

Discussion of “Mafia Networks” - Amati, Billio, Di Cataldo, and Mastrobuoni

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Research Summary

- ▶ Builds a dataset of firms and individuals connected to organized crime organizations (OCG)
 - ▶ Firms that experienced asset seizures are classified as infiltrated by OCG
 - ▶ Firms and individuals that are connected to them via ownership or assets are part of the “mafia network”
- ▶ Characterizes the network of OCG-connected firms in Italy
 - ▶ Different patterns in the data: isolated firms, “constellations”, “galaxies”
 - ▶ Networks evolve and change as nodes experience confiscations
- ▶ Evidence on the effects of confiscations on firms that experience them and on connected firms and individuals
 - ▶ Preliminary evidence of positive effect on the revenues and debt of connected firms

Highlights

- ▶ Impressive data: I wish we had something similar for Colombia or Mexico
- ▶ Wide-ranging project: data can be used for many research questions besides OCG links
 - ▶ Size of the crime economy
 - ▶ Mergers and acquisitions
 - ▶ Employee flows?

Comment 1: Research questions

1. *Can we reconstruct the network of mafia-infiltrated firms and their partners?*
2. *How, when, and why are connections formed? How are firms infiltrated?*
3. *What happens to the network when anti-mafia policies are applied?*

My view of the status in terms of answering these questions

1. Successfully answered. This descriptive evidence would be enough for a paper on its own.
2. Limited answer. Some details on network changes, but it cannot provide evidence on firm behavior.
3. Needs work. The paper does not link to policy implications right away. What are the anti-mafia policies?

Struggle to connect the pieces?

Comment 2: Infiltration defined by confiscation

- ▶ Confiscation clearly defines infiltration, but it likely requires solid proof. OCG infiltration probably happens before confiscation.
- ▶ Lots of scope for anticipation effects among connected firms. This is not the effect of infiltration but the effect of confiscation.
- ▶ If fully anticipated, we would expect no effect.
- ▶ How predictable is confiscation?

Comment 3: Estimates of the effects of confiscation

- ▶ The analysis accounting for spillovers is key. There is also a scope for using new literature on estimating treatment effects with network interference. Complicated standard errors.
- ▶ Preliminary evidence is noisy. Under some assumptions on the correlation of error terms, the BJS estimator would be efficient here.
- ▶ But maybe no effects because of anticipation. How long does it take to build a confiscation case? Can we set different reference periods? Are the anticipation effects of interest per se?