

# The Unintended Economic Effects of Truce between Gangs in El Salvador

Maria Micaela Sviatschi\*

## Abstract

This project will examine collusion between rival criminal organizations. I exploit a short-term truce between gangs in El Salvador in 2012 that was coordinated by the government in order to reduce the high levels of violence. Before the truce, the two main gangs competed for protection rackets and drug-selling territory. However, during the truce the organizations split the market geographically, allowing each gang to have a local monopoly on drug selling and extortion. In this project, I aim to study the effects of the truce on the prices charged to business for protection as well as how this impacted local labor markets and crime. In addition, I will study how this affected municipal election outcomes given the link between politicians and the gangs. For this, I am using the El Salvador Economic Census and information on local elections. I will combine this with newspaper investigations on local politicians connections with gangs. In addition, I am planning a retrospective survey to gather additional information. This project aims to inform policy on the general equilibrium effects of transitory pacification periods since it is possible that these agreements allow gangs to restructure and gain market and political power.

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\*Columbia University, Department of Economics. [mms2241@columbia.edu](mailto:mms2241@columbia.edu)