make 1,100,000BRL (roughly USD400,000) in a 4-6 month period, though of course there is loss due to arrests, disappearances, default, and death. In addition, 90kg of powder cocaine were consigned. A note from a mid-December weekly ledger reports that 20kg of pure cocaine have been cut into 120kg of cocaine for retail sale, and that of these 30 have been sent to the “Capital” (i.e. the São Paulo metropolitan region) while the other 90kg have been sent distributed throughout the Interior.⁵ The documents contain no record of payments for any of this cocaine, so it is not clear what the Interior’s profit margin is. More broadly, many possible financial and logistical arrangements between the Interior, the Capital, and central administration are consistent with the note, which is our only data point with regards to cocaine procurement.

We do not directly observe revenue from drug sales, nor do we know what markup individuals charge on the drugs they receive on consignment. We do, however, observe the repayment of consignments by the Regionals to the Interior. The pattern of repayments is quite variable:

⁵ “Ref. as 20 pura que estava no paiou já esta revertida em 120 lata de ML e tambem já esta sendo souto sendo 30 lata na capital e 90 lata no interior”



All told, a total of BRL 3,938,605 is repaid over the period observed. Most of this is crack revenue: BRL 3,625,564, about 77% of the total consignment debt (550kg @ BRL 8,500/kg = BRL 4,675,000) and more than the interior’s purchase price (550kg @ BRL 6,500/kg = BRL 3,575,000), indicating that non-payment rates are low enough for the consignment system to be viable. Indeed, repayment rates are *at least* this high, since additional payments may have been made in the following (unobserved) periods before additional consignments were disbursed. We do not know the wholesale purchase price of cocaine, so we cannot tell whether that market segment broke a profit for the Interior in the period observed. The repayment rate was slightly lower, 69%; given the far smaller size of this market, it may be that consignments take longer to sell off.

An important class of documents come from the Regional level and are labeled “X-Ray of _____”, where the blank refers to a particular drug (in our sample, either crack or cocaine). These documents are prepared when a new consignment of drugs is “released” (*solto*) by the Interior, and detail precisely how much has been consigned to each member, organized first by locale (*quebrada*), then by Regional. These “X-Ray” documents give us a sense of how these consignments are then distributed throughout the state. Members receiving consignments were active selling crack in some 75 areas, mostly corresponding to municipalities, with a wide

penetration across the state territory. These municipalities encompass a population of roughly 8.5 million people, or about 46% of the population of interior of the state (excluding greater São Paulo and Region 13).⁶

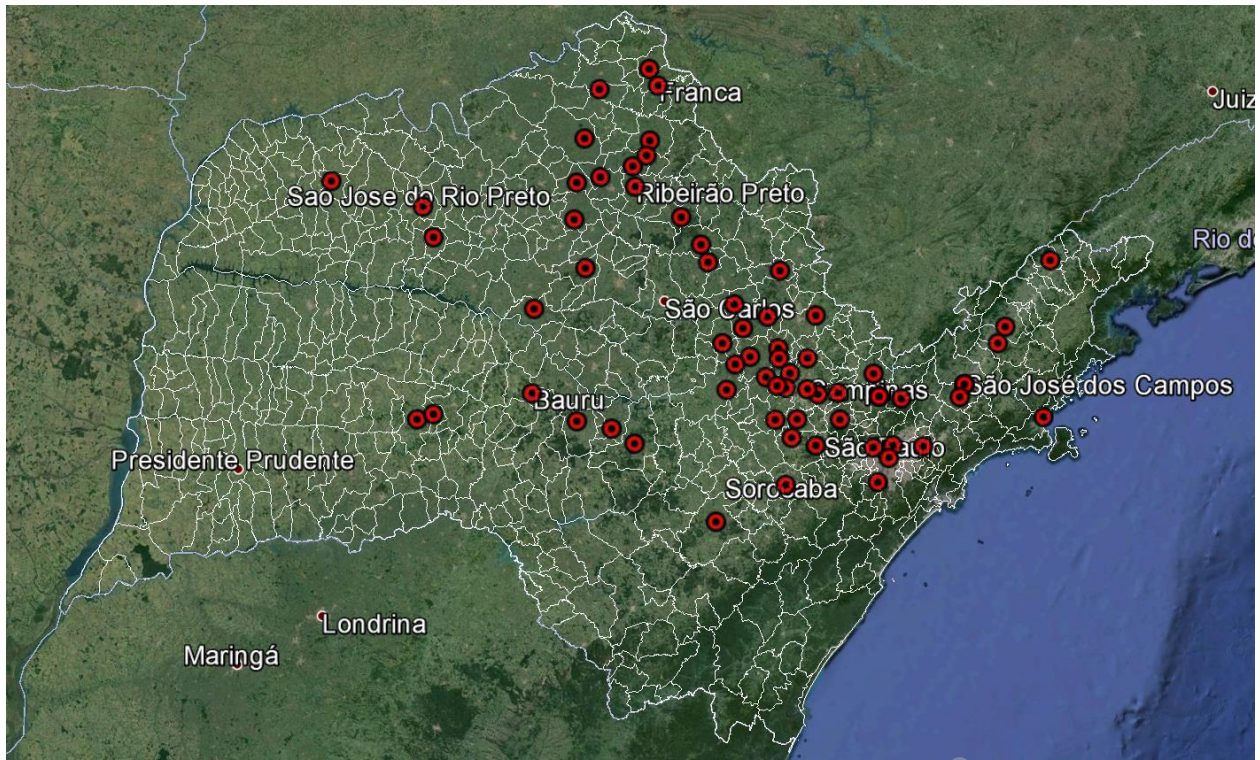


Figure 2: Municipalities in the Interior (excluding Greater São Paulo, Baixada Santista, and Litoral Sur) where PCC members and affiliates are known to operate. *NTD: Fix municipalities mis-coded by Goggle Maps API.*

This is a very conservative estimate, since we cannot distinguish areas where PCC affiliates *never* work, from places where they did not receive consignments during the relatively short period we observe. For example, Regional 18 (centered in Presidente Prudente) received no consignments during the period we observe, but its inclusion in weekly and monthly ledgers, and the fact that it had an outstanding debt (presumably from a previous consignment) implies that it *sometimes* receives consignments.

Analyzing one of these “X-Ray” documents provides an even more detailed view. Focusing on Regional 19, the most active Regional, roughly 180 PCC members or colleagues received a piece of the February 2012 crack disbursement; these dealers operated in 31 locales. Consignments are recorded first by locale, then by

⁶ NTD: Update with full set of cleaned X-Ray docs.

member, and it appears that some members work in more than one city. The average consignment overall was BRL 4,386, or just over half a kilo; the average consignment per member was just slightly higher: BRL 4948.⁷ There is, however, considerable variance in the volume each dealer handles. Two members received 4.5kg over the course of the month, while three dealers received only 50g each. The modal dealer received 100g. Figure 3 shows a histogram.

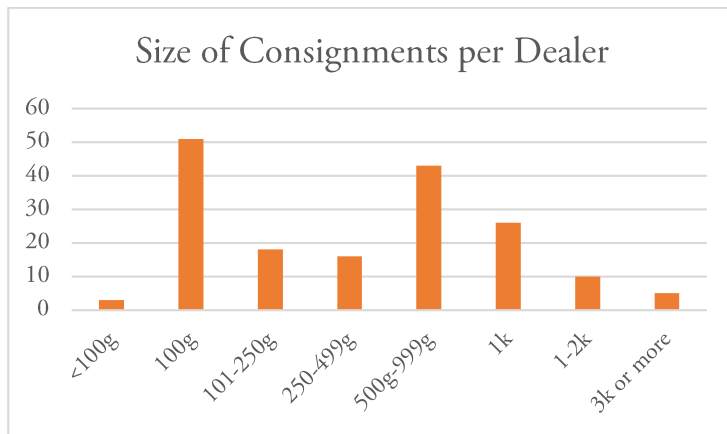


Figure 3: Bars indicate the number of dealers who total consignment was of a given size.

In terms of cities, the largest in terms of volume of crack consigned was Campinas, with 12kg. For a city of over one million people, such a quantity may well represent only a small portion of the total retail market for crack, reinforcing the conventional wisdom that the PCC does not attempt to monopolize retail trade. A related finding is that retail markets appear to be relatively competitive, or at least not monopolistic. As Figure 4 shows, the number of dealer active in each of the 31 cities is roughly 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 average consignment per dealer) is uncorrelated with the total size of city-wide consignments. In fact, the “biggest fish” seem to operate in smaller ponds.

⁷ Crack is consigned to members at a fixed price of BRL 8,500 per kilo, and there is no bulk discount or markup on small quantities.

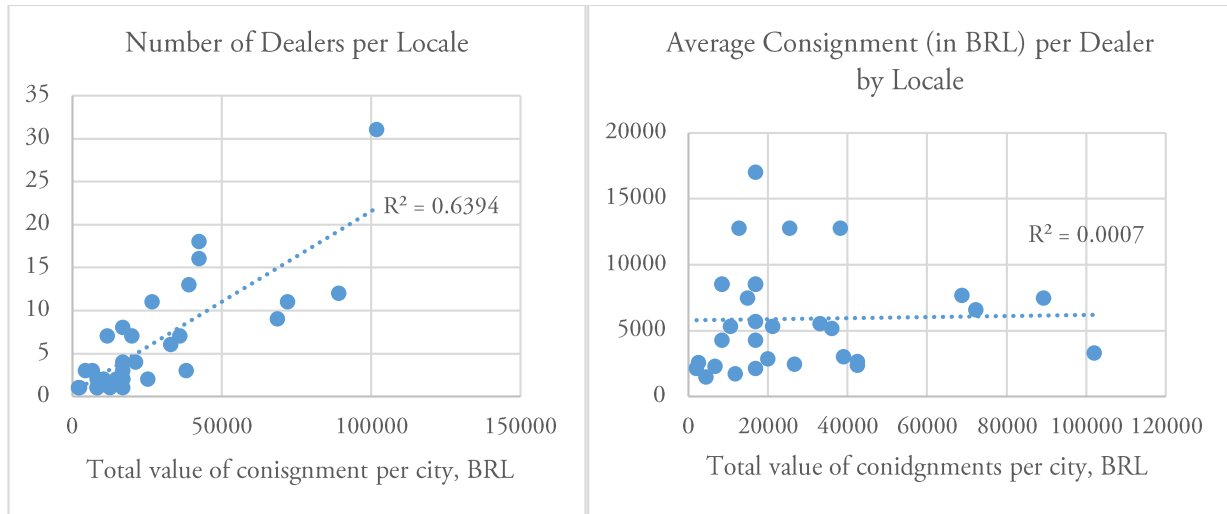


Figure 4: Number and Average "Size" of Dealers per Locale

Outstanding Debts (*débitos e dividas*)

Because the PCC seems to rely so heavily on consignment, outstanding debts, in the sense of Accounts Payable, are a recurrent theme in all the documents.⁸ At any given time, the majority of individual members and affiliates have some outstanding debt with their Regional, which in turn has a debt to the Interior. Dealers have 30 days to pay off their consignments, before they face punitive measures (usually temporary suspension). We discuss this punishment system in detail below. Here we note that overall, it seems to maintain debt default and uncollected debts at a manageable level.

We analyzed the documents titled "*relatorio*" (report), which constitute running tallies of the Interior's uncollected debts among individual dealers who have been excluded, gone missing, been arrested, or died. Unfortunately, these documents are not dated and are inconsistently and opaquely organized, frustrating and limiting the accuracy of our analysis. Two of the reports list "total overdue debt", "total current debt" (i.e. recently issued) and "total outstanding debt" (both overdue and current debt) for the Interior, allowing us to calculate a rough non-payment rate. However, these line items occur twice, consecutively, under different headings, with different values for overdue debt. Table 1 below illustrates this, combining the entries from the

⁸ These are referred to as *débitos* (debts) or *dividas* (debts); the two terms are apparently used interchangeably. Moreover, they sometimes refer to accounts payable by dealers to Regionals or by Regionals to the Interior, and sometimes to accounts receivable by the Interior from the Regionals.

two separate reports, maintaining the original terms and formatting, and adding translations and our Non-Payment Rate calculations.

One plausible conjecture is that the bottom entries incorporate the write-off of debts considered irrecoverable, involving deaths and loss to police, though this does not explain how the debt for marijuana *increases* between the top and bottom (similar entries for Regional totals show increases for other drugs as well). Regardless, this provides a range of 14% to 27% of overdue to current debt issues. When we consider that many of these overdue debts had been on the books for over a year, this seems like a manageable level of non-payment.

It is not entirely clear how the Interior's total outstanding debt is seen by the central administration: as noted, we do not believe that the Interior receives crack on a consignment basis from central management, and so its accounts receivable (from the regionals) do not constitute accounts payable to central management. On the other hand, maintaining large outstanding debts on the books is clearly something seen as bad, which the Interior wants to avoid. Moreover, the central management seems to have the power to write off some off some of these debts.

Document name:

relatorio(3).doc

relatorio(2°).doc

Valor a receber no interior.

[Value to be received by the Interior]

PT atrasado [Overdue crack]	247.107,85	248.452,50
MI atrasado [Overdue cocaine]	126.756,50	150.567,00
Bob atrasado [Overdue marijuana]	9.025,00	9.025,00
PT atual [Current crack]	1.396.390,00	1.099.438,00
Valor total atrasado [Total overdue]	382.889,35	408.044,50
Valor total atual [Total current]	1.396.390,00	1.099.438,00
Valor total do debito [Total debt]	1.779.279,35	1.507.482,50
Non-Payment Rate	21,5%	27,1%

Debito do interior [Debt of the Interior]

PT atrasado	166.607,35	144.473,35
ML atrasado	51.062,00	51.062,00
Bob atrasado	13.169,00	13.169,00
PT atual	1.396.390,00	1.099.438,00
Valor total do debito	1.627.228,35	1.308.142,35
Non-Payment Rate	14,2%	16,0%

Table 1: Totals for Overdue, Current Debt: Calculated Non-Payment Ratios

A number of documents and findings provide some grounds for conjecture, however. First, between the last weekly ledger of January 2012 (we do not have a monthly ledger for that month) and the first weekly ledger of February there is a significant reduction in outstanding debt for the majority of the Regionals that does not correspond to any recorded cash payments. In total, more than BRL 500,000, about 1/3 of total outstanding debt, permanently disappears from the Interior's ledgers. These reductions do not appear as line items in any of the ledgers, nor are there references to them elsewhere in the documents; we have calculated

them by subtracting, for each Regional and each drug, the February Week 1 entry for outstanding debt from that of January Week 4. Comparing all the other entries for all other weekly ledgers, this difference is either zero, or is positive due to new consignments, which are always detailed elsewhere in the ledger and other documents. So the case at hand is unique not only for being a reduction in debt but for going unexplained and referenced.

We conjecture that the January-to-February debt reduction represents a one-time write-off of outstanding debts that were deemed uncollectable. This is based on one of the “reports” of uncollectable debts, apparently the earliest report in our dataset, from some time no earlier than October 2011. It opens with the following note, not found in the other reports:

Report of debts among the **excluded** 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 [*sintonia geral and final*], to be analyzed case by case and together with us from the interior *sintonia* begin to remove from our ledgers this backlog of values that we are not managing to collect, we have some situations that refer to dead members where we know that the debt of each is automatically cancelled, but we are also letting the central management know each of these names, and we are also forwarding cases of **losses to the police** so that central management can analyze each situation.⁹

At a minimum, this note indicates that the Interior is under pressure from the central administration to balance its books, and that the latter has authority to cancel outstanding debts that are not collectible. Another clue is a document titled “salve geral 23-1-2012”. A *salve geral* is a message from the PCC’s central administration; this one reads:

The central executive management (*sintonia geral*) hereby communicates, by means of this memo, to all those with outstanding debts with the drug trade and finance sector (*setor do progresso*) to take responsibility and pay off your debts.

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

⁹ Grammatical errors and color formatting appear in the original.

We thank everyone for their attention,

Sintonia Final

Obviously the document makes no mention of a debt write-off, but it is possible that this general announcement accompanied a write-off of previous debts, as part of an internal reform occurring around the last week of January 2011.

On the other hand, these outstanding debts probably do not represent money owed by the Interior to central administration, since Interior seems to pay for its wholesale drug purchases either up front or in a series of rapid installments, and may not be receiving these drugs from central administration but rather an outside vendor. For example, in January and February both, Interior purchased and distributed 100kg of crack. The February and March monthly ledgers show that these two shipments were paid off from the Interior's treasury, leaving it with no liquid balances.

Expenses

The ledgers also provide detailed accounts of expenses (*saida de dinheiro*). These entries include typical business expenses like cell phones, computer equipment, and transportation for traffickers making purchases or deliveries, but wholesale drug purchases are *not* included here. On the other hand, expenses related to the PCC's provision of transportation services and particularistic benefits to family members of imprisoned members *are* included. As can be seen below, these make up the lion's share of "expenses" as categorized here.

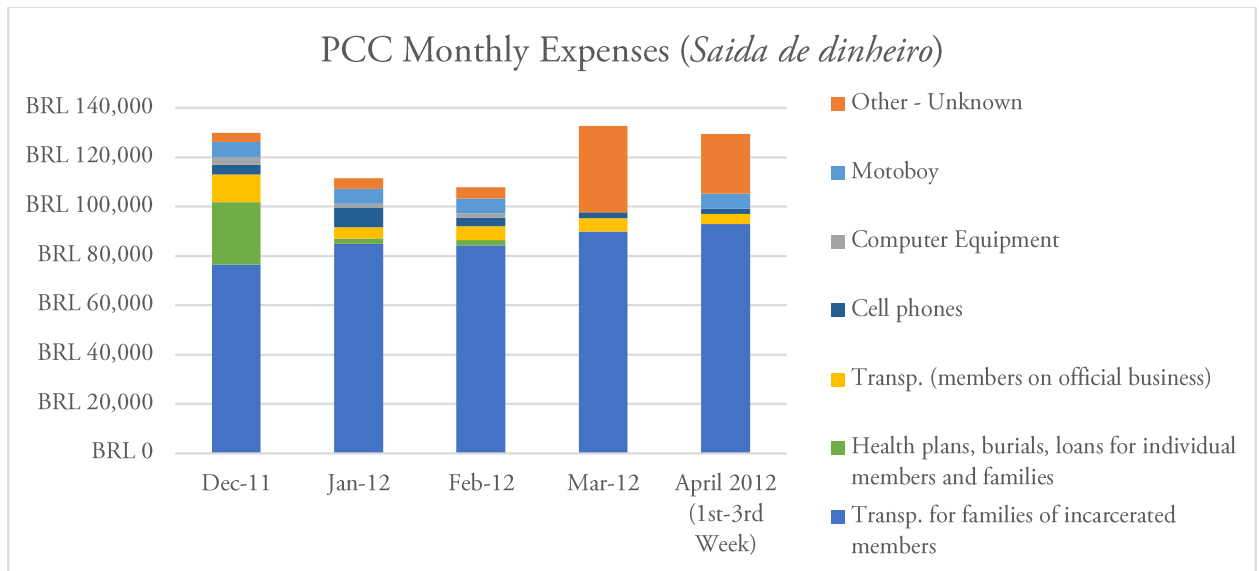


Figure 5: Expenses Reported in Monthly Ledgers (fechamentos)

All told, the Interior spends about BRL 80,000 (USD 30,000) a month on transport for family members and other “public goods”, which represents between one third and one fourth of all profits from selling crack and cocaine. Private benefits to individual members was relatively small except for in the month of December, when a BRL 25,000 loan was made to an individual member.

Another document in our trove details a unique welfare program for members: ‘gun libraries’ in each region that provide both a gun and the equivalent of eight times the monthly minimum wage for members recently released from prison (Denyer Willis 2014). This document states that each ‘library’ should have on hand BRL 500,000 (\$250,000 USD at the time the document was written) and a standing inventory of twenty machine guns, fifteen submachine guns, fifty pistols, thirty grenades, and twenty revolvers. The document also states that the use of these guns must meet a ‘principle of proportionality’ in which “no one shall request a machine gun to stick up a car” and that the user must be familiar with the grade of weapon (Denyer Willis 2014). It goes on to describe, in minute detail, the procedure for borrowing both inside and outside of prison, the terms of return, and the consequences if guns lost or seized, or if the user is killed by police. This example, and most others, speak to the PCC holding up and proclaiming the image of the “honourable criminal” who follows the organizations’ ‘ethic of crime’.

Punishment

Information on how the PCC punishes misconduct comes from several different sources within our documents. The most direct evidence comes from a handwritten notebook found in the possession of a *disciplina* (disciplinarian) who was arrested in April 2012. The pages of the notebook include 32 standardized entries detailing the punishment of individual members and affiliates. While a small sample, this notebook would appear to be a running record of punishments as they occurred, giving us a sense of the relative proportions of different sorts of punishments meted out over time. Further evidence comes from computer files associated with the disciplinarian (also from 2012), as well as several reports (*relatorios*) from the financial side of the operation, which mention punishments in the context of outstanding debts belonging to members and affiliates who have been excluded or killed.

Our main finding is that the PCC, at least in the Interior during the period 2011-12, relies overwhelmingly on suspension (*prazo*) and exclusion (*exclusão*) from the PCC (and hence access to its consignment system), as their punishment mechanisms, resorting to physical violence only rarely. Indeed, our documents identify more than 100 individual punishments meted out to members and affiliates, but only a single case of execution. Another related finding is that within the PCC, punishment is a highly bureaucratized affair, involving both significant paperwork and numerous mechanisms for administrative review. Our documents strongly support a view of the PCC as an organization that is at once strict and meticulous, but also clearly concerned with fairness and “hearing out” those suspected of wrongdoing. In the discussion below, we argue that such organizational behavior derives from, and in a sense constitutes, the PCC’s efforts to achieve not only power, authority, or hegemony, but *legitimacy*.

Documents in our trove explain several types of punishments and, especially, the bureaucracy around them. There are different punishments for paying members (*irmãos*) and affiliates (*companheiros*), but in both cases the first level of punishment is a suspension (*prazo*), during which the offender cannot participate in the PCC’s consignment system. These are immediately applied when someone has not paid back a consignment in the allotted time. For members, non-payment of the debt incurs exclusion from the organization; payment gets a member removed from suspension, but second and third infractions are punished more harshly, as this document details:

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 Exclusion. And they enter an 'affiliate's twenty-day suspension' (*prazo de 20 dias de companheiro*).

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

Even though exclusion can come as an automatic response to non-payment of debts, it is considered a major punishment and bureaucratic safeguards are in place to ensure that it is not wrongfully applied:

All Exclusions must be sent through a disciplinary or general manager. Never record an Exclusion reported by a member who does not hold an office [fecha em Responça da familia] nor without the knowledge of the Central Executive Committee or that of the Region [sintonia final ou geral da região]. ... We bookkeepers should never record an Exclusion without first receiving the Summary from central management [sintonia final e geral].

The handwritten notebook also contains individual punishment records for 30 members.¹⁰ Of these, the majority are suspensions, and there is only a single execution.

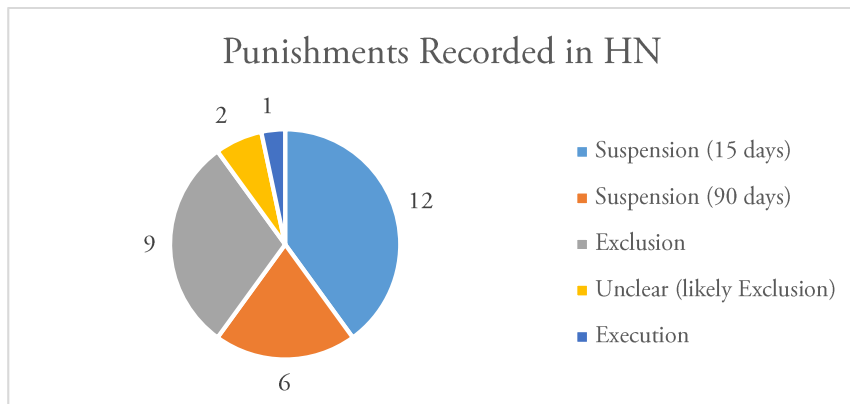


Figure 6: Universe of Punishments Recorded in Disciplinarian's Notebook (HN)

Together with the notebook, a folder of punishment-related digital files was found, apparently maintained by the same *disciplinar*. Each of these files is an individual punishment record, and they are organized by member/affiliate and punishment. For members, there are 7 suspensions (labeled as "old") and 9 exclusions. For affiliates there are 80 suspensions, 12 of which are labeled "old". Since no executions appear among these files, we cannot be sure whether there were in fact no executions or whether executions are recorded or stored

¹⁰ There is also a record for one affiliate, which is excluded here to focus on PCC behavior toward members.

differently. If we assume that any executions would have appeared here, then in our universe of punishment incidents only 1 out of 136 corresponded to an execution.

The *relatorio* (report) documents offer further evidence that the death penalty is quite rare. These, again, are lists of outstanding debts held by members and affiliates who have been excluded, imprisoned, suffered losses due to police seizures, or who have died. The *relatorios* in our trove seem to be cumulative (each lists all those in the previous *relatorio* plus, sometimes, additional entries). The last available *relatorio* lists 5 deaths; of these, only one was an execution, the same individual whose execution is documented in the HN. The other four causes of death were: killed during an ‘operation’ (probably a drug deal or robbery), car accident (2 cases), and a shootout with police.

Because they are primarily financial documents, meant to detail uncollectable debts in hopes that these would be written off by the central administration, the authors had every reason to include cases of members and affiliates who had been executed. That is to say, there is probably not underreporting of execution of members *provided they had outstanding debts*. These reports are unlikely to include any executions of members who were fully paid up at the time of their execution. Although we have no way to directly estimate what share of executed members were paid up at the time of their execution, we conjecture that it is small, since theft from the organization is one of the prime motivations for execution.

“Criminal Criminal Records”

In both the handwritten notebook and our digital file trove, there are templates for what we call “criminal criminal records”, essentially a series of data fields. These vary somewhat depending on context, but they all contain the following fields:

Original item	Literal translation	Explanatory note
<i>Nome:</i>	Name:	
<i>Matrícula:</i>	Member number:	Number assigned by government when person first enters penitentiary system.
<i>Vulgo:</i>	Nickname:	
<i>Quebrada:</i>	Locale:	
<i>Três ultimas:</i>	Last three:	Last three places imprisoned
<i>Punição anterior:</i>	Previous punishment	Prior punishment (if any) and date, location, and motive where relevant

<i>Linha Vermelha:</i>	Hotline:	Personal cell phone number
<i>Três últimas resposta:</i>	Last three positions:	Last three positions held (if any) within the PCC
<i>Data batismo:</i>	Date of Baptism:	New members can only be baptized if sponsored by godfathers, usually three. The home locales of each godfather are also recorded in this field.
<i>Local batismo:</i>	Place of Baptism:	
<i>Padrinho:</i>	Godfather:	
<i>Data de saída:</i>	Date of exit:	<i>Exit from prison</i>

Instructions for in the HN notebook are explicit: “When registering a suspension, all personal data is required. Name, nickname [etc.]... any cases of punishment by the family [i.e. the PCC] and if there were, locale, motive, and date.” In the case of exclusion, additional information is required: motive, locale, and date of exclusion, and acompanhamento, or ‘follow-through’. This last field contains a list of PCC officials assigned to the case, usually running from a low level official from the same region as the excluded member, all the way up the chain of command to the Council of 16 (*sintonia das 16*).

When individuals are mentioned in other documents, many of these fields are repeated. For example, the “relatório” documents list debts that are outstanding and potentially unrecoverable; among these are debts belonging to excluded members. Here is an example of such an entry from one of the “relatório” documents, with individual identifying data suppressed and data-field names and key entries translated. The original formatting has been preserved.

Original	Literal Translation
Nome: [hidden]	Name
Vulgo: [hidden]	Nickname
Quebrada: Iracemápolis	Locale
Padrinhos: [hidden]	Godfathers
Data de batismo: 21-05-2009	Date of Baptism
Três últimas: CDP de Piracicaba, CPD de Americana e P2 de Itapetininga	Last three [places imprisoned]
Punição: Um prazo particularantes da exclusão.	[Prior] Punishment: a personal suspension prior to exclusion.
Motivo da exclusão: Prazo particular vencido no valor de 5.350,00	Motive for exclusion: Personal suspension period expired with outstanding debt of BRL 5,350.00
Data da exclusão: 07-06-2010	Date of exclusion: 07-06-2010

<p>Valor dos débitos: 3.000,00 de PT e 925,00 de MI 06/2010 Dia 20/08/2011 foi arremessado 1.300 = Divida atual 2.625 PT mês 10</p>	<p>Value of outstanding debt: BRL 3,000 in crack and BRL 925 in cocaine June 2010. On August 20, 2011, BRL 1300 was paid = Current debt BRL 2,625 in crack for October</p>
<p>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 [hidden] e o [hidden] 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.</p>	<p>Note: The person in question has an expired suspension period and is in the street as of June 7, 2010, he was in Ribeirão Preto on August 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] [hidden] and [hidden] agreed to come with the report and at same 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.</p>

Figure 7: Example of a "criminal criminal record" from report on uncollected debts.

In this way, the critical elements of a member's "criminal criminal record" are replicated in the PCC's financial documents, and can easily be taken into consideration by decision-makers.

4 Discussion

Three findings from the analysis above are particularly surprising and interesting. First, the PCC's reliance on a highly decentralized consignment system for its retail drug trafficking business rather than direct administration through salaried workers. Second, the relatively mild and "understanding" nature of its punishment regime, generally eschewing violent reprisals and incorporating mechanisms for appeals and forgiveness. Finally, the incredibly detailed and resource-intensive nature of its record keeping, particularly with respect to individuals' history and performance within the organization. In this section, we argue that these three attributes are causally interconnected, and that analyzed together they reveal an subtle, and sophisticated approach to internal cohesion that has been critical to the PCC's unprecedented expansion and resilience.

The PCC's consignment system differs from two more commonly observed models of drug retailing: "freelance" systems where individual dealers purchase their supplies from wholesalers, and more hierarchical structures where dealers earn fixed salaries or commissions on sales. Each of these systems has their strengths and weaknesses. Levitt and Venkatesh (2000) observe the takeover of a Chicago drug market, previously controlled by a gang using the freelance system, by a more sophisticated gang using a salary system. They find that profits tripled under the new system, presumably because of severe credit constraints under the freelance

system. Hagedorn (1994) also finds centralized retail drug operations to be highly profitable, but notes that they are also more visible and vulnerable to law enforcement, and less adaptable to changing circumstances.

This accords with evidence that in much of urban Brazil, including in São Paulo prior to the PCC's widespread involvement in the drug trade, the concentration of retail drug markets varies as smaller firms expand and larger firms fall prey to repression and succession battles (Lessing 2008). For decades, the key exception was Rio de Janeiro's Comando Vermelho prison gang, organized in the 1980s as a confederation of autonomous drug firms, each with an elaborate hierarchy, division of labor, and a local monopoly within its turf. While the CV has survived and at times proven quite lucrative, it has borne the brunt of intense militarized state repression as well as predation by corrupt police, and lost considerable ground since 2006.

The PCC, though it modeled itself on the CV in many ways, took a very different approach to the drug trade. In a sense, consignment is a middle path, alleviating the credit constraints of the freelance model (by essentially running a massive microcredit program for dealers), while avoiding the risks and costs of maintaining local monopolies over retail turf associated with the hierarchical model. One great advantage of this approach is the potential to expand operations in a flexible and decentralized way.

Yet the consignment system can only work if dealers regularly pay back their debts in a timely fashion, *Ceteris paribus*, dealers have incentives to pay off their consignment so that they can receive the next, but in the rough and tumble world of drug dealing there a thousand frictions that can make defection or delaying payment tempting. (Indeed, even licit consumers accumulate enormous and clearly suboptimal levels of credit card debt rather than pay it off in a timely fashion.) Hence the need, articulated in our documents, to "lean on" debtors. Yet the very decentralization that consignment permits, particularly in "frontier" areas such as the Interior of São Paulo, means that projecting physical coercion onto individual street dealers to pay up could be quite costly. Ensuring widespread *voluntary* compliance would be ideal.

The PCC has an elegant solution to this problem. First and foremost, it is inadvertently aided by the state, which directs significant resources and manpower toward physically seizing dealers and bringing them to places where the PCC *can* easily punish them: the prison system. More effective criminal justice, and in particular higher incarceration rates (and at 497 per 100,000 residents, 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.

Even in prison, though, the PCC may not need to mete out physical punishment. While our trove includes no documents from the PCC's within-prison administrative units, we do observe dozens of individual "criminal criminal records" in which dealers with overdue debts have been imprisoned. Among these, only suspension and exclusion punishments are noted. This echoes Dias and Salla's (2013) finding that the graded punishment system, with execution reserved for only the gravest of offenses, replaced more violent and arbitrary punishment within prison some time after 2006. Here too the PCC benefits from the actions of the state, which---despite a major expansion of the prison system---maintains a burgeoning inmate population in conditions of intense overcrowding, precarious infrastructure, and potentially negligent and/or abusive guards. In a world like that, the prospect of losing the PCC's protection is a powerful incentive in its own right.

The PCC's disciplinary system further amplifies the coercive power of suspension and exclusion in two key ways. First, it guarantees that these punishments are meted out in a consistent, transparent and non-arbitrary way. That is, it ensures that the guilty, and only the guilty, are punished. Second, it guarantees that punishments and the infractions that occasioned them will become and remain common knowledge.

Meticulous and standardized record-keeping and attention to detail evident in these documents reveals a surprising degree of organizational capacity, and was surely directly instrumental in the successful scaling up of drug trafficking operations. But efficiency and profit maximization on the business side do not seem to be the sole, or even primary goals of the PCC's incessant bureaucratization. At least in our sample, the cadasters (*cadastros*) of individual's "criminal criminal record", which includes their history in the organization, their pedigree, offices held, and past infractions and punishments, seem significantly more detailed and labor-intensive than the purely financial documents. This is clear in the four "reports" detailing irrecoverable debts from individuals who have fled, or been excluded, imprisoned, or killed. Each individual's "criminal criminal record" is dutifully reproduced, including detailed accounting of partial repayments, negotiations around repayment schedules, excuses given, and rumored present locations, but regional totals are reported in a confusing and inconsistent way and are not obviously the sum of reported individual outstanding debts. The regional "X-Ray" reports detailing drug disbursements are surprisingly erratic, often in Word format, containing clerical and arithmetic errors. And while the Interior-level weekly and monthly master ledgers are standardized and generally accurate, expense accounting is haphazard, and one major reduction in outstanding debt goes unaccounted for (this may be due to a missing monthly ledger, but given that this ledger is missing from two separate copies of the period's financial documents, the point may stand.)

Overall, this suggests a certain laxness with respect to financial bookkeeping that, admittedly, might not be surprising for a criminal operation conceived of and administered by prison inmates who largely come from poor and marginalized communities. Yet compare this with the operational and bookkeeping rigor this instructional document demands during induction or “baptism” (*batismo*) of new members:

Baptisms have many details that must be analyzed, because it is the highest office. As such... the Head Bookkeeper, the General Manager of the Region, the Head Disciplinarian of the Region, the Head Disciplinarian of the Interior, the [inductee’s] patron (*padrinho*), references, and the inductee, must all be in agreement, by phone or in person, and the inductee must obey all the norms demanded by the discipline of the Comando.

Similar safeguards, discussed above, exist when a member is threatened with exclusion as a punishment. Punishments are highly standardized, and the rules surrounding them are meticulously noted in our documents. Moreover, all punishments are assigned a group of “overseers” (*acompanhamento*) including key officials from each level of the PCC’s internal administrative structure.

If the goal were merely to induce compliance through fear, this would likely be an efficient use of resources. Rather, the goal seems to be guarantee that punishments are fair and non-arbitrary, and that they will be accurately and permanently entered into individuals’ records. This is, we argue, a key part of the PCC’s strategy to establish a form of legitimate authority within the criminal underworld. In this, they hew quite clearly to Weber’s ideal type of rational-bureaucratic authority:

Finally, there is [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*. In this case, obedience is expected in discharging statutory obligations. This is domination as exercised by the modern ‘servant of the state’ and by all those bearers of power who in this respect resemble him (Weber 1946).

The PCC’s competence in “criminal criminal justice” is critical to this project: it is precisely because members know that suspensions and exclusions are fairly doled out, and permanently and accurately recorded, that these relatively mild punishments carry coercive force. Punishment by an unreliable tyrant might be unpleasant, but it does not necessarily carry a social stigma since it is likely to be arbitrary. Punishment at the hands of 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 reliable signal of wrongdoing. Obsessive record-keeping ensures that this stigma will be common knowledge in perpetuity.

A final condition for this mechanism to work is that *other* criminals stigmatize, punish, or refuse to collaborate with someone who has been judged and sentenced by the PCC. Exclusion certainly implies the loss of collaboration with PCC members, in a dynamic that parallels the punishment mechanism in Greif's model of medieval Maghribi traders (Greif 1993): members play an equilibrium strategy in which they deliver costly punishment to players who have cheated in the past. But what about non-member affiliates, or the larger universe of criminals? As we noted in the introduction, there are good reasons for non-members to shun those with a bad "criminal criminal record", provided the record accurately reflects wrongdoing or malfeasance. Such an equilibrium strategy, once adopted, may come to be supported by community norms and common expectations. Feltran, discussing a PCC-led trial of a non-member in a peripheral community of São Paulo, offers an example of this. The defendant made a strong case, and showed personal courage, but he had previously received a 30-day suspension, and so was expelled from the local drug firm (which was autonomous from the PCC). As a relative of the defendant explained, "he was completely demoralized in the world of crime, and there was no way he could return." (Feltran 2010, 65).

5 Conclusion

TBD

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