

There Will Be Blood: The Impact of Drug Trafficking on Violence and Economic Well-Being

Abstract

This paper examines the impact of illicit drug markets on violence and economic well-being, focusing on the case of the cocaine trade in Colombia between 2011 and 2021. We construct a network of cocaine trafficking routes from coca-growing areas to exit points and identify the municipalities located in proximity to these routes. By leveraging temporal changes in coca cultivation, we induce variation in exposure to cocaine trafficking along the routes. Our identification strategy exploits the quasi-experimental setting provided by the unanticipated announcement in 2014 of a governmental crop-substitution program (PNIS), which led to a sizable increase in coca production. We find a significant positive effect of the amount of cocaine trafficked on homicide rates along the routes, while we find no significant impact on economic well-being, proxied by nighttime light intensity. The effect on violence is strongest in municipalities with multiple competing criminal organizations and in areas closer to a route's origin or endpoint, as well as in departmental capitals. These results highlight the importance of considering trafficking routes and export nodes when evaluating drug policy. Accordingly, cocaine supply-reduction policies might help achieve a substantial reduction in drug-related violence while imposing no net economic cost on the general population.

Federico Maggio

Postdoctoral Researcher at the Free University of Bozen