

# **Mafia and Innovation: evidence from Italian regions**

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## **Abstract:**

This paper investigates the effect of mafia activity on European patent applications and (overall and business) R&D investment among Italian regions during the 1977-2007 and 1991-2007 period, respectively. Using exact and synthetic control matching methods, we find evidence of the detrimental effect of mafia activity on innovation by comparing several groups of higher to lower mafia intensity regions from both northern and southern Italy. In addition, estimating a long-run relationship between innovation and GDP growth, we determine the GDP gap due to the lower innovation caused by the presence of mafia.