Abstract and Keywords

This essay explores the extent to which six established Mafia groups (The Sicilian Mafia, the `Ndrangheta, the Italian American Mafia, the Hong Kong Triads, the Russian Mafia, and the Yakuza) are criminal organizations specializing in the supply of protection. It presents evidence relating to the nature of Mafia protection, specialization of protectors, and the origins of these six Mafias. It also discusses whether Mafias are instead engaged in extorting their victims and presents evidence of the negative effects of Mafia protection on the economy. The essay concludes that Mafia protection is a genuine commodity in many instances; that protectors tend to specialize; that when major economic transformations are not governed by local and national authorities, they give rise to a demand for protection; and that under certain conditions protectors can turn into purely predatory agents. Mafia protection, even when genuine, is provided without any consideration for fairness, justice, and rights.

Keywords: extortion, protection, origins of Mafias, Sicilian Mafia, `Ndrangheta

1. Introduction

Since the 1980s, a number of academic studies have claimed that The Sicilian Mafia, the `Ndrangheta, the Italian American Mafia, the Hong Kong Triads, the Russian Mafia, and the Japanese Yakuza are criminal organizations specializing in the supply of protection. Two authors advanced similar claims in the nineteenth and early twentieth centuries, respectively: Leopoldo Franchetti, an Italian aristocrat who published a report on Sicily in 1876—condizioni politiche ed amministrative della Sicilia, and John Landesco, an American ethnographer employed by the Chicago Crime Commission who published in 1929 Organized Crime in Chicago as part of the 1,100-page Illinois Crime Survey. In section 2, I review some of the evidence they offer on the nature of Mafia protection, specialization of protectors, and the origins of Mafias. In section 3, I discuss whether Mafias are instead engaged in extorting their victims. Section 4 presents evidence of the negative effects of Mafia protection on the economy, before concluding in section 5.

2. Mafia Protection

Is Mafia protection real or is it just protection from an imaginary threat? Or, to put it as Landesco did, "What, if any, is the function of the racketeer? [...] is he parasite or does he perform a service?" For instance, Salvatore Lupo, a preeminent historian of the Sicilian Mafia, gives voice to the view that Mafiosi protect others only from imaginary dangers. He offers the following illustration: “The santonsi, who promise the Palermo coach drivers to retrieve their stolen coaches in exchange for sums of money that they ‘claim has been claimed by the piciotti’ had already made a prior deal with them to split the ransom.” On the other hand, there is compelling evidence suggesting that the criminal organizations listed above are able to provide a genuine service, not just protection against a threat they themselves create. For instance, Filippo Sabetti, in his extensive study of Villalba, a Sicilian village of less than 2,000 inhabitants and the birthplace of Mafia boss Calogero Vizzini (1877–1954), showed how the local cosca protected farmers against bandits and the police. By the end of the nineteenth century, it had become clear that public security was not being provided by officers of the Italian state and villagers were left unprotected. The local parish priest encouraged Don Calogero to organize “a group of two armed individuals to escort, at a price, villagers taking their wheat to the mill in the territory of Torsa”. Sabetti maintains that, as this service proved effective, Vizzini and his group gained respect and esteem to point that the villagers were now turning to him to help with other problems.

Mafia protection often takes the form of aggression, such as harassment or elimination of business competitors, a set of activities that is often confused with wholesale extortion. For instance, Antonio Calderone recalls in his memoirs that in the mid-50s, his Catania-based cosca decided to help the Costanzo brothers a favor. A bomb was placed in the chimney of the Rendos’ offices [the main competitors of the Constanzos in the construction industry in Catania in the 1980s]; after that, the usual phone call asking for money was made. While the behavior of the cosca must have appeared utterly predatory to the Rendos, the Mafia had no intention of supplying them with any service and the “usual phone calls” were only a trick to extort money—Calderone and his accomplices were in fact protecting the Costanzo against competition.

Throughout their history, Mafias have also intimidated workers and trade unionists for the benefit of employers. Varese (2001, p. 71) refers to an instance that occurred in Russia in 1997, when a local gang intervened to stop a workers’ strike in the town of Vorkuta, a city not far...
A type of protection that was highlighted by both Franchetti and Landesco is the enforcement of cartel agreements. During his trip to Sicily, Franchetti came across a society of millers (La Società dei Mulini) that was said to be under the protection of “powerful Mafiosi.” The function of the society was to keep the price of flour high by limiting output. Members paid a fee to join and then agreed not to compete, thereby reaping the benefit of reduced competition. The Mafiosi ensured compliance. Landesco also noted a similar activity undertaken by racketeers in Chicago in the 1920s. Businessmen—he writes—hire gangsters in order to “stabilize the market,” in breach of antitrust laws and practices. This involves punishing “outlaw” firms that try to undercut the cartel agreement and charge a lower price than the one collectively agreed by the business association, invade territories that do not belong to them, and “steal” customers. Peter Reuter and Diego Gambetta, independently and in a joint essay, have expanded on these early observations. Gambetta and Reuter (1995) specify the conditions under which racketeers are able to penetrate legitimate markets and offers services of cartel enforcement: Mafia-backed cartels tend to emerge when demand is inelastic and there is little product differentiation, firms are numerous, and barriers to enter are low. In their works, they also document how American and Sicilian mobsters organize and police cartels in industries such as construction, transport, street-hawkers, garbage collection, taxi drivers, and concrete contractors. There is evidence that the Mafia enforces cartel agreements in illegal markets as well, for instance, in bookmaking in the United States and in tobacco smuggling and purse snatching in southern Italy. The money paid to the racketeer amounts to a fee for a service. Other scholars have confirmed the involvement of Mafias in cartel enforcement in Hong Kong and Northern Italy.

In connection to the protection of illegal cartel agreements, occasionally the “victims” search for the enforcer: “The racketeer does not always impose himself upon an industry or an association—writes Landesco. He is often invited in because his services are welcome,” although the racketeer’s domination is not “easy to shake.” Nelli (1976) also notes that, “rather than criminals forcing themselves on their victims, it was often the harried businessman faced with the constant threat of cut-throat competition, who turned to underworld elements and invited their help in dealing with excessive competition or with troublesome labor problems.” Similarly, in her study of Mafia-backed cartel agreements in the Macaroni business in Depression-era Chicago, Barbara Alexander found that Gennaro Calabrese was hired by the businessmen to enforce the illegal deal. In the case of Sicily, Gambetta and Reuter report that Angelo Sino—a building contractor in Palermo—invited Cosa Nostra to coordinate the bids for public works in Palermo in the 1980s. It appears that mobsters do not overcharge their “victims.” For instance, in the mid-1980s the Italian American Cosa Nostra took no more than $400,000 annually in fees to organize the Long Island carting industry, while the profits accruing to the carters were estimated to be over $10 million. The Mafia-run concrete cartel in New York City levied only 2 percent of the contract price for its services in fixing prices. In the case of Sicily, the Mafia “charged” only 5 percent of the value of each contract for organizing bid rigging in construction, 3 percent going directly to the organization and 2 percent to pay politicians. Those who made a killing were the Mafia-backed entrepreneurs.

A concern for avoiding overcharging is apparent also in the case of the Calabrese Mafia, the ‘Ndrangheta. The Anti-Mafia Parliamentary Commission of 2000 reports the words of the Prefect of Catanzaro, Francesco Stranges. The Prefect notes that the sum of money regularly demanded from entrepreneurs by the ‘Ndrangheta is often small: “The Mafiosi, since they are not very greedy, practice extortion at an acceptable level, hence it is difficult to find individuals willing to testify in these cases.” Members of this crime group have themselves expressed concern when rates of extraction were high. In one instance, the head of the San Luca family, which is considered the repository of certified values and rules of the ‘Ndrangheta, was alarmed by the excessive demands that the head of the Locri family himself expressed concern when rates of extraction were high. In one instance, the head of the San Luca family, which is considered the repository of certified values and rules of the ‘Ndrangheta, was alarmed by the excessive demands that the head of the Locri family was imposing on the latter’s victims. He was overheard saying: “Do you know why I came here [to meet you]? Totò, be careful that when the human race, the people go against you, you will lose what you have achieved in thirty years! You just lose it! When you start destroying the shutter of this guy, burn the car of the other, the people will rebel!”

A rational racketeer would raise the price until it becomes hard to collect the money and/or the high price invites a competitor in his territory. It seems that the San Luca boss had understood this point without consulting any economics of protection textbook.

Are Mafiosi specialized in offering protection, or do they also carry out other jobs? Observers of organized crime often take the involvement of a known mobster in a given enterprise as proof that this is his main activity, thereby confusing the commodity protected with the business of protection. On the contrary, John Landesco offers an example where a business partner is indeed a protector in disguise. The cleaning and dying sector in Chicago in the 1920s was run by an Association that was threatening a Mr. Morris Becker, an independent operator who had refused to abide by the rules of the cartel. Thus, Mr. Becker turned to Al Capone and made him a partner in his company. The businessman went on to boast to a local paper: “I have no need of the police or the Employers’ Association now. I have now the best protection in the world.” Although formally a “partner,” clearly Al Capone’s job was to protect Mr. Becker against the threats of his competitors. This story also highlights another feature of Mafia protection, namely that of producing negative externalities: if most people are using Mafia protection in a given market, those who are unprotected will become the target of additional crime and harassment, thereby creating a strong incentive for them to also enlist the help of mobsters, as Mr. Becker did. The equilibrium outcome is a Pareto-inferior one where everybody buys criminal protection (in other words, buying protection is a dominant strategy for each businessman in an-person Prisoner’s Dilemma game). While it is in everybody’s individual interest to associate oneself with mobsters, the collective outcome is worse for all entrepreneurs.

More complicated permutations of these dynamics still suggest that the job of producer of goods and services, and the job of protector, remain different. During the Great Depression in the United States, banks were reluctant to lend money to the small garment-makers of
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New York City, a sector of the economy with low technological requirements, easy entry, and a high turnover. At this point, American mobsters had amassed capital thanks to the profits they made with prohibition, and, as narrated by Lucky Luciano himself, they started to finance operations in this highly volatile and risky industry. “[W]e gave the companies that worked with us the money to help them buyin’ goods and all the stuff they needed to operate with. Then, if one of our manufacturers got into us for dough that he could not pay back, and the guy had what looked like a good business, then we would become partners […]” On the surface, it appears that the Mafiosi had evolved from protectors to financiers. Yet it was the Mafia’s ability to use violence that allowed them to make this transition: they were better than legitimate banks at collecting debts. As remarked recently by Dixit, when cost of entry into an industry is low, so is cost of exit and absconding with the bank’s loan. The Mafia was more efficient at finding such absconders than a legitimate bank. In addition, Mafiosi, with a long-time horizon have an incentive to support an industry they are involved in. The distinguishing feature of a Mafioso is to be able to offer protection to others and, if necessary, to himself, against cheats and competitors. Surely, Mafiosi also invest their own money in profitable enterprises. For instance, Campana (2011) has coded the conversations of the members of the Camorra clan La Torre, wiretapped by police in a period of seven months in 1998–1999. He finds that the task “protection” is discussed in 30.7 percent of the conversations, while “business investments in the legal and illegal economy” are discussed in 18 percent of the conversations. He concludes that protection remains their main source of income.

To what extent are the origins of Mafias related to their ability to offer protection? Franchetti notes that the Italian state was not a credible and effective enforcer of justice and law in Sicily in the nineteenth century. Lack of trust in the ability of the state to enforce deals and promises spread to the general population, reducing interpersonal trust as well. Upward mobile Sicilians, who wanted to make the most of the newly arrived market for land, thus turned to individuals who had started to offer a substitute for state security, namely selective protection to their clients. As these early Mafia groups (give) were laying claims on sectors of the local economy, they came into conflict with each other, suggesting that they were trying to be the exclusive provider of protection in a given domain.

Building on Franchetti, Diego Gambetta (1993) explains the origin of the Sicilian Mafia as a response to a late and rapid transition to the market economy in the early nineteenth century, in the presence of a state that failed to clearly define and protect the newly granted property rights, pervasive distrust, widespread banditry, and a supply of individuals trained in the use of violence who became suddenly unemployed. The armed guards (campieri) formerly at the service of the feudal lords were now out of work. In addition, the Bourbon army had disbanded after the unification of Italy and its soldiers were in search of a purpose. At this point in history, some members of the violent classes turned to banditry. The lethal combination of a demand for the protection of property and property rights, the presence of a threat from banditry and disputes with other owners, low levels of trust, and a supply of disbanded soldiers and unemployed field guards ready to offer protection, gave rise to the Sicilian Mafia in the early to mid-nineteenth century.

This perspective—we can call it “property rights theory of Mafia emergence”—has been applied to other cases, such as Japan and post-Soviet Russia. Japan made a rapid transition from an agrarian, feudal society to a modern, industrialized economy in the Meiji period, which is traditionally dated from 1868 to 1811. During the Meiji period, the country saw the end of feudalism, the spread of property ownership (mainly in land), the enactment of legal reforms—including land reform (1873–1876), a written constitution (1889), and a French-style civil code (1898)—and a process of centralization of government. As a consequence of the spread of ownership, disputes increased, both between individuals and the state (mainly over the levels of taxation) and between individual owners. The state, however, failed to provide mechanisms for dispute resolution that were quick and efficient. At the same time, the transition to the market produced a crisis for the large and economically useless warrior class, leading to a series of Samurai rebellions, including the Saga (1874) and Akizuki (1876) and culminating in the Satsuma rebellion of 1877. While some of them turned to raiding, attacking villages and other locations to gain supplies, other Samurai began selling their services of protection to these same villages. A supply of people trained in violence started to offer services of dispute resolution and protection outside the scope of the state, giving rise to the modern yakuza.

Russia underwent a similar process. From 1986 onward, the country witnessed a rapid spread of property rights that was not matched by the establishment of adequate formal enforcement mechanisms by the state. This generated a demand for non-state sources of protection. Such a demand coincided with the presence of individuals who had acquired violent skills and found themselves unemployed. In the Russian case, these individuals were former Red Army soldiers, Afghan veterans, unemployed sportsmen, and ex-prisoners. The Russian Mafia emerged at this historical juncture, and many groups adopted similar norms and rituals. Generalizing the “property-rights theory of Mafia emergence,” one can conclude that Mafias emerge in societies undergoing a sudden and late transition to the market economy, lacking a legal structure that reliably protect property rights or settle business disputes, and has a supply of people trained in violence that become unemployed at this specific juncture. Thus, new property owners develop a demand for protection that the state is incapable of fulfilling, while at the same time a supply of people trained in violence is present on this very particular market.

Is a demand for protection enough to generate a supply? In an enlightening comparative remark, Landesco notes how “violence in connection to labor disputes is almost unknown in England” in the 1920s, despite the presence of significant labor activism, in contrast to the situation in the United States in the same years. He concludes that it is the “availability of gunmen willing to undertake the work” that marks the difference between the United States and the United Kingdom. Thus, assuming that demand is constant, the presence of a supply makes the difference. Indeed, no Mafia emerged in other parts of Southern Italy where the state was equally ineffective at protecting property rights and settling disputes.

The “property rights theory of Mafia emergence” remains a convincing perspective on the origins of Mafias. Yet it has also proved to be a special case. Mafias have emerged in the absence of a wholesale transition to the market economy, as in the case of the Italian American Mafia in the United States in the first part of the twentieth century and the ‘Ndrangheta groups in the north of Italy from at least the 1970s. In a new study, Varese (2011) offers a detailed account of these two instances, and a more general framework for Mafia emergence.
How can we account for the birth of the Italian American Mafia at a time when the United States was a well-functioning market economy? Mafiosi arrived in New York City starting from the very end of the nineteenth century and to a higher degree in the early part of the twentieth century. The push factor was the unintended consequence of prosecution in Italy along with the attempt of Mafiosi in Sicily to avoid internal punishment (some arrived as part of the generalized migration to North America, in search of a better life). In the nineteenth century, the most profitable markets were already protected by a combination of corrupt police officers and local politicians. Italians in the United States did congregate in crime groups and even performed admission rituals, but they involved themselves in ordinary crimes, such as counterfeiting, horse theft, and crude extortion.

In the first decade of the twentieth century, something changed: leaders of the Progressive Movement to reform city politics were successful in curbing grand corruption and removing police protection from illegal markets such as prostitution, gambling and late-night drinking. These three markets, together with labor relations, were suddenly left unprotected. The unintended consequences of police reform gave Italian criminals a golden opportunity to become entrenched as suppliers of services of dispute resolution and protection in place of the corrupt police officers. In addition, the Progressive Movement succeeded in banning alcohol consumption and manufacturing in 1920. Thus, another vast unprotected market was created shortly after the reform of the police. Mafiosi stepped in to protect the truckloads entering the city from the New Jersey coastline (“Rum Row”) and large stills in upstate New York. They were also instrumental in the creation of spaces where suppliers could meet distributors and prices could be set. The Italian Mafiosi were independent of either suppliers or distributors, offering their services to both. Rather than a wholesale transition to the market or lack of trust in the state, the Italian American Mafia emerged because of the existence of a set of unprotected illegal markets. Prohibition created an even bigger market that by definition could not be regulated in a legitimate way.

Mafia groups have also expanded to territories that did not undergo a sudden transition to the market economy, such as the north of Italy, where `Ndrangheta families have been operating since at least the 1970s. Varese (2011, pp. 31–52) presents a detailed study of a region outside Turin (Val Susa) that experienced a sudden economic boom in the construction sector. Local entrepreneurs lacked a vast enough workforce to meet the new demand for second homes and were keen to corner the profitable market by excluding competitors. Thus, a demand for illegal services in the labor market and cartel enforcement developed. Some members of the `Ndrangheta were forced to move to the north by court orders and were able to provide a docile and nonunionized workforce to construction firms and enforce cartels of both local and Calabrese companies in this lucrative market. Violence was used to force some firms out of the booming construction sector. Over time, individuals who were favorable toward the Mafia penetrated politics. Initial high levels of trust did not prevent transplantation, as predicted by the “property rights theory of Mafia emergence.” Thus, Mafias may well emerge within functioning market economies and for reasons other than to ensure the protection of property rights or lack of trust. A sudden boom in a local market that is not governed by the state can lead to a demand for criminal protection, even in countries where property rights are clearly defined, trust is high, and courts work relatively well at settling legitimate disputes among market actors. Economic transformations that are not properly governed by legitimate authorities can give rise to a demand for criminal protection. In the presence of a suitable supply, a Mafia may emerge.

The body of work discussed here has come to some key conclusions: there is compelling evidence that Mafia protection is a genuine commodity in many instances, that protectors tend to specialize, and that when major economic transformations—such as a boom in a local market or a generalized transition to the market economy—are not governed by local and national authorities, they give rise to a demand for protection and, if a supply of people trained in violence is present, a Mafia is likely to emerge.

2. Mafia Extortion

What should we make, then, of the fact that many astute observers of the criminal organizations discussed so far have concluded that such groups simply offer protection against a danger they themselves create? Part of the answer might lie in the way the concept is used. Extortion is normally defined in the social sciences as the forced extraction of resources for services that are promised but not provided. If an agent forces somebody to pay for a service and fails to deliver anything whatsoever, I would consider that an instance of extortion. However, this definition is not universally adopted. Instead, commentators and scholars alike often interpret extortion to mean (1) overcharging for a service, (2) the imposition of a service (indeed, in most legislations “extortion” is defined as obtaining something of value through coercion, regardless of whether the extortionist delivers something in return?), (3) a service of poor quality. I will argue next that items 1 through 3 often accurately describe mafias’ behavior, but it does not follow that their protection is bogus.

Mafias (and states) may well overcharge for their services because protection is a natural monopoly. One cannot obey two competing systems of taxation or, to put it as did T. C. Shelling, “I cannot take half the bookies’ earnings if you took it before I got there.” Since protectors are monopolists, they can charge a monopoly price, which is likely to be more than it costs them to produce the good. Over time and under certain circumstances, the cost of protection might be reduced. For instance, as the protector is firmly established as the monopolist in a given area and external threats are reduced, he can reduce the price he forced his subjects to pay. The main point is that overcharging for a service differs analytically from extortion. Although in ordinary parlance an extortionary price often refers to an exorbitant price, in this context such a perspective is meaningless. As pointed out by the economic historian Fredric Lane in reference to early modern states in Western Europe, the service supplied by the protection-producing enterprises was often of poor quality and overpriced, but it was still a service rendered.

Mafias (and states) also tend to force their protection on their victims, notwithstanding the instances discussed earlier, but such an imposition does not imply that the protection is bogus, as already noted by Franchetti: “The distinction between a damage avoided and a...
benefit gained is to a point artificial. [In most cases] the line that separates them is impossible to determine, or rather it does not exist in human feeling. When evildoers intrude on and dominate most social relationships, [...] the very act that saves one from their hostility can also bring their friendship with its associated advantages."55 A story told by Pete Salerno, a Mafioso turned state-witness, further illustrates this point. Pete and Figgy (Anthony Ficarotta), working for the Genovese Family in New York City, started off forcing their protection on stall holders, assuring them that, if needed, they could take care of their problems. They had no intention to actually do anything. After a while, the victims started to demand what they had been paid for: "The fruit guy wants what has been paying for—protection." Now they felt compelled to do something, "or they would revolt—stop paying" (Abadinsky 1983, pp. 150–1). What had started as an imposition of a service and possibly wholesale extortion, turned into genuine protection.52

Mafias (and states) can offer a service of poor quality, or one that is partial at best. Varese (2011, pp. 110–3) reports that some kiosk owners in the Russian city of Perm in the 1990s paid a racket that was not able to reduce police harassment. Nor did it provide any help against petty thieves. The same study shows, however, that police “protection” in that context was indeed worse. Often, the Mafia is compared with an ideal state able to solve every single crime effectively and swiftly, while the reality is often far from the ideal. For instance, Italy suffers from chronic delays in setting civil disputes. In that country, it takes on average 1,210 days to enforce a contract, compared with 394 days in Germany; 389 days in the United Kingdom, and 331 days in France (the OECD countries average is 518; legal fees in Italy are also among the highest in Europe).53 It seems odd to expect Mafia protection to be anything but just marginally more efficient than the state’s.

An additional source of confusion involves the perspective of the observer. What is extortion—and the consequent possible financial ruin—for one victim of the Mafia might well amount to genuine criminal protection for another Mafia protégé. This is exemplified by the story narrated by Antonio Calderone discussed earlier. What were extortionary demands for the Rendos amounted to protection against competition for the Costanzos. In his autobiography, Joe Bonanno (1983, p. 79) put it as follows: "What is seen as extortion from the outsider is viewed as self-protection by the insider."54 There might also be a tendency to overemphasize extortion as opposed to protection because of the type of evidence that filters out from the underworld. Gambetta has noted that "a possible informational bias [...] may exaggerate the importance of extortion as opposed to those transactions in which the likelihood of being cheated is truly reduced thanks to protection. They are more likely to hear about the former simply because dealers are more likely to talk to the police in this case than in the latter.”55

Yet Mafia extortion exists. For instance, film crews in Palermo, Hong Kong, and Moscow have been victims of such harassment.56 The shooting of movies is particularly susceptible to extortion because crews work on tight schedules and cannot afford even the smallest delay in production. As they also tend to be from outside, they have no long-term connection with local men of honor.57 Varese (1996, pp. 133–4) categorizes the crime groups he encountered in Russia in the 1990s into three types: predatory, extortiory, and protective. The first of these generally imposed ever larger taxes on its subject businesses with fatal results for the tax payer; the second type typically extracted small taxes in return for bogus protection; in the third class, there were genuinely protective groups, actively sought out by firms that would do research in order to identify such a strong and reliable protector. 58 From a dynamic point of view, one can expect that extortionary groups turn into protective ones if they want to survive in a competitive environment. Indeed, Varese (1996) suggests that, over time, it is likely that the purely extortionary groups will disappear and only the protective will survive. At the same time, under certain conditions, Mafiosi can stop offering protection and become just predatory extortionists. One such factor is the time-horizon of the protector: the shorter it is, the more likely he will harass customers, raise the price of extortion, and fail to supply any service.59 If customers know that the protector “life expectancy” is short, they will be more reluctant to pay protection, and a greater degree of coercion will be needed.

In conclusion, under certain conditions protectors can turn into pure predatory agents. Police pressure and a reduced time horizon are normally invoked as the reason for such a transformation. A fruitful discussion of Mafia extortion must, however, do away with common misunderstandings of the nature of extortion, which is often confused with overcharging for a poor service and with imposing a service. While Mafias (and states) do both, it does not follow that their activities are purely predatory.

3. Mafia Protection Is a Social Bad

Mafia protection remains a social evil. In the economic sphere, it promotes inefficiency and reduces competition. For instance, Lavezzi (2008) finds that regions of Italy with high Mafia density perform worse than other regions in the south where the presence of the Mafia is not pervasive.60 Pinotti (2012) examines the postwar economic development of two regions in southern Italy exposed to Mafia activity after the 1970s. Applying synthetic control methods to estimate their counterfactual economic performance in the absence of organized crime, the study concludes that the presence of Mafia lowers GDP per capita by 16 percent, at the same time as murders increase sharply relative to the synthetic control.61 Both Lavezzi (2008) and Pinotti (2012) find that the public sector is large in Mafia regions and that private capital is substituted with less productive public investment.

Is crime higher in Mafia regions? To my knowledge, there are no analytical studies, at least for the case of Italy. The reason for the dearth of studies might due to underreporting: in a territory where organized crime is pervasive, people might not turn to the police if they are the victims of theft, and use the Mafia instead. Thus, reported (low) crime rates might be misleading. Theoretically, two competing hypotheses could be formulated: on the one hand, the Mafia should be willing to protect thieves as well, thereby promoting ordinary crimes. It could also be that it allows some crime to go unpunished in order to keep demand for its services as high as possible. On the other hand, the Mafia might not want widespread petty crime in its areas, as this might attract unwanted police attention. This hypothesis would suggest that there is less crime in Mafia territories. Both hypotheses are in need of empirical testing.62 In any case, Mafia protection is provided
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without consideration for justice, fairness, or the wellbeing of society at large. In the world the Mafia runs there is no such a thing as a “right” to the protection one has paid for. Mafiosi can ask for more favors or more money and turn against their dutifully paying clients, and there is no higher authority a victim can appeal to. Ultimately, St Augustine’s warning about States is even more poignant for Mafias: “without justice, what is government but a great robbery?”

4. Conclusion

Since the 1980s, a variety of studies have suggested that Mafia organizations are able to supply protection against competition and the enforcement of cartel agreements to selected businesspeople. They can also harass workers and trade unionists for the benefit of entrepreneurs; provide protection against theft and police harassment; protection in relation to credit obtained informally and the retrieval of loans; and the settlement of a variety of disputes. The Mafia also offers protection services to entrepreneurs of illegal commodities, such as thieves, prostitutes, pimps, loan sharks, and drug dealers. Yet, a widespread opinion underestimates these activities while emphasizing extortion as the key activity of Mafia groups. Such an emphasis might be due to conceptual confusion. Some equate extortion to (1) overcharging for a service; (2) imposition of a service; (3) a service of poor quality. Mafias do (1), (2) and (3), but it does not follow that their protection is bogus. Yet, under certain conditions, Mafia groups do engage in extortion. This normally occurs when their time horizon is short and they are under pressure from either the police or fellow racketeers.

Mafia protection is a social bad. Economists have been able to quantify its negative economic effect. One study has shown that two regions in the South of Italy have lost 16 percent of their GDP due to this phenomenon. Mafia protection, even when genuine, is provided without any consideration for fairness, justice, and rights. A world run by organized crime is not only poor and dangerous but also deeply unjust. Observers and policymakers routinely fail to recognize that Mafias can serve powerful and entrenched interests in a democracy, and this is because they offer something of value. Until this alliance of economic and criminal interest is severed, it will be hard to win the fight against the Mafia.

Bibliography


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Notes:

(1) I am grateful to Alison O’Connor and Paolo Campana for their comments on an earlier version of this essay.


(3) As for definitions, I take a Mafia to be a set of Mafia groups that share the same rituals and rules. For instance, a number of Mafia families operate in Sicily and the “Sicilian Mafia” is the collective entity of which they are a part. At different points in the history of each Mafia, different arrangements regulate (or fail to regulate) the relations between Mafia groups. The relations between groups are often dependent on clever institution builders and historical circumstances. Thus, the Sicilian Mafia, the Calabrese ‘Ndrangheta, the Russian Mafia, the Italian American Mafia, the Japanese Yakuza, and the Hong Kong triads can be collectively referred to as Mafias. Clearly, this characterization excludes many other forms of organized crime. See e.g. Hobbs 2001.


(5) Lupo 2009, p. 139. Cf, however, Lupo 2009, p. 16.


(9) See Varese 2010, pp. 17–18; Varese 2011, pp. 204n12. For other instances where the Mafia offers protection against competition, see Chu 2000, pp. 53–76; Varese 2001, pp. 115–17. For a discussion of aggressive protection, see Lane 1942, p. 388.


(13) Salvatore Contorno, quoted in Gambetta 1993, p. 171.
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(15) See, e.g., Gambetta 1993, pp. 190–2.


(19) See, e.g., Reuter 1984; Gambetta 1993; Gambetta and Reuter 1995. See also Jacobs, Friel, and Raddick 1999.


(21) See, respectively, Chu 2000 and Varese 2011, pp. 42–43.


(27) Gambetta and Reuter 1995, p. 133.

(28) Quoted in Varese 2011, p. 208.

(29) Quoted in Varese 2011, p. 208.

(30) See the remarks by Lane (1942, p. 389fn10; 1958, p. 405) in reference to the early modern states.


(32) Landesco [1929] 1968, p. 158. The theoretical argument on negative externalities and protection can be found in Lane 1958; Nozick 1974; Gambetta 1993; Bandiera 2003, p. 219; Varese 2010, among others.

(33) Gosh and Hammer 1975, pp. 77–9. This is cited also in Reuter and Gambetta 1995, p. 127 and mentioned in Repetto 2004, p. 163.

(34) Dixit 2011.


(37) Gambetta 1993. See also Bandiera 2003. Sabetti 2002 offers a historically rich account of this process.

(38) For an application to China, see Wang 2011.

(39) I am drawing here upon Varese 2011, p. 194. See also Milhaupt and West 2000, pp. 49–50; Varese 2003. On disputes over land in the Meiji period, see Brown 1993. More generally see the classic account by Mclaren (1916, pp. 72–90). I am grateful to Alison O’Connor for a discussion on this point.


(42) See Gambetta 1993, p. 78.


(44) Contrary to common perception (see, e.g., Lupsha 1986, p. 44; Gambetta 1993, p. 252), Prohibition did not create the Italian Mafia. Rather, mobsters had already penetrated some key markets in the previous decade.


(47) See, e.g. the following definition of extortion, p. “The obtaining of property from another induced by wrongful use of actual or threatened force, violence, or fear, or under color of official right.” Block and Anderson (2001).

(48) See the discussion in Varese 2011, p. 204fn10 and Lane 1958.
Schelling 1984, p. 185. See also Lane 1958, p. 402.

(20) Lane 1958, p. 404.

(21) Quoted in and translated in Gambetta (1988a, p. 170).

(22) This story is discussed in Gambetta 1993, p. 39 and Hill 2003, p. 20.

(23) Data reported in “Giustizia, Italia fanalino di coda in Europa, p. lentezza dei processi civili costa 96 miliardi,” Adnkronos 14/I/2012.

(24) Bonanno 1983, p. 79. See also the discussion in Lane 1942, pp. 338–9.


(27) Gambetta 2009, p. 256. In some cases, however, film crews have entered into partnerships with “location agents” who have ensured a safe production schedule, presumably because they enjoy long-term connections with the local Mafiosi (Varese 2011).

(28) Varese 1996; See also Hill 2003, p. 20.

(29) See Lane 1958, p. 404; Gambetta 1993; Olson 2000.


(31) Pinotti’s study takes into consideration Apulia and Basilicata, rather than the regions where Mafias originated (Sicily, Campania, and Calabria).

(32) I am grateful to Mario Lavezzi and Paolo Buonanno for an email discussion on this issue.

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