Gangs, Labor Mobility and Development

Development Workshop

Event time: Monday, October 14, 2019 - 2:30pm
28 Hillhouse Ave., Room 106

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(Paper not available)

Abstract: We study the effects that two of the largest gangs in Latin America, MS-13 and 18th Street, have on economic development in El Salvador. We exploit the fact that the emergence of gangs in El Salvador was in part the consequence of an exogenous shift in US immigration policy that led to the deportation of gang leaders from the United States to El Salvador. Using the exogenous variation in the timing of the deportations and the boundaries of the territories controlled by the gangs, we perform a spatial regression discontinuity design and a difference-in-differences analysis to estimate the causal effect that living under the rule of gangs has on development outcomes. Our results show that individuals living under gang control have significantly worse education, wealth, and less income than individuals living only 50 meters away in areas not controlled by gangs. None of these discontinuities existed in 1992 before the arrival of gangs from the US. The results are not determined by exposure to violence, lower provision of public goods, or selective migration away from gang locations. We argue that our findings are mostly driven by gangs restricting residents’ mobility and labor choices. We find that individuals living under the rule of gangs have less freedom of movement and end up working in smaller firms. The results are relevant for many developing countries where non-state actors control parts of the country.

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