



Department SEMINARS

"All is Not Lost: Organized Crime
and Social Capital Accumulation"
(with I. Ferrari and A. Saia)

PAOLO BUONANNO

University of Bergamo

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12:00 PM

Seminar Room Bruguier Pacini, DEM



A B S T R A C T

In this paper we study how social capital formation is related to organized crime. We exploit the dissolution of city councils upon evidence of Mafia infiltration to identify the causal effect of organized crime on social capital. Our main result consists in the estimation of the causal relationship between a municipality's dissolution for Mafia and social capital.

To this end, we estimate a difference-in-differences (DID) model capturing the effect of a municipality's dissolution on our main outcome variable, a social capital measure. We find that the dissolution for Mafia leads to a 25% increase in the number of taxpayers allocating 0.5% of their annual income tax to associations in their municipality. We also explore the dynamics and our results show the effect does not fade away once the compulsory administration leaves way to a new regularly elected local government.

For information: pietro.battiston@unipi.it

