



Contents lists available at ScienceDirect

# Accounting, Organizations and Society

journal homepage: [www.elsevier.com/locate/aos](http://www.elsevier.com/locate/aos)

## Accounting for extortion

Dean Neu

Schulich School of Business, York University, Canada

### ARTICLE INFO

#### Article history:

Received 27 November 2016

Received in revised form

6 February 2019

Accepted 8 February 2019

Available online xxx

### ABSTRACT

This study analyzes how accounting participates in the business of extortion. Using a combination of archival, interview and participant observation data, we consider the extortion activities of two criminal organizations—the Mara Salvatrucha and Barrio 18—that operate in the Northern Triangle countries of El Salvador, Guatemala and Honduras. Starting from the assumption that the repetitive extortion activities of street gangs require organizational devices that coordinate activities and facilitate decisionmaking, we examine how street gangs use accounting. We also analyze how business targets react to receiving extortion demands. The analysis illustrates that both street gangsters and their extortion targets have a pre-existing existential relationship to accounting that influences how street gangsters use accounting as well as how business targets respond.

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### 1. Introduction

This study analyzes how accounting participates in the business of extortion. Using a combination of archival, interview and participant observation data, we consider the extortion activities of two criminal organizations—the Mara Salvatrucha and Barrio 18—that operate in the Northern Triangle countries of El Salvador, Guatemala and Honduras. Starting from the assumption that the repetitive extortion activities of street gangs require organizational devices that coordinate activities and facilitate decision-making, we examine how street gangs use accounting. We also analyze how business targets react to receiving extortion demands. The analysis illustrates that both street gangsters and their extortion targets have a pre-existing existential relationship to accounting (Vollmer, 2007) that influences how street gangsters use accounting as well as how business targets respond.

The study has three purposes. First, we are motivated to better understand the role(s) of accounting in extortion processes. In many parts of the world, extortion is an organized and routine economic activity that enlists a variety of social actors and which has negative consequences for the individuals, businesses and communities who bear both direct and indirect costs. A recent TransCrime Report (2015), for example, documents the prevalence of different forms of extortion in Eastern and Western Europe and suggests that extortion proceeds are a multi-million if not billion Euro business in many countries (2015, p. 78; see also Lisciandra,

2014, p. 102). In the Northern Triangle country of El Salvador that we study, the combination of extortion proceeds plus the indirect costs of extortion are estimated to amount to more than \$4B annually which is approximately 16% of GDP (Peñate, De Escobar, Quintanilla, & Alvarado, 2016, p. 31). Despite the economic and social significance of extortion in both the developing and developed worlds, little is known about the business of extortion—especially about its accounting aspects. Like other forms of illegal activity, it is incredibly difficult to gain access to the micro details of extortion practices, since neither the perpetrators nor their victims have incentives to talk. While previous research suggests that accounting participates in organized illegal activities (cf. Levitt & Venkatesh, 2000; Mitchell, Sikka, & Willmott, 1998; Venkatesh, 2002), little is known about the characteristics and nuances of this participation. To our knowledge, the current study is the first to gain access to extortion participants and to the ways that accounting is used by street gangs and their business targets.

Second, we are motivated to better understand informal, vernacular forms of accounting (Kilfoyle, Richardson, & MacDonald, 2013). The accounting literature has documented that accounting facilitates economic activity by functioning as a selective repository of past events (cf. Hopwood, 1987, p. 217 Carruthers & Espeland, 1991, p. 40). This literature has also illustrated that written double-entry forms of accounting can be traced back to at least Ancient Egypt (Ezzamel, 2009) and are prevalent in a variety of current-day settings such as businesses, education, healthcare, philanthropy and social services. Although written, double-entry forms of accounting are the norm—being required by security's

E-mail address: [dneu@yorku.ca](mailto:dneu@yorku.ca).<https://doi.org/10.1016/j.aos.2019.02.001>

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legislation, tax regulations, and external users such as banks—and arguably the “highest form of accounting” (Carruthers & Espeland, 1991, pp. 32–33), there are still institutional spaces for other forms of accounting. Prior research, for example, hints that the criminal economy is one such site (Levitt & Venkatesh, 2000; Venkatesh & Levitt, 2000). Participants in the criminal sphere are not necessarily public companies, do not borrow money from banks, and often do not pay taxes. Furthermore, maintaining written records may be dangerous—because, if discovered, police can unravel the criminal network (Venkatesh & Levitt, 2000, p. 453). They can also be infeasible since a portion of the criminal network is incarcerated (Skarbek, 2014). In these settings, vernacular forms of accounting may persist because they are attuned to the context of crime. The current study examines one such setting to better understand how vernacular forms of accounting facilitate coordination and decision-making. This line of investigation follows from Hopwood’s enjoiner that we study settings that challenge our understandings of what accounting is and what it is not (1983, pp. 302–303).

Third, we are motivated to study how accounting becomes, or does not become, what it was not (Hopwood, 1987). Since at least the time of Hopwood and colleagues, it has been assumed that accounting inscriptions not only instantiate certain forms of organizational practice, but also make things visible and thereby change the contexts in which accounting comes to function, including the forms of accounting itself (cf. Burchell, Clubb, Hopwood, Hughes, & Nahapiet, 1980; Hopwood, 1987). Accounting, broadly defined to include the practices of generating and using accounting inscriptions, simultaneously solidifies organizational routines (Pentland, 2011, p. 284; Power, 2015, p. 51), drifts over time (Revellino & Mouritsen, 2015, p. 32), and is enlisted in moments of organizational crisis (Hopwood, 1987, p. 215). The current study is somewhat unique in that it allows us to examine two inter-related sets of organizational accounting practices, each with different trajectories. For street gangs, the activities involved in extorting a business target are mostly routine, whereas for businesses the shock of receiving an extortion demand potentially impacts day-to-day business activities. Following from Vollmer (2007) and Goffman (1974), we propose that street gangsters as well as business people have a pre-existing existential relationship to accounting that is reproduced and stabilized by existing organizational processes. In the case of street gangsters, it is the “figure” (Goffman, 1974) of the street gangster that mediates how accounting is used and performed. And in the case of extortion targets, this existential relationship influences not only how businesses respond to the receipt of an extortion demand, but also whether the pre-existing existential relationship to accounting changes. More specifically, the analysis illustrates that for business people the receipt of an extortion demand can result in: a changed relationship to accounting numbers, the enlistment of existing accounting inscriptions to deal with the threat of extortion, the development of new organizational programs and new accounting documents, and modified business strategies to outsource the extortion risks.

After placing our study of accounting in context, we explain, in the next section, our methods for the study of how accounting operates in the extortion context. The third section outlines the theoretical concepts that the analysis will use to understand the dynamics of accounting in action. The fourth section provides macro-level contextual detail on the Northern Triangle extortion business, while the fifth section provides the case analysis. The final section discusses how the study contributes to our understandings of accounting.

## 2. Studying accounting in context

In a series of articles in the early years of this journal, Anthony Hopwood outlined his view of accounting and suggested a tentative method for studying accounting. Throughout his time as editor, Hopwood often returned to the theme of “the complexities of accounting in action” (cf. 1978, p. 9; Burchell et al., 1980, p. 11; 1987b, p. 50) and “the importance of studying accounting in the context in which it operates” (cf. 1983). These two sets of inter-related ideas frame and guide the current study.

For Hopwood, accounting was an organizational phenomenon that is “embedded within the organization rather than something that had a meaningful independent existence. The forms that it took and the influences that it had were not seen as being able to be appreciated outside of the context of the other organizational practices, functions and processes with which it became intertwined” (1987, p. 228). Accounting was simultaneously reflective and constitutive (1983, p. 300). It responded to external pressures and shocks such as increasing institutionalization and professionalization (Burchell et al., 1980; Hopwood, 1983, p. 301) yet it was constitutive in that “accounting was always becoming what it was not” and thus played a “significant role in the creation of the possibilities for other organizational phenomena to become what they [were] not” (1987, p. 228).

These presumptions about accounting arguably motivated Hopwood to state that “if accounting researchers are to advance our understanding of the accounting context very different methodological perspectives will be required” (1983 p. 302). According to Hopwood, this mode of investigation requires “a commitment to study, analyze and interpret accounting in the contexts in which it operates” (p. 303). Furthermore, a study of the complexities of accounting in action requires a sensitivity to certain analytical themes (1987, p. 228). These themes include how accounting is *used* and how accounting *intersects* with other organizational practices and processes (1987, p. 230). It also requires consideration of how accounting becomes (or does not become) what it was not and how the organizational context makes possible and/or “impinges on” such movements (1987, p. 214, pp. 227–229). Finally, it requires a sensitivity to the ways that external and internal pressures mediate accounting and organizational change (1987, p. 231).

Hopwood’s view of accounting and his suggestions regarding studying accounting in context guide our method and mode of analysis. This said, a commitment to study the operation of accounting in an extortion setting is challenging, since the extortion context is both a hidden context and one that is significantly different from many of the other settings where accounting is used (and has been studied). These two aspects required us to adopt a different research method to gain access; it also required us to provide more descriptive content within the analyses sections since the extortion context is similar yet significantly different from other settings where accounting operates.

This research project started in 2010. We were in Central America completing a series of research studies when the street gang problem was burned into the national and international consciousness after the Barrio 18 gang set fire to a bus, killing fourteen of the occupants (Kan, 2014, p. 129). At the time, we were conducting interviews with government officials, international organizations, and business owners. The ‘gang problem’ invariably entered into the interviews, with everyone having an opinion and personal experience. These reactions encouraged us to investigate the topic.

As mentioned above, conducting research on the accounting aspects of extortion activities poses unique challenges, in that the targets of extortion have few incentives to talk (cf. Chin, 2000; Chin, Kelly, & Fagan, 1993; Kelly, Chin, & Fagan, 2000, p. 65). Additionally,

the continual state of confrontation among the different street gangs and the police, makes it difficult to enter the gang-controlled territories where extortion is most prevalent. To deal with these factors, we used a sequential fieldwork research approach (cf. Bourdieu & Nice, 1979; Taussig, 2011, 2012) that combines primary archival materials along with longer-term forms of participation, a series of interviews with somewhat distant but knowledgeable observers, and a final group of interviews with ex-prisoners. Variations of this approach has been used to study paramilitary activity in Colombia (Taussig, 2005) and street gangs in the United States (Venkatesh 1997; 2002; Goffman, 2009, 2015).

We started by using a series of informal yet organized research encounters. The encounters were semi-structured, albeit in a different way from standard interview methodologies. Assaults, corruption, extortion, and homicide are daily front-page news and thus provide an easy starting point for conversation. Using these headlines as an icebreaker, we were able to engage in conversations around these topics. The encounters were often surprising, not only for the stories and depth of understanding that emerged but also for the dual lives that many of our participants lived. An ex-army member and current taxi driver, for example, revealed to us his on-going participation in community defence (i.e. para-military) activities (cf. Elsalvador.com, 2014; El Salvador Noticias, 2014) and a maquiladora worker confided to us that her son was a member of the Mara Salvatrucha. Like other researchers working in the tradition of fieldwork encounter, we kept field notes, writing down a combination of descriptive, interpretive and theoretical materials (Taussig, 2011). For reasons of security, we did not tape record the encounters. During this phase of the investigation, we spent five months in the field spread across six different visits and spoke with more than 100 people. Included in this group of were business owners, commercial lawyers, criminal lawyers who worked defending and prosecuting criminal organizations, municipal leaders, and people involved in the 'security' business. We also conducted participant observations inside a small sewing cooperative in downtown San Salvador. This involved going into the central market to buy supplies, visiting other small businesses in the area, and going with individual members back to their 'red-zone' communities at the end of the day and on the weekends. The majority of our research activity occurred in El Salvador but we did visit Honduras and Guatemala. This research phase occurred over the 2010–2014 period.

The fieldwork helped us to understand how extortion processes worked; however the data was thin in some places because participants could only speak from their experiences. To address this, we added a second data layer consisting of interviews with a group of investigative journalists and business owners who had been extortion targets. We used our field-level contacts to identify ten investigative journalists who specialize in the topic of street gangs and who have been writing on the topic for almost ten years (five of these agreed to participate in a series of interviews). Using their previously published articles as a starting point, the interviews focused on better understanding micro extortion processes.<sup>1</sup> These interviews were extremely useful in that these individuals had field notes from their research and copies of unpublished government documents such as wiretaps. We also enlisted one of the investigative journalists to conduct additional interviews with business-people who had been targets of extortion. These interviews focussed on the negotiation process and the types of accounting changes that resulted from the receipt of an extortion demand. This

data layer thus consists of 16 sequential interviews with the journalists (labelled I-1: I-16 in the analysis) and six additional interviews with business owners. Over the course of the different research phases, we spoke with, reviewed field notes from, or interviewed approximately 26 business owners (labelled C-1: C-26).<sup>2</sup> This phase of research took place between 2015 and 2017.

Finally, in 2017–2018, we conducted five interviews with individuals who had been recently released from prison.<sup>3</sup> The *Salvadoran Association of Ex-Prisoners* identified members of its association that were willing to speak with us and arranged the interviews in a safe location. These interviews focused on the life trajectories of these individuals and how they found themselves in prison. We decided to add this final data layer as a way of directly hearing from the extorters. These interviews are labelled M1–M5. Over the course of our investigation, we spoke with more than 140 individuals.

### 3. Analytical themes

In the analysis that follows, we draw upon three groupings of overlapping concepts to describe and analyze the dynamics of accounting within the extortion context. First, we utilize the notion of vernacular accounting which we define as self-generated forms of accounting that deviate in significant respects from current-day double-entry practices. Vernacular accountings are sensitive to the local context including the identities of the involved participants (Bryer, 2011; Kilfoyle et al., 2013, p. 382).<sup>4</sup> They may involve an awareness of the academic craft of accounting, resulting in a conscious re-working of double-entry accounting to meet the needs of the participants (Kilfoyle et al., 2013, p. 382) or they may be developed from scratch such as in the case of a 'back of the envelope' (Klamer & McCloskey, 1992, p. 149) accounting list. Perhaps most importantly, vernacular forms of accounting are less integrated and less comprehensive than double-entry accounting in that individual transactions do not necessarily have to balance: for example, a list of assets that is not integrated with other accounting elements such as liabilities, revenues, and expenses (cf. Carruthers & Espeland, 1991, pp. 39–40). These less than double-entry forms of accounting (cf. Yamey, 1964, pp. 118–120) may also involve a mixture of written inscriptions and verbal forms of counting and re-counting, depending on the context. The notion of vernacular accounting draws attention to contexts where self-generated forms of accounting persist, either in parallel with formal double-entry accountings or by themselves. As mentioned previously, prior research suggests that sites involving illicit activities might be one such setting, since rules of law and rules of taxation do not intrude to the same degree into the local field (Venkatesh & Levitt, 2000, p. 453).

Second, we propose that both street gangsters and their business targets have a pre-existing existential relationship to accounting (Vollmer, 2007): a relationship that influences how accounting is used and how it is performed (Goffman, 1974). Picking up on his earlier work on impression management (1959), Goffman's *Frame Analysis* (1974) proposes that humans are inherently social actors who are constantly performing for others and self. These performative 'figures' are somewhat reflexively performed

<sup>2</sup> The six formal interviews with business owners are included as C-21:C-26.

<sup>3</sup> We did not directly ask our participants about their gang affiliations nor about their direct involvement in extortion activities. This said, some of the participants did volunteer this information during the interview.

<sup>4</sup> Our usage of the term vernacular accounting emphasizes forms of accounting that are self-generated. This usage differs from Kilfoyle and colleagues who define vernacular accounting as being forms of accounting that are self-generated and not officially sanctioned within the organizational hierarchy (p. 382).

<sup>1</sup> The majority of these articles were published in *El Faro* (Caravantes, 2015a, 2015b; Lemus, 2015, 2016; Martínez & Arauz, 2015; Martínez, 2015c; Martínez, 2016; Sanz & Martínez 2011a-c; Valencia, 2010).

using linguistic signs and forms of metacommunication that are consistent with what the audience—including the social actor himself/herself—expects. In the words of Goffman, “what the individual presents is not himself but a story containing a protagonist who may also happen to be himself” (Goffman, 1974, p. 541), and where participants are figures in an endlessly playing social drama (cf. Jameson, 1976, p. 131). The hyper-performativity of gang members that we observed in our study appears to be an extreme case of Goffman's suggestion that social actors are always performing a figure in that the gang members acted as if they were always on a public stage even when they were engaged in seemingly private interactions.

As Goffman notes, social figures not only have, expected ways of communicating but also, according to Vollmer (2007), expected relationships to, and expected ways of, using accounting words and numbers. Vollmer (2007) refers to this as the “existential aspect” of accounting use, suggesting that different social actors will have different relationships with, and expectations about, how self and other will relate to and use accounting words and numbers (p. 593). This relationship is re-produced and stabilized by existing organizational practices and processes, including the forms of accounting that are used. In turn, the relationship between accounting and the social figure influences when, how, and how often, accounting words and numbers are enlisted in day-to-day interactions, including whether the use of accounting becomes an important element of the social figure itself.

The idea that social actors have an existential relationship to accounting and that this relationship impacts on how accounting is used and performed is not new. Bryer's (2011) study of Argentina's recovered factories, for example, illustrates how the workers and activists struggled with the role that accounting should play in organizing stewardship/accountability and decision-making activities. While some participants recognized that accounting helped make visible what was happening on the shop floor, others were much less comfortable with the use of accounting numbers and worried that “the organization of her activity [via accounting numbers] was out of line with her sense of identity as a social actor” (2011, p. 488, emphasis added). These conflicts were, in turn, played out and performed in organizational interactions—which influenced and modified how accounting came to be used within the factory (p. 487). Similarly, Abraham and Bamber's study of CEO performances during Q&A sessions highlights how the figure of the CEO both assumes a certain relationship to accounting numbers and mediates how such numbers are performed (2017, p. 29).

Third, we propose that the amalgam of existing organizational processes, the forms of accounting used, and the associated relationship to accounting impacts on whether accounting becomes what it is not. For Hopwood, the constantly changing nature of accounting was intimately tied to the ways that it made things visible. For example, Hopwood states that the introduction of cost accounting mechanisms in Wedgwood Pottery was:

Initiated to reveal what had been presumed to be there already, once established, it provided a basis for significantly changing, if not eventually transforming, the functioning of the enterprise. The newly established accounting system enabled a different set of dynamics to be set into motion (1987, p. 218).

Subsequent research picks up on this theme and distinguishes among new internal elaborations where accounting is enlisted to deal with other ‘problems’, less intentional forms of accounting drift (Revellino & Mouritsen, 2015), and external events that either impinge on existing accounting practices and/or result in the imposition of new accounting practices (Martinez & Cooper, 2017; Oakes, Townley, & Cooper, 1998).

The current study argues that it is important to examine how this amalgam impacts on whether accounting becomes something that it was originally not. For example, we suggest that forms of vernacular accounting may, in certain circumstances, limit the possibilities for accounting change and drift. Compared to double-entry accounting, the less integrated nature of vernacular forms of accounting results in accounting systems that have fewer moving pieces thereby decreasing the likelihood of certain types of accounting change. Carruthers and Espeland (1991), for example, note that the flexibility of double-entry systems makes them adaptable to different situations and contexts (p. 60) even if this flexibility is “rarely exploited” (p. 54). On the surface, back of the envelope vernacular accountings such as those that we observe in the current case are extremely flexible in that they can be ‘torn up’ and re-worked as circumstances dictate. This said, the internal characteristics of simple list-based vernacular accounting systems makes it less likely that accounting drift and change comes from within the accounting system. While both vernacular and double-entry systems are adaptable to different situations/uses, double-entry forms of accounting are predicated on a series of inter-related accounting elements and documents where a movement in one element (i.e. an asset or expense) results in a change in another element. It is these micro movements, we think, that have the potential to initiate the type of drift that Revellino and Mouritsen (2015) discuss as well as to create new visibilities which, in turn, sometimes incite subsequent organizational activity (cf. Hopwood, 1987, p. 218). For these reasons, the un-integrated and relatively simple nature of vernacular accounting systems may provide fewer opportunities for accounting movement and change compared to double-entry forms of accounting.

Additionally, we suggest that the existing amalgam of organizational processes, including the existing accounting practices, influences how businesses respond to the shock of receiving an extortion demand. As the preceding discussion implies, there is a continuum of forms of accounting that range from a fully integrated double-entry system to an ad hoc back of the envelope accounting listing. We expect that these different forms of accounting are associated with different densities of accounting reports, practices and personnel: furthermore, that these organizational amalgams not only encourage a certain relationship to accounting but also impact on how businesses respond to the receipt of an extortion demand. A unique aspect of the current study is that a variety of different business types are subject to extortion demands, ranging from one-person owner-operated businesses to extremely large multinational organizations. This variation allows us to consider how different types of businesses respond.

In summary, the notion of vernacular accounts—including the idea that there is a continuum of forms of accounting that range from a completely self-generated single-entry accounting list to a fully functional double-entry system—draws attention to both the variations in accounting practice and the ways that accounting can be attuned to its institutional context. The recognition that social actors often have an existential relationship to accounting, in turn, foregrounds how this relationship potentially impacts on the use of accounting words and numbers. It is these two aspects, we think, that are useful in understanding the extortion context: including whether, for street gangs and their extortion targets, accounting becomes something that it was not originally. The analysis that follows uses these concepts to analyze the Northern Triangle extortion business.

#### 4. The Northern Triangle extortion business

The Northern Triangle, as it has come to be called, consists of the three Central American countries of El Salvador, Guatemala, and

Honduras. During the 1960–1990 period, the Northern Triangle was the site of several civil wars, with leftist rebels challenging the highly unequal distribution of wealth within society. Since at least this time, the Northern Triangle has been a conduit for drugs and people, thereby connecting the South with the United States (Ten Velde, 2012, p.6). Of equal importance, the Triangle is the major source of illegal migrants to the United States, as youth seek better economic opportunities and an escape from violence (Menjívar & Abrego, 2012). Some of the youth who made it to the United States during the civil war years were, in the 1990s, deported back to the Triangle for gang-related activities, bringing with them their American gang experiences and practices (Valencia, 2010; Sanz & Martinez, 2011a, 2001b). The return of gang members, coupled with governments' inability to collect sufficient tax revenues (cf. Lustig, 2012; Tanzi, 2000, pp. 1–38) and thus provide social services and security, has created a space in which street gang membership and extortion activity has grown.<sup>5</sup> The Mara Salvatrucha (MS13) and Barrio 18 are the major protagonists in the extortion business, battling for control of territory and for members (Cruz, 2010; Wolf, 2012).<sup>6</sup> The prevalence of gang activity, including extortion, has contributed to Northern Triangle countries having some of the highest per capita homicide rates in the world (Insight Crime, 2015). Government crackdowns against the gangs has resulted in the incarceration of more than 12,000 gang members (Insight Crime, 2017) and prison 'occupancy' rates that are more than 300 percent of their designed capacity.

Extortion is the primary economic activity for street gangs. As in other settings, extortion consists of sets of routine practices whereby street gangs attempt to identify assets and make them fragile by making people believe that one or more of their possessions are at risk (Konrad & Skaperdas, 1997, p. 25; Konrad & Skaperdas, 1998; Schelling, 1971, p. 647, p. 461). As previous research highlights, individuals and organizations pay extortion ('rent') in exchange for protection from someone (Chin, Kelly & Fagan 1992; Gambetta, 1993; Sabates-Wheeler & Verwimp, 2014). Street gangs must identify potential targets, estimate a tentative extortion amount, negotiate with the target, collect the extortion proceeds, and circulate/share these proceeds among members. Like the insurance business, a successful extortion negotiation results in a potentially permanent cash flow stream for the criminal network. Unfortunately, reality often intervenes: business targets subsequently decide not to pay; other street gangs try to take away the business; and members get killed or incarcerated. Such events impinge on the routine activities of extortion.

While extortion provides gang members and their families with money, extortion is also a social activity. The ways that gangs' practice and accomplish extortion reflect not only the resources and opportunities available to gang members but also their understandings of the world and their place within it (Fraser, 2013, p. 973). Violence, for example, makes practical sense (cf. Bourdieu & Wacquant, 1992, p. 25) to street gangs for a variety of reasons. On the one hand, the capacity for violence serves other purposes such as fending off rival gangs and the police (Vigil, 2003). On the other hand, the capacity for, and skill at, violence is a rite of entry into the gang (Diario1.com, 2016), a source of status and prestige (Martinez, 2016), and a mode of being (Vigil, 2003). Not surprisingly, these forms of organized and ritualized violence are a type of *social*

*performance* that become part of the street gangster figure (cf. Vigil, 2003, p. 230).

#### 4.1. Street life

The business of extortion is closely related to the sovereign control of a territory. When we speak of gang-controlled territories, the physical space contained within the territory may be as small as a single city block (I-1, I-3). For example, the downtown market area of San Salvador consists of about 20 square city blocks, yet this area is divided up among 6 different *pandilla* cliques, each with very defined areas<sup>7</sup> (I-3). Outside of the urban areas, a clique might control several square miles of territory. The size of the territory thus varies by the density of the population and activity within the area, as well as by the relative extortion attractiveness to other street gangs. There are approximately 500 cliques within El Salvador that are almost equally divided between MS13 and Barrio 18.

Street gangs accomplish sovereignty and exercise sovereign power through their on-the-street physical presence, a presence that is attuned to the movement of people and vehicles within the territory. In the slang of the street, a *post* is someone who pretends to be a street vender, quietly watching at the entrance to the neighbourhood (Martinez, 2015a). Away from the perimeter, *antenna* walk the area, assessing what is going on and literally 'keeping an eye on things'. In turn, collectors are responsible for the daily and/or weekly collection of rent monies from local vendors. A boss or *palabrero* (the literal translation is *the one with the words*, the one who speaks for the *pandilla*) is always on call to collect both information and monies from other *pandilla* members: "the *palabrero* is not someone hidden in the basement ... all of the vendors in the area know who he is and where he is located ... the *palabrero* [is] the governor of this piece of the capital" (Martinez, 2015a). Finally, the *homeboys* are gang members who are not formally involved in one of the aforementioned activities. It is this on-the-ground physical presence that allows gang members to act as information collectors and transmitters (Whyte, 1955, p. 95) thus helping the clique know a territory and to control it through violence.

Visual observation of people and things maps the territory and helps to flag both threats and extortion opportunities. This mapping of the visible by gang members co-exists with other organizational mappings, including what Hopwood (1978, p. 298) refers to as accounting maps. These multiple mappings reflect, constitute and stratify organizational space. In turn, the mappings influence how "organizational participants construct their own maps of the organizational terrain, delineating the significant, the problematic and the possible, accounting in their own terms for significant organizational boundaries, what they see to be the centres of power and influence, and those rationales which they think do and ought to influence choices and actions" (Hopwood, 1983, p. 298).

While visible observation is the visual part of what street gangs do, it is a series of organizational processes around the *delito* (the crime) that organizes street gang activity and stratifies street gang members. It is a gang member's resume of *delitos* that determines who enters the gang, how gang members get promoted, and what happens when a gang member is incarcerated or killed (I-16). To enter the gang, a potential member must have demonstrated the ability to 'do crime' for the gang by having killed someone. For example, a wiretapped conversation between Blacky and Poison of the Santa Ana MS13 clique captures an exchange about "a

<sup>5</sup> In El Salvador with a population 6 million, estimates suggest that gang membership is around 70,000 and that there are more than 500,000 people connected to, or involved with, the two gangs (Calderón, 2015).

<sup>6</sup> For an overview of Barrio 18 and Mara Salvatrucha, the documentaries, *Eighteen with a Bullet* (Wide Angle 2005), *La Vida Loca* (Poveda, 2008), and *Inside the Gangs of El Salvador* (Vice News, 2015) are excellent.

<sup>7</sup> The downtown area is an attractive area for extortion activities because more than 500,000 pedestrians pass through the area daily and there are more than 20,000 street vendors (I-4).

youngster who has already committed three homicides for the gang” and where the conclusion is that, yes, he should be granted entry since “he is a real dog”. Similarly, promotion within the clique is determined by the quantity and significance of *delitos* that a member has committed (1-16). Finally, how the street gang takes care of incarcerated members also depends on their social position and status within the gang. In these ways, the notion of the *delito* and the verbal lists of *delitos* that the cliques maintain for each member organizes and stratifies street activities, “delineating the significant, the problematic and the possible” (Hopwood, 1983, p. 298) for individual gang members.

Within this context, accounting practices and accounting artefacts map onto (Carmona, Ezzamel, & Gutiérrez, 2002, p. 242) these organizational spaces, albeit in ways that are somewhat idiosyncratic to each of the different cliques. Available accounting records illustrate that cliques maintain rudimentary, single-entry accounts that consist of a listing of extortable assets and the current income streams that pertain to the individual assets (see Fig. 1) as well as a single-entry listing of clique expenditures and a rationale for the expenditure (see Fig. 2).

Additionally, some cliques maintained a collection schedule that listed the collections by each day of the week.

The accounting documents contained in Figs. 1 and 2 are rudimentary, vernacular accounts (Kilfoyle et al., 2013). The accounting is rudimentary in that a single-entry approach is used where there is no attempt to ensure that the amounts received and expended ‘balance’ in any way (cf. Yamey, 1964, pp. 118–120; Carruthers & Espeland, 1991, p. 40; Venkatesh & Levitt, 2000, p. 453). And the accounting is vernacular in that the accounting records are idiosyncratic to the individual cliques. At the same time, it is important to consider why such rudimentary mappings are used. Hopwood, for example, comments that accounting is sometimes “constrained by the meanings given to the organizational setting in which it operates” (1983, p. 288) whereas Carmona et al. note that sometimes “space is rendered ‘closed’ to the detailed intervention of accounting” (2002, p. 244). To understand accounting within the Northern Triangle extortion business, we propose that it is important to consider how accounting artefacts/practices intersect with the mapping provided by *delito* processes. The remainder of this section considers three characteristics/consequences of this

Gastos mes de Junio 2017	
\$ 205	Pg
\$ 310	pago de rescate Salco
\$ 100	malianza para cosas personales
\$ 90	paga deudas Liro creyzy
\$ 50	transporte largo de San Marcos
\$ 20	transporte Ades, perverso
\$ 30	transporte perverso
\$ 25	fin de mes malianza
\$ 360	para pagar deuda Zanco
Total Gastos Junio \$1,190	
Total en caja \$1 x 5	

Fig. 2. Street gang expenditures.  
Source: Perez (2017).

intersection.

First, the accounting records maintained by the cliques provide salient asset, income stream, and expense information. The accounting list contained in Fig. 1, for example, is a type of combined balance sheet of the extortable properties within the territory and the current income streams associated with each property. Furthermore, this accounting document shares important similarities with the type of internal accounting record that property development companies and real estate investors use to summarize the cash flow streams from rental properties (Kolbe, Greer, & Rudner, 2003, p. 84). While the accounting documents are rudimentary, they do function as a repository that summarizes what extortable assets are visible at a *moment in time* and the income streams that each asset generates.

Second, the written accounting lists sometimes reflect and record the outcomes of the *delito* evaluation process. Whenever there is a change in the on-the-street gang membership via entry, death or incarceration, the leadership of the clique (which is almost always located in prison) re-organizes the division of income-producing properties among the members (1-16). The unwritten list of *delitos* is evaluated/ranked and then the names are paired with the listing of extortion-producing properties. These acts of evaluation and pairing reward gang members for committing *delitos* and ensure that such *delitos* remain integral to the figure of the street gangster.

Fecha: / /	
1	fecha Salud paga \$50
	carnicería El Chove
	El chapín \$500 (Pitufo, Viejo Lin, Little Boy, Belcebú)
	Negocio Ramon \$20
	Miniagencia, el dinero lo recibe la mujer del Danki
	Negocio El Ninja \$60, lo recibe Sandra.
	Negocio Ramon \$50, el 24 marzo a Ernesto, colaborador de la pandilla.
	Taller El Sapo (Little one, Snayder y Helen)
	Don Polín (El pitufo)
	Panadería \$1,500, el 2 de abril (El Pitufoc)

Fig. 3. Division of extortion properties.  
Source: Fiscalía General (2016)

Negocios mes de Julio 2017		
Tnd monte	\$ 100	\$ 100
Tnd San Carlos	\$ 50	\$ 50
Tnd San Luis	\$ 50	\$ 50
Tnd tita	\$ 25	\$ 25
Tnd manbel	\$ 35	\$ 35
Tnd v de Dios		\$ 35
Ciber Carlos	\$ 35	\$ 35
Ciber #2	\$ 25	\$ 25
Panaderi	\$ 25	\$ 25
Panaderia #2	\$ 20	\$ 20
Ferratería	\$ 75	\$ 75
Ferratería	\$ 75	\$ 75
Saló de belleza		\$ 50
Tonza		\$ 100
TiGo		\$ 100
		Total \$125

Fig. 1. List of extortion targets and income streams.  
Source: Perez (2017).

Fig. 3 provides a copy of an accounting artefact that was seized by police in a recent extortion case. The accounting document not only summarizes the assets being extorted and the associated income streams, but also the reward structure of the street gang; that is, who, at a given moment in time, is receiving the benefits of extortion activity. As the supporting police documentation indicates, the extortion proceeds are divided among current on-the-street members (Leche Salud, Carnicería el Chove, Negocio Romero), wives of incarcerated gang members (Miniagencia, Taller El Sapo, Negocio El Ninja), and incarcerated gang leaders (Tienda El Chapín, Pandería). The income streams from the two largest extortion accounts (Tienda El Chapín, Pandería) are assigned to two prominent members of Barrio 18's national leadership (Viejo Lin, El Pitufo).

The social processes involved in evaluating *delitos* and then mapping the resulting social structure of the gang onto the accounting document implies a hierarchy of organizational processes whereby accounting is secondary to the *delito*. Furthermore, while the social hierarchy is constantly changing, the type of internally-initiated accounting change that Hopwood envisions does not happen, since the single-entry accounting list does not move/change by itself and because accounting does not penetrate into *delito*-based organizational processes. Although the information inscribed onto the accounting document changes, the form of the document does not.

The single-entry accounting used by the street gangs do not generate new visibilities in the way that a double-entry accounting system does. At the same time, the internal reward structure of the street gangs does not encourage individual gang members to calculate with and about accounting numbers. Accounting, in these situations, is not a decision tool nor an 'answer machine' (Burchell et al., 1980). Rather, accounting is unstimulating and mostly irrelevant to gang members: unstimulating because nothing new becomes visible via internal movements in the accounting numbers and irrelevant because a gang members' advancement opportunities and remuneration aren't tied to accounting numbers.

Third, the street life of gang members and the existing reward structure inculcate a particular figure of the street gangster and a particular existential relationship to accounting. Street gangsters are *men of action*, not accountants. While they 'see' and 'rule the street' this seeing and ruling is about sovereign power, and the act of extorting someone is as much about the exercise of power as about generating economic proceeds. For example, one of our interview participants recalls how they made extortion calls:

We laughed because we would call them and speak very strongly with a macho voice [laughter]. The people were really frightened as the threats screwed with their mind ... We would say, if you don't deliver us \$5,000 we will kill your son and leave him in a black garbage bag on your doorstep (M2, p. 4).

The important part of this recollection is not necessarily the words themselves, but rather how this individual performed the role of the street gangster for the extortion target, as well as the facial expressions (smiles) and laughter that accompanied the recollection of this performance—of having “screwed with their mind”. In this regard, it is the combination of *delito* processes and broader programmatic discourses about the figure of the street gangster that stabilizes the figure of the street gangster, a figure

<sup>8</sup> The gang members ways of speaking, even in private situations, appears to mimic the vision of the street gangster that is portrayed in popular music such as narco-corridos and in popular television shows such as the Mexican telenovelas (Wald, 2002).

that is then performed and re-produced through these performances.<sup>8</sup>

The preceding proposes that accounting complements, but is subservient to, other organizational processes. Accounting was a repository that summarized both the extortion-related assets and the associated income streams at a moment in time as well as the social hierarchy within the clique as evidenced by the division of the extortion proceeds. The single-entry accounting lists were immobile and the street gangs' organizational processes did not encourage accounting movement, in that individual members had no incentives to calculate with and about accounting. This is not to say that the accounting list didn't change and expand as new assets were added, but rather that the organizational structure did not encourage gang members to actively seek out new extortion targets, and thus the individual gang members had few reasons to get closer to and use accounting numbers. This said, subsequent sections highlight how the relationship to accounting changes for *some* gang members when they are incarcerated.

#### 4.2. The prison

“Everybody eventually ends up in prison [or dead]” was a truism among gang members. This reality impacted on how extortion activities were organized. On a simple level, individual cliques always had a succession plan, in that there was a first, second, and third palebrero, with the second and thirds ready to step up if the first palebrero was taken out of action. This reality also allowed the senior clique members (most of whom are in prison) to exercise control over the street, since any member that disobeyed their orders would eventually find themselves inside and subject to the discipline of the senior members (1-16). This control from the prison meant that it was the senior members who evaluated and decided on the progression of individual gang members and the division of extortion proceeds.

Control from the prison arguably encouraged verbal forms of accountability. Clique leaders could not utilize written accounting lists since there was always the risk that they would be discovered during a prison search. Second, prison leaders could not visually observe what was happening on the street but rather needed to depend on second-hand re-countings. These re-countings occurred via cell phone conversations with members still on the street and via visits from family members. This separation required clique leaders to find ways to interrogate members on the street as to what was happening. As the wiretaps indicate, frequent cell phone calls to different on-the-street gang members were used to gather information, give orders and to communicate to on-the-street gang members that incarcerated gang leaders were ‘in the information loop’.

A wiretapped conversation between Viejo Lin (one of the national leaders of Barrio 18) and gang members on the street illustrates one such accountability conversation:

Viejo Lin: “but **they say** that they have “thrown bullets” against the dude and the dude is waiting there

Liron Boy: hmm, look they have us indignant. Some crazies came looking for me yesterday .... I am going to find out the truth about what is happening ...

Viejo Lin: Okay. El Chino knows what's going on .... **I am going to call him to find out what's going on**

Liron Boy: Good. We thought you were “out of action” (sacado cerrotes)

Viejo Lin: **No, I was in a reunion with all of the leaders of the different cellblocks** ....

Liron Boy: Okay

Viejo Lin: *Do you understand me!*

Liron Boy: .... I am going to pass the telephone to Duggie ...

The conversation then continues with Viejo Lin asking Duggie about what is happening on the street. The bolded portions of the conversation illustrate how Viejo Lin communicates to the others that he is an active participant in the communication loop and that he knows what is going on. The italicized portion reminds the on-the-street gang members who it is that is making decisions.

The wiretaps of Viejo Lin and the other national leaders (i.e. Pitufo, Viejo Tigre) illustrate that the majority of the conversations revolved around maintaining control of the street rather than about money issues. While somewhat surprising, the unimportance of monetary topics and accounting topics to the incarcerated gang leadership is consistent with the context and the idea that the street gang is a way of being, rather than an economic enterprise (Venkatesh & Levitt, 2000, p. 428). First, gang leaders are leaders because of their longevity in the gang and because of the number of *delitos* that they have committed. Leaders like Viejo Lin are larger than life figures in the street gang world. Furthermore, as the previous section illustrated, national leaders often receive an income stream as a tithe from local cliques. Consequently, the national leaders have sufficient financial inflows to purchase the comforts that they need in prison. Thus, their primary concern is to perpetuate the existing system of progression and their position within the street gang. For these reasons, incarcerated street gang leaders continue to have a distant existential relationship to accounting.

In contrast to the experiences of the gang leadership, incarceration was much more traumatic for ordinary gang members. Upon incarceration, ordinary gang members lost their previous income stream and the ability to support their family (I-16). They were now a small fish in a bigger pond, in that all the members from the various cliques were housed together in the prison. These changed circumstances simultaneously made them feel their lower status position within the social hierarchy of the gang, partially liberated them from the *delito* accumulation evaluation process, since there was no real way to accumulate additional *delitos*, and exacerbated money concerns. These contrary sensations were captured in comments that illustrated how ordinary gang members had to figure out ways to “stay alive within prison” (M5, p 6) while at the same time figure out how to support their family. Staying alive involved avoiding getting bullied, beaten, stabbed as well as having some pocket money to buy necessities. Fortunately, the gang leadership allowed individual members to conduct extortion activities as long as a tithe was paid to the incarcerated gang leaders. We tentatively propose that these changed circumstances allowed some gang members to become something that they were previously not. Furthermore, we propose that the new figure that incarcerated gang members had of themselves potentially implied a different relationship to accounting.

The ex-prisoners that we spoke with and the available police evidence suggest that some gang members responded to their changed circumstances by becoming involved in the prison economy and/or by operating an extortion ring from inside the prison. Interview participants told us that most prisons had a relatively well-developed economy dealing in contraband such as food, toiletries, drugs, cellphones, cellphone chargers and cellphone chips (M1). These items both made prison life more bearable and facilitated the operation of an extortion network.

Family members (often girlfriends) acted as “carritos” (little cars) and delivered things like cellphones and cellphone chips in

body orifices to them in the prison: “the guys use them like little cars to guard things before visiting the prison” (M1, p. 19). Family members also helped by generating phone lists of people and businesses within the territory. The incarcerated gang members then spent a portion of their days making extortion phone calls (I-16). One of the recurring jokes that we heard from the investigative reporters was that gang members would complain when their girlfriend called them: “don’t call me, can’t you see that I am working” (I-16).

Available police evidence illustrates that these gang members mobilized and organized a large group of social actors to identify potential extortion targets, smuggle in cellphones and cell phone chips, receive the extortion proceeds, circulate the monies, and recharge cell phone minutes so that the business could continue. Fig. 4, for example, illustrates an extortion ring that operated within the Mariona prison. Six incarcerated gang members from MS13 shared seven cellphones and used the phones to make a series of daily extortion calls. In some cases, these phone calls utilized information provided by on-the-street family members whereas in other cases the gang members cold-called phone numbers. The gang member would pretend to be from the utility company and would ask the person to confirm their details: these details, in turn, were then used to make a subsequent extortion call from a different cellphone number. When successful, the gang members told the targets to send the monies to one of the two collaborators that they worked with. Upon receipt, the collaborators immediately re-circulated the monies to family members of the gang members. The collaborator retained a 30% commission for his/her part in the transaction.

The police evidence *does not* contain written accounting records; however it does illustrate the *coordinated* nature of the extortion transactions. For example, it shows that a single extortion transaction was almost always routed to more than one family member of the incarcerated gang member as well as to family members of other gang members, and to other collaborators who were responsible for refilling the time on the gang members’ cellphones. It also illustrates that the life partners/girlfriend and/or the mothers of the gang members received multiple phone calls from the prison, and that these same individuals visited the incarcerated gang members, often in the days immediately following their receipt of a block of money. Finally, the evidence shows that phone conversations occurred among the family members of *different* incarcerated prisoners. Because of the large number of participants and transactions within the extortion network, we assume that the involved individual gang members kept their own accounts.

Our conversations with the ex-prisoners indirectly corroborated

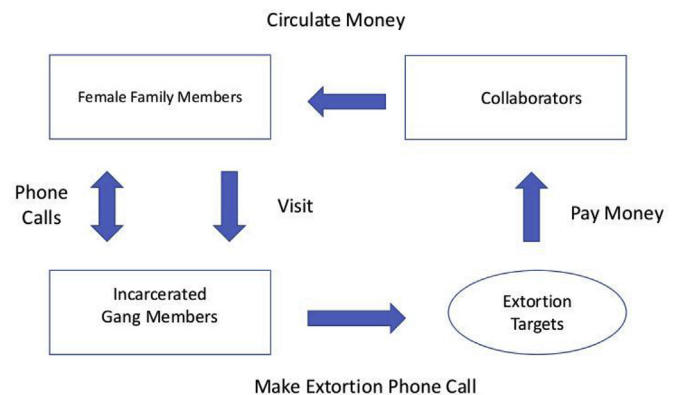


Fig. 4. Prison extortion network.  
Source: Fiscalia General (2016)



our assumption about the presence of verbal, vernacular accounts. We did not ask directly about the in-prison extortion activities and the circulation of extortion proceeds for our own safety. This said, participants spoke spontaneously and freely about the prison economy and how survival depended on buying and selling favours and services as well as keeping track of who owed what to whom. Prison life is “another world” (M2, p. 1), it is “very ugly” (M1, p. 17) and the only way to survive is to “trade amongst ourselves” because there are no other options (M2, p. 4). These acts of buying and selling favours involved sometimes complicated transactions among prisoners, prison staff and family members who were on-the-street (M3, p. 15). Prisoners kept unwritten accounts about favours accrued/owed as well as monetary flows because the economic survival of their dependents and their own lives depended on it (M1, p. 6). Family members on the outside who were involved in the extortion business also kept careful accounts because the punishment for the *perceived* “poor management of monies” was death (I-16).

The differing prison experiences of gang leaders and ordinary gang members draws attention to how changed circumstances sometimes disrupt existing social processes and the ways that accounting participates these processes. High status gang members that entered with a lengthy list of *delitos* continued to receive an income stream from the clique. For these individuals, their continued social position and status within the gang depended on re-producing and enforcing a social structure predicated on *delitos*. And given that the continuation of this social structure guaranteed them an income stream, they had few incentives to get closer to accounting and to use accounting to calculate about what was happening on the street. Ordinary gang members, on the other hand, responded to their changed circumstances by entering into the prison and/or extortion economy.<sup>9</sup> This new role required them to keep track of multiple, complicated transactions that involved favours accrued/owed as well as complicated flows of money. The comments also hinted that these acts of financial crime (as opposed to the violent crime that they were used to) within the prison economy helped them to both survive *and* “pass the time” (M3, p. 18). This comment raises the possibility that the changed circumstances encouraged some ordinary gang members to shift their figure of themselves as well as their relationship to accounting. While this conclusion is tentative, it appears that the prison context encouraged some ordinary gang members to become something that they were previously not and created a space for accounting to *enter into* their day-to-day activities and the figure that they had of themselves. This said, we don't know if the ways that individual gang members kept track of and accounted for their business activities changed over the course of their prison time and whether this relationship to accounting stayed with them when they returned to the street.

The empirical materials on street gang activities connect to the prior accounting literature in three ways. First, it foregrounds that the permeability of organizational processes influences whether accounting penetrates into organizational processes or remains on the surface. The analysis shows how the centrality of the *delito* to gang entry, progression, and income sharing, all inhibited accounting from becoming more than a repository of information on extortable assets and the division of income streams. The idea that

organizational processes can be impermeable is consistent with the findings of Bryer on recovered factories (2011), Oakes et al. on museums (1998) and Martinez and Cooper on NGOs (2017). This said, in these other settings, accounting did eventually succeed in penetrating and mapping into these domains. This may be, in part, because the museum and NGOs were dependent on funding from governments and international organizations, whereas the recovered factories had to function within the ‘market’. As mentioned previously, the fact that street gangs view themselves as a way of being rather than a business makes it easier focus on non-economic activities such as the *delito*, thereby keeping the domain “closed to accounting” (Carmona et al., 2002).

Second, the analysis illustrates how the existential relationship of street gangsters to accounting is maintained and stabilized via organizational processes and societal-level stereotypes. These processes and stereotypes frame not only how different social figures perform for audiences, including themselves, but also the relationship to accounting that comes to be *embedded within* a social figure and subsequently performed (or not performed) in subsequent interactions. What is noteworthy about the current case is that the incarceration of rank-and-file gang members decreases the importance of *delito*-based organizational processes and creates a space for vernacular forms of accounting to enter into the daily activities and, perhaps, become part of the figure of the incarcerated gang member. The changed relationship to accounting appears, on the surface, to be similar to the type of relationship that we observed street vendors having to accounting: that is the use of verbal and/or written lists to keep track of the myriad of monies and favours owed and owing. In this regard, it is the shift from the street to the prison and the corresponding relaxation of the *delito*-based process that makes it possible for some street gangsters to partially re-invent the figure that they have of themselves.

Third, the empirical materials illustrate that vernacular accounts may be *sufficient* in certain contexts. In their history of the emergence of double-entry accounting, Carruthers and Espeland (1991) comment that the presence of multiple investors resulted in a situation where “cruder forms of accounting were inadequate” (p. 44). In the current context, there was not the external pressure of external investors nor the need to produce accounts for banks (p. 43) or taxation authorities. Furthermore, vernacular accounts were sufficient for what internal organizational processes demanded of accounting. External forces did not push accounting to become something that it was not and nor did the internal *delito*-centred processes allow accounting to become something more. Arguably, it was the combination of these two sets of forces that helped to close the space to double-entry forms of accounting. Furthermore, the fact that single-entry accounts required no formal accounting knowledge and could be practiced on the back of an envelope or in a gang member's head meant that gang members could use vernacular accounts to keep track of their business activities. In this regard, vernacular accounts were a sufficient and useful mnemonic device given the skills and needs of street gang members (cf. Carruthers & Espeland, 1991, p. 40).

## 5. Business reactions

In our analysis of the empirical materials, we identified three somewhat distinct organizational responses to the receipt of an extortion demand—responses that simultaneously enlisted accounting and changed accounting. The following sub-sections outline and analyze the differential positioning of accounting within these responses.

<sup>9</sup> Gang members also responded by becoming born again Christians since this was the only way to be moved out of the general prison population and to be housed in a separate area of the prison (I-16). The street gangs seemingly accepted this pathway out of the street gang.

<sup>10</sup> While the internet links referred to below were active at the time of writing, we cannot, given the nature of the medium, guarantee that they remain live.

### 5.1. Getting closer to accounting

For most of the small business owners that we spoke with, the receipt of an extortion demand keyed a temporal sequence of sometimes competing frames (Goffman, 1974). Initially, the shock of receiving an extortion demand and the threats that accompanied the demand brought to the fore the human consequences associated with not paying. Participants frequently told us “no, I didn’t calculate how much I could afford to pay because I didn’t have time and because there were lives at stake”. For example:

No extortion is not a business where I am buying a product. I am trying to protect lives. One doesn’t try to negotiate these things because I don’t want to carry on my shoulders the death of an employee. That’s why .... (C-21)

These statements were often made using a tone of voice that was meant to convey to us that economic calculation ends when human lives are involved. This did not mean that the business owner accepted the extortion amount demanded by the gang. Almost all business owners negotiated a reduction in the amount initially demanded by carefully using arguments such as “I cannot afford to pay that. I don’t have that money” (C-22) or “we aren’t a money tree” (C-23). Note that carefully is the operative word for these negotiations because almost all business owners assumed that they were negotiating with the figure of the street gangster that they had read and heard about in the popular press: unpredictable and prone to capricious acts of violence. It was only after the initial negotiation and after the business owner had time to reflect that accounting became more salient as they thought about the economic consequences and contemplated possible courses of action.

These acts of contemplation pushed business owners closer to accounting. More specifically, it was the combination of an initial extortion demand *and* the subsequent periodic extortion payments that continually keyed an accounting framing and made this framing both more prevalent and stickier; seemingly random events or thoughts had the potential to trigger the accounting frame (cf. Goffman, 1974). Not surprisingly, these contemplations often focussed on the impact that extortion was having on the existing cost structure and profitability. An operator of a small bus line in San Salvador was prototypical in this regard. In his conversation with one of the investigative reporters, the owner was able to, with minimal prompting, recite his costs, including the portion that goes to extortion:

... sometimes Leonard (the bus line owner) appears like an accountant. Everyday, he does the accounts for the company. He knows by memory that for the two buses that he operates, on average there are 1100 passengers in total. Each passenger pays \$.20 for inflows of \$220. Then come the expenses: \$36 for the drivers, \$80 for gas ... the remaining \$90 is the profit before any other expenses such as repairs and tickets etc (C-16)

Leonard also recounts that the “extortion doesn’t stop there”, in that the street gang charges vacation monies that are equivalent to a month’s rent and they also request a special bus rental price when the street gang must ferry members to a funeral or to the ocean during vacation times.

In other cases, the contemplations used an accounting frame to interrogate potential courses of action. For example, “I can put two armed guards with protective vests on my vehicles or security cameras but this will increase the cost. Someone has to pay these costs and it won’t be the final consumer” (C-21). These

contemplations tended to move from thinking about specific costs to questions of whether it was worth it to continue to operate the business given the extortion amount and given the associated risks (C-24). Interview participants continually talked about how insecure they felt. These comments about insecurity invariably led to some sort of comment about how risky operating a business was. In turn, these notions of risk were sometimes juxtaposed against the amount of profit they were earning and how this level of profitability was just not worth the risk (C-21). At the same time, for many of the business owners there was a certain amount of inertia that mitigated against drastic action. On the one hand, the gangs’ predisposition to capricious violence made it difficult to contemplate not paying. On the other hand, many business owners did not see an alternative—and non-extortable—way of making a living. This left them stuck in an accounting frame without being able to act on their contemplations. In the words of one participant, “one pays or ends up dead on the floor” (C-23). Another concludes by stating that “every day is the same tragic comedy” (C-21).

While not all business owners continuously obsessed over the accounting numbers, an accounting frame was never far from the surface. All participants were able to immediately remember the day of the week when the extortion started and the amount that was demanded. Almost all were able to remember the micro details of when, where and how the initial demand happened. And all knew the impact that the extortion amount had on their profitability. The extortion demand, in this regard, was a significant inflection point that interrupted and changed their relationship to accounting. As one interview participant comments, “I work and work as if I have an accountant opposite me making notes. And in my free time I am always thinking about my little book of numbers, always” (C-23).

The idea that external events can interrupt organizational processes and change the prevalence and importance of accounting framings has been noted previously. Prior research on humanitarian crises, for example, illustrate how immediate responses are seemingly about human lives and how accounting concerns become more prevalent as time passes (Sargiacomo, 2015). Previous research also highlights how the positioning of accounting framings within the hierarchy of organizational framings can be changed by external events. Oakes et al.’s (1998) study of museums and Martinez and Cooper’s (2017) study of NGOs, for example, show how accounting framings became more pervasive as externally-imposed repetitive accounting practices penetrated into the pre-existing organizational processes. What differs in the current study is that it is the receipt of an extortion demand rather than the implantation of an accounting document and/or accounting practices that motivates business owners to simultaneously think about the accounting consequences of the extortion demand, and to utilize existing accounting documents and numbers in these contemplations. Furthermore, the current study highlights that the increasing importance of accounting frames and accounting-based contemplation *does not* necessarily result in other forms of concrete action, especially if the business owner cannot see a way forward.

The changed salience of accounting framings arguably impacted on the figure that business owners had of themselves. Like street gang members, the figure of the small business owner was stabilized by internal organizational processes and external discourses about the (heroic) figure of the Northern Triangle small business owner. Newspaper stories such as the one about Leonard, the bus company owner mentioned above, simultaneously reflect the experiences of small business owners and re-produce the public figure of the business owner. For example, the investigative reporter sums up his conversation with Leonard (and his article) by concluding that Leonard has passed from being the owner of a

transportation company to a bitter accountant: “Leonard has the same numbers in his head tormenting him from the moment he gets up at 4 a.m. until he goes to bed at 8 p.m.” While this comment might have been performed with the newspaper’s audience in mind (cf. Goffman, 1974), we noted this same shift in the figure of the business owner in our interviews with business owners (C-23). These comments draw attention to the ways that public and private performances of a figure are mutually reinforcing in that the public performances provide private performers with a ready-made repertoire of figures that can be enlisted and performed (Goffman, 1974). In this case the resulting figure was that of a small business owner qua accountant.

### 5.2. Negotiation call centres

For a small number of larger and more established businesses, the receipt of an extortion demand provided the impulse for the formation of a new department within the company. This form of accounting program inception (Power, 2015) occurred in one medium-sized company as well as in a large fast food chain and in a major beverage distributor. While these three businesses all acknowledged that they had created an internal call center department, the fast food chain and beverage distributor did not want us to use their stories in the final manuscript because they worried that they could be identified.

The business owner who was willing to talk on the record told us that the company had been in business since the 1970s, buying and reselling flour to small bakeries in and around San Salvador. Over the first thirty years of operation, the company expanded gradually and became one of the major flour distributors in San Salvador. However, as the owner re-counts, the risks have unfortunately changed drastically in recent years. Now “a child with a cellphone is a frightful thing as he gives the phone to the truck driver and the voice on the other end tells us how much we have to pay to enter the area” (Martinez, 2015b).

The increasing prevalence of extortion demands in the different territories, encouraged the company to change its organizational processes:

“to modernize his security systems and get rid of his security guards, instead setting up a mini call center to deal with the extortion. When the pandilla member comes with the phone, the driver tells him what number to call. If they can arrive at a convenient agreement for both parties, there is no problem. We pay for the right to enter the area and sell our products to the bakeries.” (C-17)

The starting point for setting up the call center was to examine the existing historical accounting numbers and to partition revenue and expense data by delivery route and by territory. This allowed the owner to see the contribution margins per territory and to see how the loss of a territory on a delivery route would impact on the profitability of the delivery route. Furthermore, once the call center had negotiated an ‘agreement’, this information was then entered into the spreadsheet. The new information provided the owner (and the company’s negotiator) with a baseline for subsequent negotiations and allowed the owner to assess what would happen to profitability if he had to pay a similar extortion amount in all of his sales territories.

The preceding description illustrates how the extortion demand put into motion a series of accounting practices. These practices started from existing accounting documents and then used the accounting numbers to calculate about the ways that extortion demands will impact on contribution margins, fixed costs and profits. In turn, these calculation processes generated new

accounting inscriptions (and potentially new accounting documents such as the excel extortion spreadsheet) that helped to standardize extortion negotiations. While the details of this process of beginnings differs from the one documented by Power (2015) and Revellino and Mouritsen (2009), they are consistent with Hopwood’s (1987) suggestion that accounting is a moving visibility machine that becomes what it was not through the processes of elaboration and change.

Compared to the examples in the preceding section, the call center approach is a proactive and multi-step process response to the receipt of an extortion demand. Like the previous examples, the call center approach changes the form and prevalence of accounting framings however these framing changes are the consequence of the introduction of new accounting documents and new accounting practices. These documents and practices make it easier for the business to calculate about the costs of extortion in real time as opposed to after-the-fact. It also helps to construct a decision rule as to whether the business should stay or leave a particular territory. For example, the owner states that “if the price leaves us with a profit margin that is too tight, we try and negotiate but if the palabrero becomes testy, we simply abandon the area, forever.” The decision rule thus replaces the somewhat unfocused contemplations about staying or leaving that was mentioned previously. In this regard, the accounting documents were simultaneously repositories of meaning and part of the frame through which extortion negotiations are viewed and practiced.

While the use of accounting to calculate about extortion demands seems laudable, in this case it was bittersweet. During the May 2015 interview, the owner stated that between January and February 2015, the company was forced to abandon 10 areas. And since “2000 until now, seven of ten delivery routes have become inoperable because of the impossibility of arriving at an economic arrangement with the pandillas.” Furthermore, when we went back to conduct a follow up interview with the owner in September 2017, we were told that the company had abandoned the last of its routes earlier in the year and that the business closed. Clearly, the introduction of contribution margin-based negotiating practices did not cause the company to go out of business. Rather, it had the effect of introducing a numbers-based decision rule that was proactive and made economic sense. Unfortunately, this “calculation engine” (Revellino & Mouritsen, 2015) resulted in the company incrementally downsizing bit by bit until there was no company left. We were unable to locate the owner to ask him whether, in hindsight, he thought that this accounting program resulted in the right decision.

### 5.3. Risk reduction programmes

Whereas the established businesses mentioned in the previous section introduced an accounting-centric call center approach, others responded by using subcontractors in red zone (i.e. dangerous) territories. This type of programmatic response to extortion had at least three advantages. First, sub-contracting was less calculation intensive in that it did not require constant negotiations over the extortion amount but rather a more manageable set of periodic negotiations with sub-contractors. Second, sub-contracting meant that companies were not forced to choose between staying in the territory or leaving but had to calculate how to share pre-extortion profits between the company and the sub-contractors (with the sub-contractor being responsible for any extortion payments). Finally, it allowed companies to transfer the risks and uncertainties associated with dealing with multiple capricious sovereign powers to the sub-contractor. Arguably, these advantages encouraged some businesses to implement sub-contracting as a way of dealing with extortion.

Telecom and utility companies were the ones that adopted subcontracting. These organizations must frequently enter gang-controlled territories to maintain and repair infrastructure. Furthermore, within these communities, the activities of repair personnel are a source and site of tension since it is the job of repair personnel to stop the illegal diversion and use of electrical and telecommunication feeds. The frequency of entry, the visibility of repair personnel and the animosity from the community resulted in service staff being a popular target for the street gangs. As one repair person recounts:

In 2014, one of my co-workers was the victim of an express kidnapping. He was checking the signal on a cell tower when a pandillero approached and shouted: "Hey, viejo climb down." When he did, they put him in a car and said "now we are going to negotiate". Later in the day a supervisor arrived to "accept" the agreement: "they wanted a box of signal decoders for each gang member: cable, internet and telephone. (C-25)

After this happened multiple times in different territories and after the death of a repair person, the telephone company decided to introduce a sub-contracting program. In this particular telecom, the company replaced 80% of its service personnel with sub-contractors.

It is important to note that sub-contracting programs do not reduce the risk of capricious violence but rather partially transfers the risk to others. Attacks on service personnel have not decreased but these attacks are now the problem of the sub-contractor. Given that these attacks occur in red zone communities and that the targets are not employees of the telecoms and utilities, they receive much less press attention. This changed, however, in March 2016, when eleven people were killed in an attack on line repair personnel who were working for a sub-contractor: "of the 11 assassinated, eight worked for a sub-contractor that installed hydro lines for the electricity company. The other three were agricultural workers who witnessed the massacre" (Barrera & Chávez, 2016). This attack focused public attention on how the street gangs 'had passed the line' and how large companies had passed the risks to sub-contractors.

On the surface, the pre-existing amalgam of organizational processes, including the density and sophistication of accounting practices, appears to foreshadow the type of organizational response to the receipt of an extortion demand. Small owner-operated businesses have a minimal amount of accounting expertise and organizational resources with which to deal with an extortion demand. In contrast, large transnationals have multiple accounting and other resources with which to draw upon. The middle grouping, in turn, often has an in-house bookkeeper or someone with some financial experience that can be called on to both quantify the impact of the extortion demand and to 'think through' the available alternatives. In this regard, the density of pre-existing accounting practices and the associated availability of accounting expertise influences how organizations respond to such shocks.

The preceding discussion of patterned business responses is tentative. Most of our interviews were with small businesses, while the large transnationals did not want to speak with us. This said, the empirical materials hint that the size of the organization—and the density of existing accounting practices—may help to frame the available responses and the types of changes that occur as a result of receiving an extortion demand. Sometimes these changes can be a changed relationship to accounting with more concrete organizational actions being stymied by the inability to see a way forward. In other cases, the changes may be consistent with Hopwood's suggestion that accounting changes and becomes something that it

was not. Finally, in a small number of cases, organizational processes and accounting systems may be sufficiently well developed that an apparent organizational shock is not really a shock. These sketches of possible accounting reactions, although tentative, provoke us to view accounting-based responses to extortion as something "that cannot be appreciated outside of the context of other organizational practices" (Hopwood, 1983, p. 228).

## 6. Discussion

While extortion may be something that mostly occurs in the developing world and something that happens to other people, extortion is a multi-million and perhaps billion-dollar business that has significant consequences for everybody that it touches. Like other illegal activities, little is known about the organizational devices that are used to coordinate and control the business of extortion. Similarly, we do not know how businesses assess and respond to extortion demands. The current study is the first one, to our knowledge, that examines how accounting participates in the extortion activities of street gangs and the extortion responses of their business targets. Although we are limited by the available data and thus tentative in some of our conclusions, the current study foregrounds the salience of accounting within extortion processes.

Our study helps to understand the domain of extortion but it also connects to three important themes within the accounting literature. First, the analysis showed that the type and degree of accounting participation in the extortion business was contingent on the existing amalgam of organizational processes, including the existing forms of accounting. Throughout the analysis we used the phrase "mapping onto versus mapping into" to draw attention to the differing permeabilities of existing organizational processes to accounting. The analysis highlighted how the centrality of the *delito* process and the reliance on single-entry accounting lists circumscribed the ability of accounting to act as a moving visibility machine. Accounting did not change via internal elaboration nor via drift: however, it was used as a type of organizational memory and a repository of meaning.

This finding offers a caveat to the assumption that accounting, through the act of making things visible, will change the domains in which it operates as well as change itself. Accounting was clearly implicated in organizational functioning but the pre-existing amalgam of organizational processes "impinged on" the potential of accounting to become something that it was not. Therefore, while accounting may have the potential to make things visible and to change the organization and itself, it is important to consider the openness of organizational processes to accounting, including whether and how organizational processes are closed to accounting. This caveat does not undermine Hopwood's view of accounting in action but rather reiterates his point that we need to analyze and understand the complexities of accounting in action and the ways that accounting reflects and (sometimes) constitutes the domains of which it is a part.

Second, the analysis illustrated that accounting is performed (or not performed) via the figure of the street gangster and the business person. Both of these figures are constructed and re-produced by internal organizational processes and societal stereotypes regarding how such figures should speak and act in extortion situations. Furthermore, embedded within these figures is what Vollmer refers to as an implied existential relationship to accounting—a relationship that impacts on how street gangsters and business targets use, and are expected to use, accounting. As the analysis showed, the relationship to accounting was somewhat stable, but external shocks such as the receipt of an extortion demand or incarceration created the conditions of possibility for a changed existential relationship to accounting and a changed social

figure.

Third, the analysis suggests that vernacular accounting may be sufficient in certain settings. While double-entry, written forms of accounting are conceptually and technically superior, single-entry and sometimes verbal accounts can be appropriate in certain circumstances. Single-entry accounts can be kept in one's head, a characteristic that prevents police from using written accounting records to unravel the criminal network, and something that makes sense when one is incarcerated. Furthermore, in the absence of external pressures, existing organizational processes may not demand that accounting is anything more than a mnemonic device. In such settings, vernacular accounts are both sufficient and perhaps superior to double-entry accounting.

Our observation regarding vernacular accounting does not deny that double-entry accounting usually allows organizations to do more with accounting. Rather it reminds us that accounting is embedded within organizational processes and that, in the absence of external pressures such as the need to file tax returns and/or borrow money, vernacular accounts may be enough. What the current study cannot answer is whether a greater openness to accounting would allow street gangs to grow and prosper. Venkatesh and Levitt (2000) imply that the transition of street gangs into successful criminal enterprises may require both a shift in vision and the enlistment of 'modern' business techniques. Whether the use of double-entry accounting and other modern business techniques would allow both the street gang, and accounting, to become something more than they currently are, remains to be determined.

## Acknowledgements

this research is funded by SSHRC. The help of the El Faro team and the comments of my colleagues in Canada and beyond are gratefully acknowledged.

## Appendix A. Supplementary data

Supplementary data to this article can be found online at <https://doi.org/10.1016/j.aos.2019.02.001>.

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