**Short Research Guide for the Long Assignment in Economic and Financial Sociology**

**(Illegal, Gray and Shadowy Markets)**

1 – Comparing legal, illegal and semi-legal markets. Differences between moral and legal considerations. Definitions of what constitutes legitimate markets and how these concepts vary in time and space. Markets that ore once legal and became illegal and vice-versa. Markets that survive on establishing connections between the two worlds. The embeddedness of gray markets.

2 – Constructing a typology of gray and illegal markets according to different criteria. The shadowy areas between gift and bribe. How a thriving market may become illegal. The moral crusades. Changes in legitimacy and law. Inhibiting exchange. Establishing thresholds and limits (age, sex, groups). Forced contracts. Extorsion. Discussing and criticizing the model established by Beckert abd Wehinger.



3 – Analyzing gray and illegal markets – supply, demand, structure of the competition, social networking, value chains, regulation and enforcement, types of contracts, uses and misuses of reputation and trust. Questions of pricing and price/quality tradeoffs. Constructing social capital. Issues of quality and valuation. Constructing barriers to the entry of competitors. Types of labour and work organization. Connections with state and state agencies – corruption, bribery and association/collusion. Dominance of status and price mechanisms. Property rights and the claiming of ownership. Illegal production and service markets. Articulations with the informal and domestic economies. New types of bartering. Mechanisms of coordination, competition and cooperation. Law enforcement rigidity. Moral costs and risks involved in the transactions. Transaction costs associated with trading in illegal markets. Costs of production and distribution. Is there a place for advertisement and marketing? Protection from price competition. Cartels and monopolies. Product differentiation, innovation, first-mover strategies. What substitutes subsidies and tax exemption?

4 – The Intellectual Property Rights (IPR) issues. Piracy and stealing versus the rights of the people. Industries facing the stress: movies, music, books. Legal companies on the brink. The usurpation and faking of certified professions, professional titles or systems of expertise.

5 – Determining the weight and size of the illegality. New economic measures or integrating the value of the shadow economy in the national statistics? The effects of legalizing illegal industries. Grading the effects of counterfeiting, forging, stealing or trading in illegal goods.

6 – Assessing the importance of disgustful but not illegal markets and their relationship with shifting moral values in time and space. Differences of nature and degree in terms of the acceptance of new trading areas: the case of interest and insurance. Organ markets and markets for adoption.

7 – Imbalances and asymmetries of information. Systems of credibility. Forced markets or markets of choice? Goods removed from circulation and goods inaugurating new circuits of trade and exchange. Forgeries costing the same as originals. Definitional issues in the establishment of originals and copies. The industries of faking. When price is the issue. When pretending is the issue, when shame is the issue. Emotional dimensions of the illegal. Absence of alternatives and despair.

8 – Family business and ethnic trading. Special industries in special neighborhoods. The mafia, the yakuza. The economic transitions and the potential transformation of the informal into illegal – the blat in Russia. How some social networks that circumvent the scarcity problems may become the core of mob like arrangements.

9 – Issues of safety, ecological threat, and health concerns. Trading that mixes the legal production with the illegal distribution. Poaching, trade in protected species. Art involving goods that are not tradeable in the countries where they have to be sold. Mixing the legal and the illegal: the blood diamonds case.

10 – Illegal workforce and moonlighting. The role of the maquiladoras in the US border. Using (exploiting?) some special groups in foreign countries. Corporate social responsibility and ethical trading issues.

11 – How to create stability, calculability, rationality, predictability in illegal markets? What are the social mechanisms that act as functional substitutes for these instruments? How to create forms of classification, commensuration, valuation, and hierarchy in these markets? What gives a sense of order to the trade? Articulating need and status. Illegal markets operate at the extremes, concentrating both in luxury and very common items?

12 – Constructing reputation, trust and brand in an illegal world. How violence and threats substitute regular contract enforcement guaranteed by the state and state agencies. The role of social brokers and intermediaries. The groups that work as transaction guarantors for both parts.

13 – What substitutes warranties and damage compensations? Who gains what? Who loses what and how much? What is the liquid effect of a particular gray or illegal market? What are the institutional devices granting confidence to the transactions?

14 – Creation of stable and regular expectations. Stabilizing mechanisms by articulating the illegal with the legal via bribery/corruption/seduction/threat/convincing, etc. When the state connives with the illegal areas. Protection and racketeering. Closing the market to competition.

15 – Levels of entrepreneurship skills on the illegal markets and the Don Corleone predicament.

16 – Using the legal to promote the illegal and vice-versa. Financial flows and money laundering. Uses of fiscal paradises and different levels of state tolerance.

17 – Opacity and fragmentation of the illegal markets both in terms of responsibility/accountability and quality/price. Prices, however are the only salient element in the market. Markets very much dependent on personal relations and not role interactions. Cooperation is difficult because is dominated by risk issues. Opportunism and non-enforceable contracts are dominant. Paradoxes of hiding, but needing to interact and trust the other. Invisibility but in a context of cooperation. Illegal markets seem closer to pre-modern forms of organizing trade activities.

18 – The free-rider problem limits the size of the illegal business – monitoring and controlling costs (authority) tend to grow in these sectors in the absence of other enforcing mechanisms. Small companies in a loosely-coupled network become more common than conglomerates of illegal activities.

19 – Need for signs and tokens of trustworthiness – physical (yakuza), familiar, ethnical, reputation, reliability, personal bonds. Employees should rotate and know as little as possible.

20 - Some possible research areas: Illegal logging, trafficking rare species, trafficking people, drug dealing, poaching, trade in animal parts, trade in rare products, counterfeiting, piracy, organs, gambling, casinos, prostitution, doping and other performance enhancement drugs, surrogate mothers and wives, egg and sperm trade.