

Authors

Christopher Blattman
The University of Chicago

Gustavo Duncan
EAFIT University

Benjamin Lessing
The University of Chicago

Santiago Tobón
Universidad EAFIT

**Gang rule:
Understanding and countering criminal governance***

Christopher Blattman Gustavo Duncan Benjamin Lessing
Santiago Tobón[†]

May 20, 2023

Abstract

Criminal groups govern millions worldwide. Even in strong states, gangs resolve disputes and provide security. Why do these despots of coercion emerge? In many cases, gangs fill vacuums of official order. If so, increasing state presence should crowd out criminal governance. In this paper, however, we show that state and gang rule are sometimes complements. In particular, gangs can deter state predation by keeping neighborhoods orderly and loyal. If true, increasing state presence could increase gang rule. We investigate in Medellín, Colombia. Criminal leaders told us they rule mainly to protect drug rents. We test gang responses to state presence using a geographic discontinuity. Internal border changes in 1997 assigned some blocks to be geographically closer to state security for three decades. Gangs responded to closer state presence by increasing governance services, but primarily in neighborhoods with the greatest potential drug rents. This suggests new strategies for countering criminal governance.

JEL codes: E28, H11, K42, O17, C21

Keywords: Organized crime, gangs, state building, duopoly, public services, criminal governance, qualitative methods, quasi-experiment, Colombia

*For comments and feedback we thank Ana Argente, Oriana Bandiera, Akhilesh Bhanuwar, Eli Berman, Esther Duflo, Leopoldo Figueroa, Charles Fisman, David Foray, Susana Rosen, Mauricio Ruge-Muniz, Stephen Martin, Martin Molitoro, Ted Miguel, Marika Michalek, Eduardo Moreno, Daniel O'Keefe, Gabriel O'Neil, Paolo Pasarelli, Rich Pande, Oliver Richmond, Peter Rosenzweig, John Shapiro, Santiago Strulik, Tommaso Strulik, Carlos Sánchez-Pualida, Rodrigo Suarez, Maria Mercedes Uribe, Lucia Thurston, Francesco Turchi, Juan Vargas, Martin Voth, Jerome Weidman, Austin Wright, participants at several seminars and conferences, and Brad Stanton de la Sierra who was instrumental to concept testing the model. Institutional support for Poverty Action coordinated all research activities. For research assistance we thank Brian Aronson, Magdaletta, David Clinton, Peter Dellbach, Sebastian Hernandez, Sofia Jimenez, Juan F. Morrison, Juan Pablo Monsalvo, Angie Mondragón, Helina Montoya, José Miguel Paredes, Andrés Pineda, María Alejandra Rodríguez-Uribe, Zachary Tannenreich, Nelson, María-Cristina and Martín Vasquez. We thank the Secretariat of Security of Medellín for their cooperation, especially the former Secretary of Security Andrés Tobón, as well as Lisa Cole, Ana María Cordero and Andrés Martínez. For financial support, we thank the Centro de Estudios sobre Seguridad y Justicia (CESSE) of Universidad de los Andes, the Peace and Recovery Program (PRP) at Innovations for Poverty Action (IPA), the PROANTIOQUIA Foundation, The National Science Foundation (NSF), the UK Foreign, Commonwealth & Development Office through the Crime and Violence Initiative at IPA, and the Economic Development and Institutions Programme (EDI) funded with UK aid from the UK Government, working in partnership with United Policy Management Limited, University of Sussex, Paris School of Economics and AxiA in Distance Economics.

[†]Corresponding author: University of Chicago, blattman@uchicago.edu; Director, Universidad EAFIT, gblattman@eafit.edu; Lessing, Benjamin@uchicago.edu; Santiago, stobon@eafit.edu

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Gang Rule: Understanding and Countering Criminal Governance

Gangs govern millions worldwide. Why rule? And how do they respond to states? Many argue that criminal rule provides protection when states do not, and that increasing state services could crowd gangs out. We began by interviewing leaders from 30 criminal groups in Medellín. The conventional view overlooks gangs' indirect incentives to rule: governing keeps police out and fosters civilian loyalty, protecting other business lines. We present a model of

duopolistic competition with returns to loyalty and show under what conditions exogenous changes to state protection cause gangs to change governance levels. We run the first gang-level field experiment, intensifying city governance in select neighborhoods for two years. We see no decrease in gang rule. We also examine a quasi-experiment. New borders in Medellín created discontinuities in access to government services for 30 years. Gangs responded to greater state rule by governing more. We propose alternatives for countering criminal governance.

February 26, 2021