

Abstract:

This paper develops a model of spatial violence diffusion when criminal organizations specialized in one illegal activity (e.g., drug trafficking) are attacked by security forces. The paper tests its theoretical implications using the wave of violence triggered by the Mexican War on Drugs. The model predicts that violence will spread to locations with strategic value for other illegal activities (e.g., oil siphoning). We find evidence supporting this prediction. We document that the Mexican War on Drugs induced drug trafficking organizations to begin stealing oil from the Mexican oil pipeline network. Such a portfolio reallocation of illegal activities affected the spatial diffusion of violence. We show that violent conflict increased in locations in the oil pipeline system with no strategic value for drug trafficking. Also aligned with the theoretical predictions of the model, we find that violence increased more in isolated branches of the oil pipeline network. These areas are more complicated to protect by the authorities. Moreover, the simultaneous opening of several illegal taps in isolated arms of the network produces an intense negative externality affecting all criminals.