



This paper examines the impact of crime on foreign direct investment (FDI) inflows in the Italian provinces. The incidence of organized crime is measured by the number of complaints regarding criminal offences of different kinds traditionally related to the mafia organizations. The results show how the correlation between organized crime and FDI is both negative and significant, even when an indicator of financial incentives for investment is included in the regressions. Our analysis shows that crime represents a deterrent for foreign investors, suggesting that high levels of (certain) crimes may be perceived as a signal of a local socioinstitutional environment unfavourable for FDI.

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