

THE HISTORY OF SICILIAN MAFIA FROM AN ECONOMIC PERSPECTIVE

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The Mafia, an association of criminal groups that share a common organizational structure and code of conduct, committed all kinds of crimes to pursue what it wants. For decades, this syndicate has broadened the boundaries of activities, from existing crimes such as drug and arms dealings, human trafficking, and forgery, to new kinds of crimes like bankruptcy fraud and political corruption. Based on this change in identity, the paper deals with: (i) the name and the concept, (ii) roots, and (iii) the modern Mafia as a business enterprise. By understanding the factors which have shaped the modern form of Sicilian Mafia, people will be able to gain insight to one particular sector of the world economy.

Keywords: Sicilian mafia, The Godfather, Maxi trial, Money laundering, Grey market.

Introduction

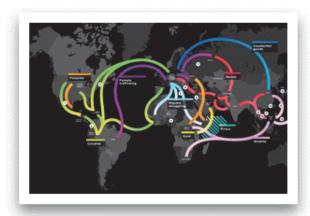
"I'm going to make him an offer he can't refuse."

Don Corleone, The Godfather

When his godson cried because he could not get a role in a Hollywood movie, godfather Don Vito Corleone said, "I'm gonna make him an offer he can't refuse." Then he sent his vassal to cut the head of the director's precious horse. As depicted in the movie, the Mafia, an association of criminal groups that share a common organizational structure and code of conduct, committed all kinds of crimes to pursue what it wants. For decades, this syndicate has broadened the boundaries of activities, from existing crimes such as drug and arms dealings, human trafficking, and forgery, to new kinds of crimes like bankruptcy fraud and political corruption.

The International Monetary Fund (IMF) estimates \$1.5 trillion as the annual revenue of criminal organization. This applies to every transaction, including tax evasion that influences national finance and investment income that is mostly legitimate. \$600 billion to \$1 trillion are money laundered every year, and this amounts to 2-5% of the global GDP (Gross Domestic Product).

To talk more about statistics, international drug dealings come to \$400 billion (50% of organized crime), which is equal in amount to Spain's annual GDP. 185 million people, 3% of world's population, are related to drug trafficking. Europe is now the biggest producer and exporter of designer drug.



Organized Crime Today - We can see from this diagram how broad and interrelated the Mafia has become.

As we can see from these collected data, the Mafia is indeed the big player in black markets. Then several questions come into mind. When, how, and why did the factors that define the evil deeds of Mafia emerge from the larger complex of Sicilian history? How does the Mafia continue to maintain and grow under the suppression of public security and resentment of the people? What detrimental effect do its activities have on the economy?

Various projections have been made. *The Godfather* is an epitome of gangster movie that had seeded a wealthy and heroic image of the Mafia into people's mind. This is an image that distorts the reality we see on the evening newscasts - of wretched lifestyle despite their wealth. Besides, cultural factors have sometimes added to the confusion. Absurd depiction of something that hardly even exists attracted millions of viewers. They do not know that the real Mafia murders innocent people, even women and children.

Contrary to common belief, in Italy, the cultural element creates fewer complexities. Italians know that modern Mafioso is from the lowest social class. So no one outside that stratum aspire to be a Mafioso. Colluding with the Mafia, however, is another story. Indeed, it is this aspect of Sicilian life which allows the Mafia to survive.

The Mafia will continue to exist as the barriers of transactions are kept to be reduced and removed to facilitate the flow of goods, capital, services and labor. Recently, the Mafia has taken a leading role in international misfeasance. It is due to the fact that crimes and blackmarket dealings jumped on the trend of globalization. By understanding the factors which have shaped the modern form of Sicilian Mafia, people will be able to gain insight to one particular sector of the world economy.

¹ The United Nations Economic and Social Commission for Western Asia defines globalization as: "When used in an economic context, it refers to the reduction and removal of barriers between national borders in order to facilitate the flow of goods, capital, services and labour...although considerable barriers remain to the flow of labour.

History of Sicilian Mafia

The Name and the Concept

Etymology

The Mafia, according to Oxford Advanced Learner's Dictionary, is "a secret organization of criminals that is active especially in Sicily, Italy." Having emerged in the mid-19th century, Mafia is classically referred to as a Sicilian criminality Cosa Nostra, meaning 'Our Thing' in Italian. Besides Cosa Nostra, the Sicilian Mafia has used other names to describe itself throughout its history, such as "The Friends Of Friends" and "The Honored Society". Mafiosi are known among themselves as "men of honor" or "men of respect".

Its etymology was perhaps inspired by the 1863 play "I mafiusi di la Vicaria" ("The Mafiosi of the Vicaria") by Giuseppe Rizzotto and Gaetano Mosca. Although the words Mafia and mafiusi were never mentioned in the play, it dealt with traits of Mafia: a boss, an initiation ritual, "umirtà" (omertà or code of silence) and "pizzu" (a code word for extortion money). Another possible origin is from urban legend that the word Mafia was first used in the Sicilian revolt in 1282. In this legend, Mafia is the acronym for "Morte alla Francia, Italia anela" (Italian for "Death to France, Italy cries!" However, this version is now dismissed by most serious historians.

Several interpretations exist to define the Mafia: a mirror of traditional Sicilian society; an enterprise of criminal industry; a centralized secret society; and a juridical ordering that is parallel to that of the state.

Rituals and codes of conduct

When collaborating with the Italian justice, the Mafioso Giovanni Brusca recollected the initiation ceremony when he was formally made a full member of Cosa Nostra:



Initiation Ceremony.

"In 1976 I was invited to a 'banquet' at a country house. I was brought into a room where several Mafiosi were sitting around a table upon which sat a pistol, a dagger and an image of a saint. They questioned me about commitment and my feelings regarding criminality and murder

(despite my already having a history of such acts). When I affirmed myself, Salvatore Riina, then the most powerful boss of Cosa Nostra, took a needle and pricked my finger. I smeared my blood on the image of the saint, which I held in my cupped hands as Riina set it alight. As I juggled the burning image in my hands, Riina said to me: 'If you betray Cosa Nostra, your flesh will burn like this saint."

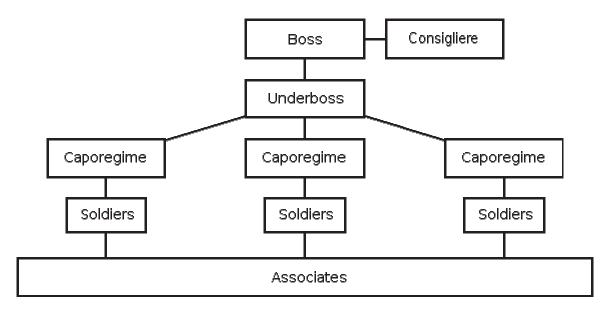
Mafia's recently found 'Ten Commandments' offer deeper insight into how the Mafia operates. In November, 2007, Italian police found what they say is a "Ten Commandments"style code of behavior for Mafia members, at the hideout of an apprehended Mafia boss Salvatore Lo Piccolo. It is thought to have been drawn up as a "guide to being a good mobster." Here is the comparison table of the Mafia's Ten Commandments with the original one.

Comparison Table of the Ten Commandments of the Mafia and the Original.

The Mafia's "Ten Commandments"	The original Ten Commandments
1. No-one can present himself directly to another of our friends. There must be a third person to do it.	1. Thou shalt have no other gods before me.
2. Never look at the wives of friends.	2. Thou shalt not make for thyself an idol.
3. Never be seen with cops.	3. Thou shalt not make wrongful use of the name of thy God.
4. Don't go to pubs and clubs.	4. Remember the Sabbath and keep it holy.
5. Always being available for Cosa Nostra is a duty - even if your wife's about to give birth.	5. Honor thy Father and Mother.
6. Appointments must absolutely be respected.	6. Thou shalt not murder.
7. Wives must be treated with respect.	7. Thou shalt not commit adultery.
8. When asked for any information, the answer must be the truth.	8. Thou shalt not steal.
9. Money cannot be appropriated if it belongs to others or to other families.	9. Thou shalt not bear false witness against thy neighbor.
10. People who can't be part of Cosa Nostra: anyone who has a close relative in the police, anyone with a two-timing relative in the family, anyone who behaves badly and doesn't hold to moral values.	10. Thou shalt not covet.

Perhaps the most important code of conduct that a Mafiosi must follow is Omertà. Omertà is a code of silence. The point is succinctly made in a popular Sicilian proverb "Cu è surdu, orbu e taci, campa cent'anni 'mpaci (He who is deaf, blind, and silent will live a hundred years in peace)." A more well-known definition is: "Whoever appeals to the law against his fellow man is either a fool or a coward. Whoever cannot take care of himself without police protection is both. It is as cowardly to betray an offender to justice, even though his offences be against yourself, as it is not to avenge an injury by violence. It is dastardly and contemptible in a wounded man to betray the name of his assailant, because if he recovers, he must naturally expect to take vengeance himself."

Structure



Hierarchy of a typical clan (Cosa Nostra).

This structure map was designed according to 1984 confessions of the Mafioso informant Tommaso Buscetta, the first one to break omertà. A clan is led by a "boss" (capofamiglia), who is aided by an underboss (a sotto capo) and supervised by one or more counselors (consigliere). Under his command are crews (decina) of about ten "soldiers" (soldati). Each decina is led by a capiregime.



Movie poster of *The Godfather*.

The boss of a clan is elected annually by the soldiers. Contrary to common belief, most bosses of Sicilian clans do not enjoy as much of the privileges as do bosses of American clans.

Consiglier helps the boss to make wise and impartial decisions, especially regarding financial issues. The best example can be drawn from the movie *The Godfather*. In this movie, Vito Corleone (Marlon Brando), the Don (the "boss") of the Corleone family, turn the *family* (clan) over to his son Michael Corleone (Al Pacino), who is the only college-educated member of the family but initially wants nothing to do with the "family business". However, as Vito guides Michael as a consiglier, Michael evolves from a warm-blooded outsider to ruthless boss of the Corleone family.

A key concept underlying the Mafia's structure is the Commission. Although it is not a central government of the Mafia, it functions as a representative mechanism for consultation of independent clans. In her interview *Family Crisis among the "Men of Honor,"* by Max Planck Research, criminologist Letizia Paoli stated, "Contrary to the wide-spread image presented by the media, these superordinate bodies of coordination cannot be compared with the executive boards of major legal firms. Their power is intentionally limited. And it would be entirely wrong to see in the Cosa Nostra a centrally managed, internationally active Mafia holding company."



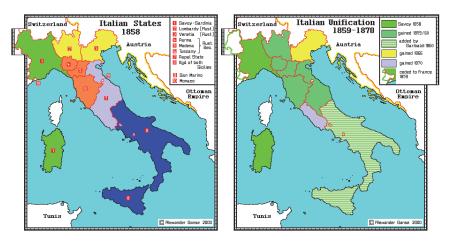
In The Godfather film, the Five Families call a Commission meeting to discuss peace between the Corleone and Tattaglia families.

There are two major roles of the commission. The first is to regulate the use of violence. Say a Mafioso wants to commit a murder in another clan's territory. In order to do so, he must ask the permission of the local boss because the commission enforces this rule. According to Paoli's *Mafia Brotherhoods*, "any murder of a Mafioso or prominent individual (police, lawyers, politicians, journalists, etc.) must be approved by the commission." Another role of the commission is to be involved in the matters of succession. Upon a death or abdication of a boss, the clan's power is often reduced, enticing clients to abandon the clan and turn to neighboring clans for protection. This would cause unbalance between powers, potentially destabilizing the region and precipitating war. Here, the commission engages, by dividing up the clan's territory and members among its neighbors or appointing a regent for the clan until it can elect a new boss.

Roots

The Mafia Emerges

Tracing the roots of Sicilian Mafia and how it started to exist is essential to understand its modern role. Attempts to unify Italy finally succeeded in the second half of the nineteenth century. Italy became a nation-state. This served to step up the competition for empire among the European states, adding a contestant. Unification of Italy took place between 1858 and 1870. Two leaders instrumental in unification were Count Camillo Cavour, who united Sardinia and the Piedmont (northwest Italy), and Giuseppe Garibaldi, who rallied the people of Sicily. The two then supported King Victor Emmanuel II in his election bid in 1861. The Parliament proclaimed him king of Italy "by grace of God and will of the nation."



Detailed Maps of Italian Unification 1858-1870.

During the patriotic revolution, Palermo, Sicily and the South of Italy, which were under the Bourbon dynasty, were liberated by Garibaldi with an army of just 1000 men (famous in the name of *Redshirts*). However, this deed was not solely done by Garibaldi; in fact, it was due to the support from two major stratagems. Nobles supported Garibaldi and joined the national unity movement because they hoped for a change that would improve their situation and brought them a bit of land. Peasants supported Garibaldi because they were against the Bourbon anti-feudal policy and predicted that a king in Turin (who would become King Victor Emmanuel II, the first king of Italy) would interfere less with their power. Along with the peasants, *Mafiosi* played a great role in the revolution. Without the help of the Mafia, Garibaldi would have lost; the Mafia and the new nation of Italy were born together.

In the case of Sicily, feudalism had been fading away since the early 19th century. As former feudal lords steadily sold off or rented their lands to wealthy bourgeois, the number of landowners soared from 2000 to 20,000 by 1861. Then Sicily was annexed by mainland Italy in 1860. Unfortunately, the authorities of the newly emerging nation were incapable of enforcing property rights and contracts, largely due to their inexperience with free market capitalism. Since the authorities were shorthanded and irresponsible, property owners had to rely instead on extralegal arbitrators and protectors. These people who played an alternative role of government

eventually emerged as the Mafia. Therefore, Sicily's bumpy transition from feudalism to capitalism actually led to the birth of the Mafia.

Fascism, World War II, and the Rebirth of the Mafia

As years passed, the Mafia slowly dominated Sicily. Not only did it become all the more necessary to control baronial interests through coercion, for with the abrogation of feudal taxes came higher rents, but it also was clear that the Mafiosi would also represent the interests of an ordinary farmer or tradesman who paid them well to settle a score or reconcile a perceived injustice. In other words, the Mafia was the authority, police, and intermediary of Sicily.

What factors have fostered the growth of the Mafia? Best of Sicily (bestofsicily.com)² states, "Many Sicilians' clannish nature, and their instinctive dislike for inconsistent law enforcement and a repressive hereditary aristocracy, created a favorable climate for the Mafiosi. The nobility may not have actually created the Mafia, but it unwittingly permitted the development of social conditions that facilitated its macabre growth."

Meanwhile as Mafia emerged as a new political and economic actor, Fascism gained importance in the Italian society. After World War I, Italy was in total chaos. Economic and political instability in Italy led to the fascist regime of Benito Mussolini. The new dictator initiated a campaign to eradicate the Mafia and assert Fascist control over Sicilian life. By destroying the Mafia, Mussolini sought not only to set a great propaganda coup for Fascism but also to have a superficial reason to suppress his political opponents in Sicily. In 1925, he appointed Cesare Mori as the Prefect of Palermo and gave full powers to bring Sicily under the control of the State. Mori's basic strategy was impressing the Sicilian population and demonstrating that the State was now stronger than the Mafia. As a case in point, Mori enforced a high-handed policy; to force suspects to surrender, his military took Mafia's families hostage, sold off their property, or publicly slaughtered their livestock. One Mafiosi's memoirs wrap up the severe atmosphere of the era: "The music changed. Mafiosi had a hard life. [...] After the war the Mafia hardly existed anymore. The Sicilian Families had all been broken up." —Antonino Calderone, 1986

In June, 1943, half a million Allies (mostly United States troops) invaded Sicily and devastated the island. The scars of war could not be easily healed; the murder rate soared, party politics were banned, and most institutions were destroyed. In order to reactivate a functional society, the American occupiers had to lay the cornerstone of Sicily. Since Fascist mayors and government representatives were deposed, the Allies simply appointed replacements. Surprisingly, many turned out to be Mafiosi. To Allies, Mafiosi looked desirable because they were political dissenters of Fascism and Communism.

The changing economy of Sicily shifted the Mafia's power base from the rural to the urban. The Mafia especially took control of the construction sector, as the Italian government funded great amount of money into rebuilding Sicily's infrastructure. Giovanni Falcone, an Italian prosecuting magistrate of Mafia, once described this situation saying, "Mafia organizations entirely control the building sector in Palermo – the quarries where aggregates are mined, site clearance firms, cement plants, metal depots for the construction industry, wholesalers for sanitary fixtures, and so on." (Paoli, 167) The Mafia surely had taken over the politics and the economy of Sicily at this time.

² ©2004 Best of Sicily (bestofsicily.com). Used by permission.

First Mafia War & Second Mafia War

The Mafia's involvement in drug trafficking was rampant after the war ended, backed up by rapid urban growth and the illicit heroin trade to North America. The control of the profitable opportunities these conditions had created was crucial in Mafia business. Rival clans often struggled against each other, trying to take the initiative of drug dealings. Eventually, the overcompetition turned into bloody battles.

The culmination point of the war between clans was the Ciaculli massacre in Palermo. On June 30th, 1963, a car bomb exploded, killing seven police and military officers. It was originally intended for "Ciaschiteddu" (Little Bird) Greco, head of the Sicilian Mafia Commission and the Ciaculli family, by his rival Michele Cavataio, the Mafia boss of the Acquasanta clan.

The public immediately turned against the Mafia, resenting the unintended drawback of innocent people dying from the feud. The atmosphere of 'anti-Mafia' pervaded throughout the nation. Due to strong enforcement, Mafia clans were disbanded and Mafiosi kept a low profile. However, in Bari Trial assembled to punish Mafiosi guilty of the massacre, most were acquitted or received light sentences.

The Second Mafia War mostly took place in the early 1980s. Contrary to common conflicts and power struggles, this involved the entire Mafia and radically altered the power balance within the organization. So it is also known as The Great Mafia War.

Back in the 1970s, Luciano Leggio, boss of the Corleone clan, forged a coalition of Mafia clans known as the "Corleonesi". The Corleonesi coalition managed to take over the Sicilian Mafia Commission and imposed a quasi-dictatorship over Cosa Nostra, waging war against rival factions from 1978-1983. Salvatore Riina, who reigned the clan after Luciano Leggio, decimated other Mafia families. Hundreds of murders including high profile ones of heads of rival clans and members of "Anti-Mafia" pool occurred.



The bullet ridden body of Salvatore Inzerillo.

Having wielded his power of manipulating the Mafia's code of conduct and eliminating rivals to take control of the commission and purging enemies, Riina eventually became the "boss of bosses" of the Sicilian Mafia.

From the Drug Trade to the Maxi Trial

Around the time of the two feuds, Sicily became a hotbed of Mafiosi activities. Since the island provided perfect condition for illegal activities, morphine traffickers began to gather up. Cosa Nostra set up heroin refineries across the island, not only to manufacture drugs but also to directly control the distribution network. As the Mafia expanded its business to Europe and North America, heroin addiction surged. In case of the northeastern United States, the Sicilian Mafia seized 80% of the heroin trade there.

How did the Mafia handle such a high-risk business so successfully? An interesting aspect lies in its form of intermediary between the purveyor and the customer. The Mafia's plot was to distribute heroin through a number of independently owned pizza parlors functioning as fronts.. In New York, where it is famous for cheese pizza, Mafiosi underlings ran pizza stores. When drug dealers or private customers visited the shop as if they were buying pizza, heroin could be effectively distributed.

This notorious intention was highly publicized after the infamous "Pizza Connection" heroin money laundering case was broken. In fact, the US Federal prosecutors discovered the vast amount of structuring that taken place in order to facilitate the movement of criminal money into the banking system.

Though the pizza connection received mass media's spotlight, there are numerous possibilities that other forms of intermediaries would exist. C. Sterling, a scholar of Mafia and the author of *Octopus: The Long Reach of the International Sicilian Mafia*, stated in his book: "The Pizza Connection was only a segment of the connection that is still in place. The case succeeded only in exposing a faction in a single American family, working with thirty-odd men on a single Sicilian heroin ring, involving deliveries to a single corner of the U. S. There are a number of intersecting rings delivering heroin to every corner of the country."

In the early 1980s, anti-Mafia magistrates Giovanni Falcone and Paolo Borsellino began a campaign of suing Mafia members. They put 474 Mafiosi on trials and convicted 342, for a multitude of crimes relating to Mafia activities. Tommaso Buscetta, a Mafioso who turned against his clan in exchange for protection from the Corleonesi (Corleonesi has already murdered his friends and relatives), gave testimony for these two people.



Giovanni Falcone and Paolo Borsellino.

However, although their brave and deliberate actions earned them victory, it soon turned into a disaster. Suing Mafioso would mean death. The Mafia declared war against the state of Italy and those who aligned with the anti-Mafia pool. On May 23rd, 1992, one of the magistrates Giovanni Falcone was murdered with his wife and three securities on the motorway of Palermo. This horrible and unfortunate incident was planned by Salvatore Riina, the leader of Cosa Nostra at that time. Falcone's death aroused nationwide outcry and grief, regarding the heartbreaking murder as the loss of a "man of honor."



Remnant of the shooting spree which killed Falcone

During his speech at Falcone's funeral on May 25, 1992, the other anti-Mafia magistrate Paolo Borsellino stated: "The fight against Mafia, which is the first problem to solve in our unfortunate and beautiful land, must be not only a cold repressive action, but a moral and cultural movement, involving everyone, especially younger generations, the most fit to feel the beauty of the fresh taste of freedom that sweeps away the foulness of moral compromise, of indifference, of contiguity and, hence, of complicity."

Borsellino knew he was next to go after the loss of his dear friend. On Italian National TV, he publicly made a speech saying: "They will kill me, but it will not be a Mafia's revenge, Mafia do not use revenge. Maybe Mafia will materially kill me, but who actually will order my murder will be 'others'." Less than two months after the death of Falcone, on July 19, 1992, Borsellino was killed by a car bomb in Palermo's city center while visiting his mother, after have eaten lunch with his wife and children.



Remnant of the car bomb which killed Borselliono

The death of two men resulted in the arrest of Salvatore Riina in January 1993. The Mafia retaliated violently, initiating a campaign of terrorism all over Italy. The Mafiosi even went on

the rampage near tourist spots, vandalized historical and cultural heritage, and murdered priests and politicians who condemned or acted against the Mafia. The act of brutality seemed like a never-ending story.

Then, Bernardo Provenzano took hold of Cosa Nostra's leadership. He stopped the era of terrorism and violence, replacing with a campaign of quietness known as *pax Mafiosi*. Instead of punishing informers, he used an appearement policy, instead persuading them to retract their testimonies and return to the original family. Provenzano was finally arrested in 2006, for being convicted of murders he had led during the two Mafia wars and of Falcone and Borsellino. He had since lived around Corleone for 43 years as a fugitive.

Provenzano's apprehension meant the demise of the *Pax Mafiosi*. His underling Messino Denaro alleged new leadership. When the police busted into the Sicilian countryside house and arrested Provenzano, the "boss of all bosses" turned to them and said, "You have no idea what you've done." Since his plan was to unite the Cosa Nostra and bring balance to the organization, his arrest could only bring uncertainty and inevitably unrest amongst Mafiosi, specifically to Matteo Messina Denaro.

The Modern Mafia as a business enterprise

The Mafia in Berlusconi's Italy

In the 90s, during the so called *Second Republic* (1994-today), every political party set containing the Mafia as its first agenda. During this time, many laws were passed to stop helping "organized crime and the politicians", especially the Mafia.

The most prominent example of legislation is the *41bis* law, which is enforcing "isolation and harsh conditions of life in prison for Mafiosi to keep them isolated from the organization." By physically and psychologically compelling criminals to reveal information about the Sicilian Mafia, the State intended to effectively control the criminals. However, as time passed, this law seemed inhumane to people. In 2007, the European Court of Human Rights urged that the *41bis* law violated its two articles: 'right to a fair hearing' and 'right to respect for private and family life'. Moreover, this law was not as effective as it used to be in the 90's since the attention toward the Mafia declined after September 11th, 2001, when terrorism became a more popular issue.

Today the collusion between the Mafia and Italian politics is stronger than ever. Unlike their precedents who loaded guns and held bloody battles, the Mafiosi of today have penetrated into sundry parts of Italians' lives: politicians, administrators, lawyers, bankers, white collars, accountants, and managers. These prevalent profiles help the Mafiosi to involve itself deeply in the Italian society, thus creating favorable conditions for themselves. Especially in Sicily, where the Mafia force has become dominant, politicians actually buy votes; political corruption is a severe problem.

During the time between 1994-2008 Italy's prime minister Silvio Berlusconi has had twenty-two criminal allegations against him. Many of the case were suspected of collusion with the Mafia, who may have contributed to Berlusconi's success in winning the elections. Whether or not the allegation about Mafia collusion is true, there has been much talk about whether or not Italy's Prime Minister is truly a friend of the Cosa Nostra. After Falcone and Borsellino died, Berlusconi founded a liberal-conservative political party named Forza Italia (Go, Italy!) within months he won the elections. With the endless scandals and laws being broken, one could only think that he would have connections with the Mafia.

Money laundering

One vicious role the Mafia is playing is 'money laundering,' the process of concealing the source of illegally obtained money, like dirty clothes laundered in a washing machine.³ Most income of the Mafia comes from illegal activities, mostly drug trafficking and political bribery. Money earned from these kinds of sources is not legitimate, often in risk of being detected as criminal activity. In order to conceal the original source, the Mafia often adopts a complex scheme of money laundering.



Mafia's Money Laundering Process.

1st stage: This is the most dangerous part. When placing the dirty money, the Mafia must make a direct contact with a banking institution. Financial institutions provide a variety of services and instruments which can be used to conceal the source of illicit proceeds.

2nd stage: This is the laundering process. The Mafia changes the money into three major forms: stocks, properties, or pieces of art. For stocks, if the price appreciates, Mafiosi leave them as they are; if it depreciates, they sell. In case of properties, they usually buy real estate in a foreign country and slowly pay off the mortgage. Sometimes they buy a work of art from a prominent artist and resell it at a higher price. All of these schemes turn dirty money into clean money.

3rd stage: Finally, the Mafiosi integrate gained profits into the economy.

³ This definition was excerpted from A Money Services Business Guide of Financial Crimes Enforcement Network. (http://www.fincen.gov/financial_institutions/msb/materials/en/prevention_guide.html)

This clever method surely contributes to the continuing survival of the Mafia. In fact, the Sicilian Mafia is the most successful business in Italy today in the face of economic disaster for legitimate business.

Mafia Inc.

The Mafia is now Italy's biggest business enterprise. Its annual turnover is more than €140bil. (\$184bil.), making up 7% of Italy's GDP. The four Mafia groups, Cosa Nostra, La 'Ndrangheta, Sacra Corona Unita, and La Camorra, together have cash reserves of €65bil. (\$86bil.), therefore nicknamed "Italy's biggest bank."

In 2010, Res Fondazione, a research institute of economy and society in Sicily, presented a report about Italy's Mafia economy. Sicily's crime rate by Mafioso activities has steadily declined for past decades, thanks to tightened security and control. However, this drew more serious side effect. As the police closed the dragnet, the Mafia has switched its investment into normal business, making the distinction between economic transactions and crimes obscure.

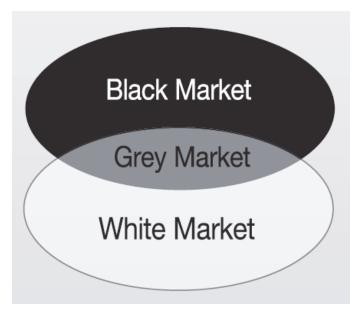
The collusion between enterprise and Mafia has become more structural and efficient. In other words, mobs are becoming progressively commercialized.

Original Business	New Business
Freight	Special Waste Disposal
Import and Export	Financial Investment
Infrastructure	Gambling, Game
Money Laundering	Tourism
Drug Trafficking	Renewable Energy
Fake Production and Distribution	Trash
Service	Large-scale Distribution
Construction Bid	Bank Fraud
Sales	
Medical Service	
Agriculture	
Real Estate	
Racketeering	

Source: Rapporto Res 2010.

This chart shows the Mafia's recent shift in business. In the past, the Mafia's major income source was drug dealings, money laundering, and racketeering, which are obviously illegal activities. When these crimes were detected, the criminals could be easily convicted with a lawful reason. However, today's business activities have become more legitimate. Investigators are now finding it harder to detect these kinds of evasive crimes.

A good analogy for this trend would be mix of coloring. Original Mafiosi activities were black (criminal, unlawful), while new Mafiosi activities are white (legitimate, lawful). Black and white would create grey, therefore "grey economy." In order to form a market, grey economy sector needs a conspirator, especially political power. This means Italian politics may be protecting Mafia's business, perhaps receiving mutual benefits. Moreover, money laundering has become the essential process in the grey economy.



Venn Diagram of Grey Market.

The scale of Mafia's grey market is tremendous: €130bil. (\$170bil.) Direct and indirect costs amount to 1.3% of Italy's GDP. One notable characteristic of grey economy is the tacit agreement between Mafiosi and people of political and economic power. The problem is, the Mafia does not racketeer or threat them to invest money; investors voluntarily contact the Mafia in order to acquire "competitiveness" and "value-added."

Although it may be profitable for the Mafia, grey economy degrades competitiveness of Italy's industry as well as the society's transparency. Of course, the Italian government is trying to devise a scheme to counter this situation. However, because the Mafia also deeply conspires with the politicians, eradication of crimes is not easy. The ever-increasing Mafia business will bear a great burden on Italy's future, whose most urgent thing is to recover from the economic recession.

Conclusion

As I conducted the research, one question kept lingering in my head: "So which came first? The chicken or the egg?" I mean, I wondered whether the Mafia is the cause or the effect of Italy's chaos. Having learned about the history of Mafia from an economic perspective (its roots and modern role), I now have a clear concept between prejudice and truth. Many people incorrectly presume the Mafia to be the cause of certain social problems. In fact, it is the effect - the result of centuries of bizarre practices which colored every facet of life in Sicily, making it a fertile breeding ground for all forms of corruption, dishonesty and crime. Sicily's atmosphere largely that of Italy's, have fomented the growth of Mafia throughout the phase of modern history's upheaval. Unfortunately, the vicious cycle of the Mafia and the nation degrading each other has obfuscated Italians to distinguish the true cause.

Mafia is quite similar to Korea's Donghak Peasant Revolution, an anti-feudal uprising in 1894 which eventually led to the First Sino-Japanese War. Donghak, which literally means the study of East, was a Korean religion stressing "the equality of all human beings." The religion

'ate away' Koreans and their philosophy, turning Korea to its demise. Just like the revolution gradually infected the Korean system, the Mafia has poisoned its native country little by little, now perhaps the most influential corporation in Italy.

An adage "Mend the barn after the horse is stolen." perspicuously illustrates what the incumbents of Italy are trying to do. They announce that they will eradicate the Mafia, utilizing task force and police power to contain its business. Well, this does not seem effective nor clever. Would covering up a lousy result work as the real solution?

Rather than trying to control the Mafia, it would be more wise to approach this social problem from a more fundamental and essential perspective and consider how to cope with the situation.

"If anything in this life is certain, if history has taught us anything, it is that you can kill anyone." (Michael Corleone - The Godfather Part II)

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