Organized Crime, Local Politicians, and State Capacity

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Abstract

This paper investigates the effects of successful assassinations on the capacity of local governments. Exploiting the randomness in the outcomes of assassination attempts against mayors in Mexico in 2002-21, I find that the fiscal and personnel capacities of the municipal governments that lose their mayors deteriorate. Municipal tax collection decreases by 29%. The share of public expenditure on local construction projects increases by 6.3 percentage points at the expense of other public goods and services. Furthermore, the cost of retaining workers in their 30s and 40s increases by 13% of their wages. These effects are driven by retaliation from organized criminal groups whose presence increases on the year assassinations occur. The influence of non-political violence, the level of economic activities, or changes in population on these outcomes are ruled out. The results speak to the significance of leaders in maintaining fiscal capacity and retaining capable personnel in the workforce even in a violent environment.

Keywords: State capacity, local government, mayors, organized crime, assassinations

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