"Mafia Inc.": When Godfathers Become Entrepreneurs

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Abstract

Although criminal organizations are usually responsible for the deterioration of local economic conditions, they are capable to attract considerable social consensus especially in a context of weak institutional presence. We study one of the main channels used by organized crime to obtain empowerment and territorial control, namely the investment in the legal economy. We focus on the case of Italy, a country historically plagued by a conspicuous presence of mafia-type organizations, and we disentangle for the first time the disruption effect - worsening local economic prosperity - from the entrepreneurial effect - allowing for money laundering and engendering silent social consensus. Our results highlight a strong and sizable investment of organized crime in the legal economy.

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