From Anarchy to Monopoly: How Competition and Protection Shaped Mafia’s Behavior

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Introduction

• **Social Order** is usually assumed to be **preferred** by a society over an **anarchical regime**, as Olson (1993) notes “there are colossal gains from providing domestic tranquillity.”

• In **Large Groups**, such order does not emerge voluntarily as the sacrifices to their members outweigh the benefits. (Olson, 1965)

  How to explain the transition from an anarchical to a social order in these large groups?

• **Social order** emerges in a group from the capacity of some individuals to **impose their own will on others** and to maintain **this privileged position**. (Innes, 2003)
Introduction

• Coercion (i.e., violence) in general and extortion in particular have played a role in the emergence and maintenance of social order. (Tilly, 1985)

• Schelling (1971) notes that violent criminal activities, and specifically extortive activities, lead to monopoly of violence.

• Observations show that rulers do not ground their mechanisms and practices of dominance only on violence and terror, they also provide benefits to their victims
  – It is costly to maintain as they spend a lot of money on punishment
  – It does not achieve a great level of legitimacy
  – It is usually not sustainable in the long term
Objectives

- Investigate how embryos of social order may emerge in heterogeneous and anarchical simple societies.

- Analyze how Extortion Racket Systems of the Mafia-type may have evolved from uncoordinated groups of roving bandits into real governments of the underworld.

*Example: Origins of Mafia*
Research Questions

• How to explain the transition from a situation characterized as anarchical and uncoordinated extortive systems to a monopolistic one? What are the minimal factors that suffice to the emergence of a monopolistic regime of violence?

• What is the effect of either regime, i.e., anarchical and monopolistic, on the extorters? In particular, what is the effect of the different factors on the profile of the surviving extorter?

• What is the effect of either regime on the victims of extortion and more generally on the society?
**Hypotheses**

| Hypothesis 1 | the competition (i.e., violence) among extorters is the necessary condition in the transition from an anarchical and uncoordinated extortive situation to a monopolistic one |
| Hypothesis 2 | a monopolistic regime is preferred by the victims of extortion and extorters over an anarchical one |
| Hypothesis 3 | protection enables the selection, among those competing, of the relatively most sustainable extortive system to become the monopolist |
ERS Model
Dynamics

Extorters

Pay Extortion Money (2)

Demand Extortion (1)

Competition / Protection (4)

Punish (3)

Targets
## ERS Model Treatments

<table>
<thead>
<tr>
<th>Treatment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Competition</td>
<td>Extorters do not compete for the Targets, meaning that they do not fight one another.</td>
</tr>
<tr>
<td>Competition</td>
<td>Extorters that <strong>do not receive extortion</strong> fight against other extorters in order to expand their domain; however, those that receive extortion do not protect their extorted Targets from other extorters.</td>
</tr>
<tr>
<td>Competition &amp; Protection</td>
<td>Extorters that <strong>receive extortion try to protect</strong> their extorted Targets. Extorters that <strong>do not receive extortion fight against other extorters</strong> in order to expand their domain.</td>
</tr>
</tbody>
</table>
• Competition among extorters is what supports the emergence of a monopolistic regime.

**Competition is a necessary and sufficient condition**
• **Monopolistic regime shall be preferred over anarchical ones**

“In a world of roving banditry there is little or no incentive for anyone to produce or accumulate anything that may be stolen and, thus, little for bandits to steal.”

(Olson, 1993)
• **Protection** benefits both targets and extorters
  – **Monopoly** is achieved faster reducing the period of instability
  – **Greater number** of Targets alive
  – **Demands less** extortion of each Target, but **collects more** in the long-run

![Graph](image)

**Experiments**

**Results #3**

Number of Targets

% of target’s income spent on paying extortion
Experiments
Results #3

- Protection benefits both targets and extorters
  - Extorters inflict fewer and milder punishments

% of unsuccessful extortions punished
Punishment severity

Legend
- No Competition
- Competition
- Competition & Protection
Conclusions

- **Anarchical**, in contrast to **monopolistic regime**, cannot be **rational to a society** as the anarchical regime drains away all the societal resources conducting it to a collapse
  
  “..., anarchic violence cannot be rational for a society: the victims of violence and theft lose not only what is taken from them but also the incentive to produce any goods that would be taken by other.” (Olson, 1993)

- **Competition** among the extorters is the **minimum factor** needed to achieve a monopolistic regime, but it **does not select the most sustainable in the long run**

- **Protection**, although not essential for the transition to a monopolistic regime, provides valuable benefits to the society
  - Faster achievement of a social order
  - Reduction of the burden of extortion on Targets
  - Fewer violence
References

Thank You !!!