



# Mafia rules. The role of criminal codes in mafia organizations

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## ARTICLE INFO

### Article history:

Received 5 February 2015

Received in revised form 29 September 2015

Accepted 2 October 2015

Available online 14 November 2015

### Keywords:

Organizational rules

Mafias

Criminal organizations

## ABSTRACT

How can organizations that lack mechanisms of legal dispute resolution and cannot create binding contracts work efficiently? They establish and enforce organizational rules. Rules are an essential aspect in the life of any organization, and they are even more important for criminal organizations because they serve to regulate interaction among dishonest people. Using a wide range of sources, this article analyzes the role of rules in mafias, in particular in the Sicilian “Cosa Nostra” and the American “La Cosa Nostra”. The main contribution of this paper is to unveil the organizational rationality of mafia rules. Through a comprehensive analysis of the few written, and several unwritten rules, I find that rules in mafias serve three main goals: (1) to ensure organization, coordination, and cooperation among members; (2) to settle conflicts and contain violence; and (3) to maintain secrecy and conceal information.

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## 1. Introduction

How can criminal organizations that lack legal mechanisms of dispute resolution and are unable to establish binding contracts work efficiently? They establish and enforce organizational rules. Rules are an essential aspect in the life of any organization. Paradoxically, organizational rules are especially important for criminal organizations, like mafias, for two main reasons. First, mobs cannot rely on law and government to enforce norms and settle disputes (Gambetta, 1993; Reuter, 1983). Second, they need to cooperate among themselves in order to achieve their economic interests. Mobs do not live in anarchy; they are subjected to *the law of the outlaws*. Over time they have developed a set of rules in order to perform different functions: to establish organizational order (e.g., organizational roles and the chain of command), to cooperate, to regulate various issues in organizational life and individual behavior (e.g., mobs should always show respect to those who can command it), to coordinate intra- and inter-organizational relationships, to manage silence and secrecy (e.g., mobs should introduce themselves to other mobs in a specific way; they should never ask for the last name; they should not use the telephone), to contain internal conflicts, retaliation and violence (e.g., it is forbidden to touch the women of other mobs; mobs should never resort to violence with other mobs). These rules are, with rare exceptions, passed on orally. While legitimate organizations can

rely on the rule of law to enforce contracts and solve disputes, mafias cannot resort to external authorities. Therefore, they establish organizational rules as a form of private governance in order to address these problems.

This article analyzes the role of rules in mafias, in particular in the Sicilian “Cosa Nostra” (“Our Thing”) and the American “La Cosa Nostra”. The sources of evidence I use are various: written codes and documents, testimonies of informants, major judiciary investigations into mafia organizations and mobsters, biographies of former mafia members, covert operations, and several scholarly and historical accounts.

My contribution is twofold. First, and more broadly, I apply an organization framework to the study of mafias, an often neglected topic in organization studies, and, in so doing, I aim to make sense of how mafias use rules and why. Second, by studying organizational rules in criminal organizations, this paper contributes to the identification and understanding of the main functions that rules perform in organizations.

Both public and scientific discussions are missing a clear understanding of *mafias as organizations*. This is a shame, because mafias are both important for their socio-economic significance, and interesting from a scholarly perspective. Most importantly, mafias have a relevant role in the economy and society of the countries in which they operate. In Italy, for example, mafias have a turnover for illegal activities that fluctuates between 8 and 13 billion euros, equivalent to between 0.6 and 0.86 % of the Italian GDP (Transcrime, 2013). To this we have to add earnings from the legal activities. Similarly, “The American Cosa Nostra is the largest, most sophisticated, most powerful, and most

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remarkable crime syndicate in the history of the United States" (Jacobs, 1999, 1). The latter operates in many sectors of illegal activity (drugs, gambling, loan-sharking, labor racketeering) and is also active in many legitimate business areas (waste management, construction industry, etc.). In addition, they are one of the most violent forms of organized crime, responsible for a large number of homicides—e.g., the Italian Cosa Nostra has committed 1917 murders from 1983 to 2012 (Catino, 2014).

From a scholarly perspective, mafia organizations are highly resilient and long-lived, far more so than many legitimate firms. With their roots in the mid-19th century, in the case of the Sicilian Cosa Nostra (hereafter Sicilian CN), and in the early years of the 20th century, in the case of the American Cosa Nostra (hereafter American CN), these organizations, despite working in extremely hostile environments, committing crimes and being subject to strong prosecution by law enforcement agencies, are amongst the most long-lasting and resilient ever known.

Despite these relevant aspects, organization studies have said almost nothing about this phenomenon (i.e., Baum, 2005; Clegg, Hardy, Lawrence, & Nord, 2006; Handel, 2003; Perrow, 1986; Scott and Davis, 2007). With some exceptions (Anand & Rosen, 2008; Bok, 1984; Costas & Grey, 2014; Feldman, 1988; Grey, 2013; Potter, 1994), organization studies have preferred to study transparent organizations, developing most of their theories and management models on the legitimate business organization (the corporation), and the bureaucratic form of organization. The result is that, despite having a useful set of tools, categories, and concepts to study criminal organizations, organization studies have devoted little attention to them. In this paper I start filling this gap by applying the framework of organizational rules to mafias.

Organizational rules are a foundational theme of organization theory (e.g., Crozier, 1964; Gouldner, 1954; March & Simon, 1958; Weber, 1922), but have been rarely studied in recent years, with few exceptions (e.g., March & Olsen, 1989; March, Schulz, and Zhou, 2000; Zhou, 1993). The latter, however, focused mainly on legitimate organizations, and principally on formal and written rules. By extending the study of organizational rules to criminal organizations, this paper bridges two areas of research, organization studies and mafias, that have much to say to one another but were rarely integrated.

Much of the organizational literature based on legitimate business firms and public bureaucracies applies well to mafia organizations. Although they are "outlaw" organizations, they have created an apparatus of rules to deal with the various aspects of organizational life. Studying mafias, therefore, makes it possible to study an important topic of organizational theory: the role of rules in guaranteeing stability, adaptation and longevity. This is particularly important in that while organizational studies have dedicated a great deal of attention to the theme of routines in organizations (see, for example: Cyert & March, 1963; Feldman, 2000; Feldman & Pentland, 2003; Nelson & Winter, 1982; Pentland & Feldman, 2005, 2008), less attention has been paid, at least in recent times, to rules.

This paper unveils the organizational rationality of mafia rules. In general, I argue that mafia rules represent a rational way to regulate behavior, to impose self-constraint, and create preventive obligations. In sum, they create social order (for a similar argument, see Skarbek, 2014 on prison gangs, and Leeson, 2009, 2014 on pirates). In particular, the paper shows how a set of general rules, often expressed in the form "do X, do not do Y", serve three vital functions for the self-governance of these criminal organizations.

Even if the context of criminal organizations is radically different from the context of legitimate organizations, mafias use organizational rules for the same reason legitimate organizations do: (1) to ensure organization, coordination, and cooperation

among their members and their organizational units. In addition to this function, however, mafias also need rules (2) to settle conflicts and to contain violence that, otherwise, could be destructive for the organization; and (3) to maintain secrecy and conceal information regarding their illegal activities from the outside. Legitimate organizations, on the other hand, do not need rules to settle disputes, given that they can rely on government and courts, and require secrecy only in relation to a limited number of activities (usually concerning patents, innovation, etc.).

This study expands on the theory of rules in organizations, by showing that organizational rules do not only perform organizational functions, but may also serve to maintain secrecy and contain violence. In the conclusion, I speculate on the scope conditions of these functions: while organizational functions are common across all types of organizations, secrecy is mainly a concern of legal and illegal secret societies, and containment of conflict is mainly a concern of criminal organizations (because they cannot rely on third parties to solve disputes).

## 2. A theory of mafia rules

Mafia organizations have to solve many critical organizational problems. Some of these are typical only of criminal organizations, while others are common to all organizations. For example, mafias exist in a relatively hostile environment in which a serious error may result in the crippling of the organization (Potter, 1994). As extra-legal organizations, they have information, communication, and trust problems; they have high transaction costs, have difficulties in finding reliable people, cannot keep meticulous books and records, and suffer from adverse selection in recruiting people (Spence, 1974). They must stay small and closely monitor their members to avoid police infiltration; they lack a legal dispute resolution mechanism (Gambetta, 1993), and they have to defend themselves from internal takeover, etc. Some of these problems characterize also legitimate organizations (e.g., managing transaction costs), but the modalities of management and solution are different (e.g., mafias cannot decide to externalize some activities based exclusively on economic considerations, because they also have to maintain secrecy). To cope with these complex problems, and to facilitate internal governance, mafias establish organizational rules.

### 2.1. Rules in organizations

Rules consist of explicit or implicit norms, regulations and expectations governing individual behavior and interaction among individuals. The term "rule" is often used in a broad sense to denote different things, such as: personal ethic, recurrent observable behavior, habits, normative expectations, procedures, organizational rules, contracts, laws, etc. In this article I mainly consider *organizational rules*.<sup>1</sup>

Rules in organizations are defined as actions, regulations or prohibitions, policies, and concern how members of the organization are supposed to execute their jobs (March et al., 2000). Formal

<sup>1</sup> Like social norms, organizational rules identify the permitted, obliged and forbidden behavior of people with particular attributes in a given contexts (Crawford & Ostrom, 1995). However, organizational rules are substantially different from social norms (Coleman, 1990; Ellickson, 1991; Posner, 2002; Hechter, 2001; Elster, 1989, 2007). While the latter are largely unplanned, spontaneously emerge from social interactions, and are not necessarily supported by formal sanctions (Bicchieri, 2006), organizational rules, are stipulated by the organization with the purpose of constraining the behavior of its members, and are often characterized by centralized punishment systems. Moreover, social norms may affect a large social system, whereas organizational rules are valid only for the organization that has established them.

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