

The terrible trade-off: How the hidden cost of organised crime harms cities, and what can be done about it

Christopher Blattman,¹ Benjamin Lessing,² and Santiago Tobón³

Summary

Organised crime poses one of the greatest threats to national security and development in the 21st century. Despite this, most policy, data collection, and scholarly research focuses on individuals and disorganised violence.

Our work addresses several critical gaps in knowledge:

1. What are the incentives for gangs to engage in violence and socially costly behaviour?
2. Which are the trade-offs that practitioners face when deciding how to engage with organised violence?
3. What type of information do relevant decision-makers need to inform their policies?
4. Which are the most relevant tools for tracking down gang behaviour and use of violence?

1 A faculty member in The Pearson Institute for the Study and Resolution of Global Conflicts, Chris Blattman focuses on why some people and societies are poor, unequal, and violent, and how to tackle these issues. In his day-to-day research, Blattman works with governments and civil society to design and test approaches to reduce violence and poverty. Most of Blattman's work uses interviews, surveys, natural experiments, lab experiments, and field experiments. Blattman leads the Peace & Recovery program at Innovations for Poverty Action (IPA) and the Crime and Violence Initiative at MIT's Poverty Action Lab. He is an affiliate at the National Bureau for Economic Research, UChicago Urban Labs, the Center for Global Development, and the International Growth Center. (blattman@uchicago.edu)

2 Benjamin Lessing, associate professor of political science at the University of Chicago, studies "criminal conflict"—organized violence involving armed groups that do not seek formal state power, such as drug cartels, prison gangs, and paramilitaries. His first book, *Making Peace In Drug Wars: Crackdowns and Cartels in Latin America* (Cambridge University Press, Studies in Comparative Politics Series, 2017), examines armed conflict between drug trafficking organizations and the state in Colombia, Mexico and Brazil. Choice named it one of its Outstanding Academic Titles for 2018, and it was reviewed in *Latin American Politics and Society*, *Foreign Affairs*, and *Journal of Peace Studies*. (blessing@uchicago.edu)

3 Santiago Tobón is a Visiting Professor at the University of Chicago Harris School of Public Policy, and a Professor of Economics at Universidad EAFIT in Medellín, Colombia. He is also affiliated with Innovations for Poverty Action—IPA, Evidence in Governance and Politics—EGAP, J-PAL's Crime and Violence Initiative (as an invited researcher) and Households in Conflict Network—HiCN. Tobon is a developing economist with a special interest in crime, violence, organized crime, and public policy. He uses experimental, quasi-experimental, and qualitative methods. Before joining Universidad EAFIT, he was a Postdoctoral Scholar at the University of Chicago Pearson Institute & Innovations for Poverty Action Peace and Recovery Program. (stobonz@eafit.edu.co)

We address these questions in the context of Medellín, Colombia's second largest and most important city. Over the past six years, our work has covered a broad methodological spectrum, including:

1. qualitative data collection through interviews with dozens of criminals and criminal justice experts;
2. quantitative data collection from thousands of citizens in surveys representative at highly localised levels;
3. active collaboration with local relevant stakeholders such as the city administration and the local police department;
4. quasi-experimental evaluations of long-running policies dating back to the 1980s; and
5. experimental evaluations of marginal improvements in state presence in violent and gang-controlled areas.

Our preliminary findings point to terrible trade-offs, where authorities face plausibly impossible questions when balancing short-term gains in violence reduction and sacrifices in state legitimacy, with long-term uncertainty concerning both violence and state legitimacy. We highlight preliminary recommendations for guiding policy decisions.

Background: the growing importance of organised crime

By 2030, 60% of the world's population will live in cities.⁴ One of the biggest problems cities face is crime and violence, especially homicides. Whether in the developed or developing world, mayors talk about violence and public safety⁵ more than almost any other subject.

Mayors, non-governmental organisations (NGOs) and police have a wide⁶ and growing toolkit⁷ for tackling community violence. But almost all of these strategies focus on individuals and relatively disorganised crime.

More and more cities face organised criminal groups, from Mumbai to Nairobi, Johannesburg to Rio de Janeiro. Latin America and the Caribbean face some of the strongest urban armed criminal groups, but unfortunately we can probably expect gangs and organised crime to coalesce over the next decades in more African and Asian cities,⁸ and in transnational connections to Europe and the United Kingdom.

In cities with powerful gangs and criminal syndicates, the causes of homicide are different. They are not necessarily the product of passions, score-settling, or defence of drug corners – common drivers of interpersonal violence. Instead, fluctuations in homicide rates are driven by the strategic calculus of criminal leaders.

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- 4 Population Reference Bureau (2007). Urban population to become the new majority worldwide. Available at: <https://www.prb.org/resources/urban-population-to-become-the-new-majority-worldwide/#:~:text=The%20urban%20percentage%20of%20the,percent%20in%20less%20developed%20countries>, accessed 8 April 2022.
 - 5 Rainwater, B (2016). 'The 10 most important issues facing cities, according to their mayors', *Fast Company*, 14 July. <https://www.fastcompany.com/3061619/the-10-most-important-issues-facing-cities-according-to-their-mayors>, accessed 8 April.
 - 6 ABT, T & Winship, C (2016). What Works in Reducing Community Violence: A Meta-Review and field study for the northern triangle, USAID, n.p.
 - 7 Abdul Latif Jameel Poverty Action Lab (J-PAL), *Governance, crime, and conflict initiative evidence wrap-up* (2021). Available at: <https://www.povertyactionlab.org/review-paper/governance-crime-and-conflict-initiative-evidence-wrap>, accessed 8 April.
 - 8 National Security Council (n.d). *NCS Transnational organized crime: A growing threat to national and international security*. National Security Council. Available at: <https://obamawhitehouse.archives.gov/administration/eop/nsc/transnational-crime/threat>, accessed 8 April 2022.

First, much like nation states deciding on invasion or negotiation, leaders choose whether to enter into *external conflict* with one another, or whether they permit underlings to attack other organisations. Second, these organisations make decisions about how much violence to use as a tool of *internal discipline and control*, both of their members and the community in which they're based. Third, they make choices about how confrontational a stance they take toward state actors, particularly police. Direct confrontation may be rare but when it happens, it is often devastating and long-lasting. For instance,⁹ Pablo Escobar's decision to attack the state made Medellín one of the most dangerous places on the planet in the 1990s, just as Mexican cartels and their war with the state made Mexico one of the deadliest places more recently.

Collectively, the authors have spent the past decade studying the operation of organised criminal groups in Brazil, Mexico, and Colombia. Our collaborative work has focused on the city of Medellín, Colombia, where for six years we have interviewed more than 70 middle- and high-ranking members of more than 30 criminal organisations. We have also stitched together disparate data sources, and studied criminal¹⁰ and civilian responses¹¹ to government interventions. Finally, we have been helping the city government develop better information systems on organised crime, so that they are in a better position to avoid some terrible trade-offs.

Key findings

i. The urgency of shaping organised criminal incentives

Even in the world of crime, incentives matter, and their importance increases as crime gets more organised. In places where the criminal underworld is governed by a relatively small number of highly organised groups, homicide reduction at scale requires policies that create incentives for *groups and their leaders* to avoid or eschew lethal violence.

This sounds treacherous and difficult, but there are many practical examples of promising policies.

- With focused deterrence¹² strategies, city authorities meet with criminal leaders and pledge swift, certain, and severe punishments for future homicides. Systematic reviews¹³ of US efforts suggest the policy significantly reduced homicides.
- NGOs and gang outreach organisations commonly try to interrupt violence,¹⁴ mediating between rival parties. Others try to facilitate information sharing between leaders (to minimise misunderstandings) or even try to arrange inter-gang pacts and peace agreements.
- While mass incarceration and even the arrest of criminal leaders rarely eliminates criminal organisations and their operations, it does shift the centre of control to the prison system. This can present opportunities for leaders to strike truces, peacefully divide turf, work out

9 Lessing, B (2018). *Making peace in drug wars: Comparative politics*, Cambridge University Press, n.p.

10 Blattman, C, Duncan, G, Lessing, B & Tobon, S (2021). 'Gang rule: Understanding and countering criminal governance', *National Bureau of Economics*.

11 Blattman, C, Duncan, G, Lessing, B & Tobon, S (2022). 'State-building on the margin: An urban experiment in Medellín', *National Bureau of Economics*.

12 The Center for Evidence-Based Crime Policy, *CEBCP Focused deterrence strategies*, The Center for Evidence-Based Crime Policy (CEBCP). Available at: <https://cebcp.org/evidence-based-policing/what-works-in-policing/research-evidence-review/focused-deterrence>, accessed 8 April 2022.

13 Braga, A, Kennedy, D, Waring, E & Morrison, A (2004). 'Problem-Oriented Policing, Deterrence, and Youth Violence: An Evaluation of Boston's Operation Ceasefire'. In: Schneider J & Tilley, N, *Gangs*, (1st edn.), Routledge: London, pp. 513-544.

14 Butts, J, Gouvis, C, Bostwick, L & Porter, J (2015). 'Cure violence: A public health model to reduce gun violence', *Annual Review of Public Health*, 36(1), pp. 39-53.

differences, and even fuse their organisations. Such dynamics¹⁵ are essential to understanding the coordination of criminal bands in Medellín, as well as in Brazil and El Salvador.

- There are also many instances of governments directly negotiating pacts and ceasefires among criminal groups. Negotiations are often secret, confidential and unpopular. That does not make them uncommon, however. In El Salvador,¹⁶ for instance, the state has helped to create nationwide non-aggression pacts between criminal organisations.
- Short of explicit negotiation, governments can create incentives by credibly promising to condition enforcement according to how much violence a gang uses. This requires communicating an understanding that if you do not kill, the organisation will not be targeted (something that is formally enshrined in focused deterrence, to a degree). Indirect negotiation may also work without the risk of compromising state legitimacy too much, but it is harder to implement and keep under control.

ii. The terrible trade-off

The trouble is that all of these strategies inevitably involve a difficult and often invisible trade-off: less violence, but stronger gangs. In a setting where levels of violence are primarily determined by inter-gang dynamics, any policy that reduces violence is likely to leave incumbent organised criminal groups stronger, often in hard-to-observe ways.

One reason is that any policy that helps establish peace could, in principle, provide more opportunities for organised criminal groups to earn illegal rents. This is partly because citizens are less likely to buy drugs or pay extortion in the middle of a gang war. It is also because armed groups can use maintenance of the peace as an opportunity to extract protection money and

legitimacy from local populations. Finally, the more that criminal groups can coordinate with one another to avoid war, the more, potentially, they can coordinate to form cartels in the economic sense of the term – monopolising legal and illegal markets and charging monopoly prices. All these events have taken place in Medellín.

Moreover, to the extent that there is a formal or informal quid pro quo between criminal groups and the government, maintaining a low homicide environment can mean fewer public resources allocated to combatting organised crime versus other urban priorities. Indeed, if a tenuous peace among criminal groups is keeping homicides low, why disturb this through crackdowns on those same gangs? Conversely, governments that launch hardline crackdowns on gangs may find their cities and countries engulfed in turf wars so bloody and destructive that this can undermine the legitimacy of the state itself.¹⁷

One pattern we have seen across Colombia, Brazil, and Mexico¹⁸ is that peace and strong gangs help produce criminal governance. Local gangs bring day-to-day order to most low- and middle-income neighbourhoods. That may be good for residents and the local economy. Indeed, having relatively orderly slums and peripheries where the urban working class can reside in relative stability can be central to larger national processes of urbanisation, industrialisation, and modernisation.¹⁹ Yet if gangs are allowed to govern these spaces, and control crime and homicide there, it is tempting for states to continue to neglect them. Not only do these places receive insufficient public investment, but the state itself loses any incentive to firmly establish its authority. It becomes dependent, as it were, on gangs.

All this might be the right policy decision, even if it is an unpalatable one. But we don't know. The key problem is that many governments are unaware of these trade-offs. Or, if they are aware of them, they are not sure what they are trading off for peace.

15 Lessing, B (2017). 'Counterproductive punishment: How prison gangs undermine State Authority'. *Rationality and Society*, 29(3), pp. 257–297.

16 Cruz, J & Durán-Martínez, A (2016). 'Hiding violence to deal with the State', *Journal of Peace Research*, 53(2), pp.197–210.

17 Guerrero, E (2011). *Security, Drugs, and Violence in Mexico: a Survey*. North American Forum: Washington.

18 Lessing, B (2020). 'Conceptualizing criminal governance'. *Perspectives on Politics*, 19(3), pp. 854–873.

19 Lessing, B (2020). 'Conceptualizing criminal governance'. *Perspectives on Politics*, 19(3), pp. 854–873.

iii. Police and mayors need better information systems on organised crime

Most police and city governments have detailed information on one crucial outcome: crime and homicides. Officials get daily reports, and often have fine-grained geo-coded data on crimes down to the level of street corners. The same cities often run annual security surveys, tracking levels of crime victimisation, perceptions of security, and attitudes to the police and government.

This information system is highly skewed. Governments, the media and citizens are often wholly unaware of other crucial outcomes, especially the strength, profitability, popularity, perceived legitimacy, and other activities of organised criminal groups.

For example, surveys rarely if ever capture the extent and effects of criminal governance: they do not ask about citizen interactions with and opinions of the local gang, or track what services the gangs provide (including security), or how popular they are relative to the government. The surveys thus fail to measure the relative advantages criminals have in regulating everyday life. Likewise, cities do not develop sophisticated intelligence networks that can dynamically measure and evaluate the strength and profitability of gangs.

Thus, a mayor or police chief can track homicides neighbourhood by neighbourhood, day-to-day. They might even use the availability of such data to experimentally test the impact of new policy initiatives. They can hold their city staff or the police force accountable for improving these measures every year. But they have no way of knowing whether criminal groups are growing stronger or weaker, more extortionate, or less. As such, they have no way of holding personnel accountable for results, nor of testing the effects of policies on these outcomes.

Moreover, these outcomes (and the trade-offs they imply) are not transparent to voters, newspapers, and other groups that hold governments accountable. Perhaps even more importantly, government officials

cannot estimate long-term violence trends resulting from compromising their legitimacy. If gang behaviour is the key driver of low violence levels, any spike in violence due to some external factor may be out of the control of the state. This includes citywide wars, which can be even more harmful than relatively high but sustained levels of violence.

Leaders and managers everywhere have an unconscious bias – a tendency to manage what is measured,²⁰ no matter how dysfunctional the outcome. Part of the solution is to measure better.

iv. Tracking gang strength, legitimacy, and rule

One solution is to harness existing systems – administrative data collection, and regular security surveys – to develop private and public measures of criminal strength and popularity alongside normal crime and homicide statistics. We piloted this in Medellín in 2019, and in 2021 began working with the government to integrate these measures into their annual security survey.

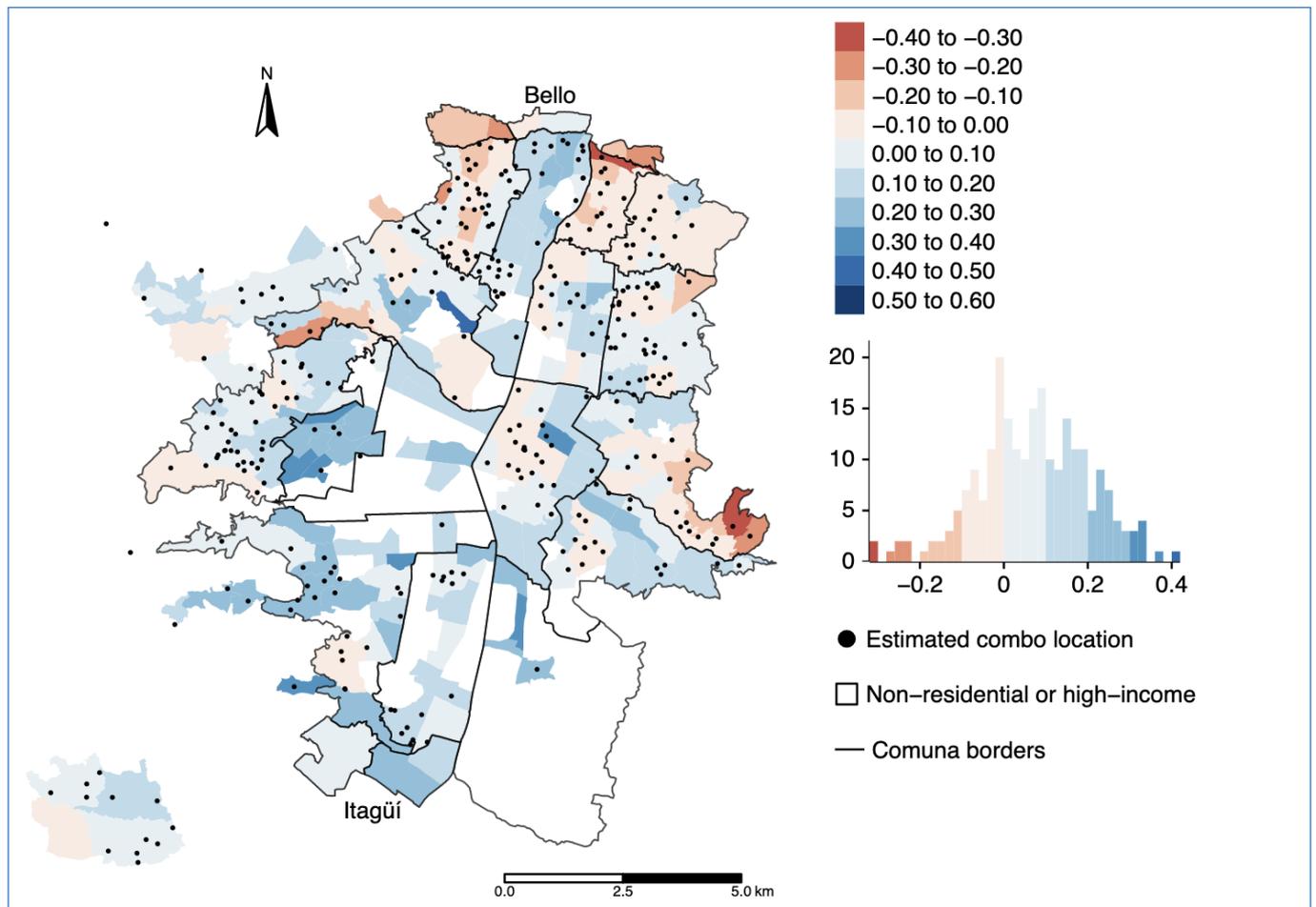
The goal is to provide annual, neighbourhood-level measures of some crucial indicators. The surveys are conducted on 2,347 randomly sampled blocks and are representative of all 14,600 city blocks in low- and middle-income areas of Medellín. Some examples of this effort follow.

To measure gang strength, we asked residents of Medellín how frequently either the gangs or the state responded to 17 common disputes, insecurity, and forms of disorder, such as handling conflicts with neighbours, responding to thefts, or collecting unpaid debts. We scaled the answers to these questions in two indices for gang and state governance that go from 0 to 1. We also built a relative gang governance index that varies between -1 and 1. The index takes negative values when, on average, gangs respond more frequently than the state.

Figure 1 illustrates relative gang governance across Medellín's low- and middle-income neighbourhoods. It becomes apparent that some areas in the east, north and west are predominantly dominated by gangs.

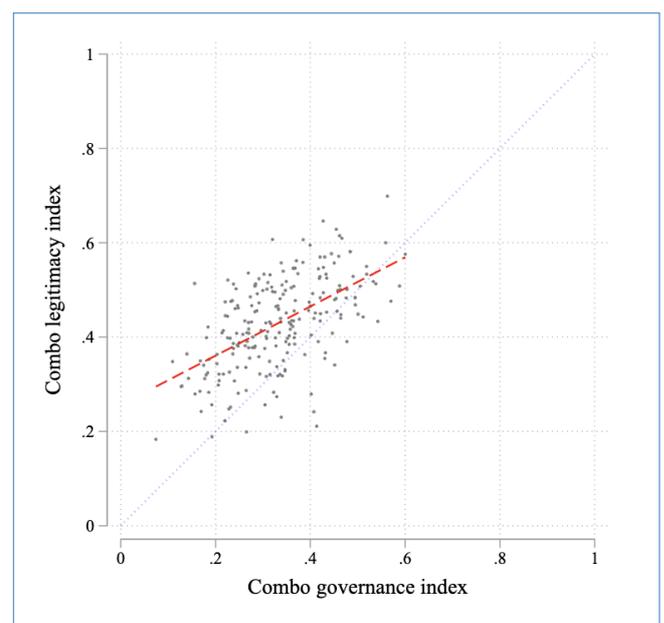
20 Ridgway, V (1956). 'Dysfunctional consequences of performance measurements'. *Administrative Science Quarterly*, 1(2), pp. 240-247.

Figure 1. Gang governance relative to state governance in Medellín



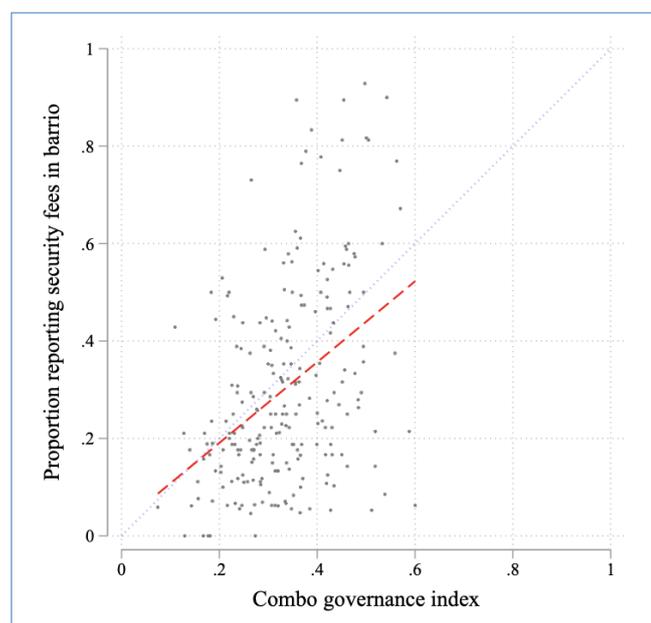
We also asked residents of Medellín about gang and state legitimacy. These questions asked how much residents trust the gang and the state, and whether they believed the gang and the state were fair. We also scaled the answers to these questions to build two gang and state legitimacy indices, as well as a relative legitimacy index. Figure 2 shows the neighbourhood-level correlation between gang governance and gang legitimacy. Note that there is a group of neighbourhoods where both gang governance and gang legitimacy are relatively large (even roughly 0.6 or more for both measures). These are neighbourhoods where the authority seems to be the gang and not the state, and residents even recognise this authority to a degree.

Figure 2. Relationship between gang governance and gang legitimacy



Furthermore, our survey asked residents and businesses about the incidence of extortion in the form of security fees. These payments are important in this context for many reasons. First, they are a source of revenue for the gangs. Second, they may be implicitly perceived as a tax – and not an extortion – by some residents, especially those who see the gangs as legitimate. Third, because most fees are paid on a weekly basis, these payments lead to frequent interactions between residents, shopkeepers, and gang members. Fourth, these payments may introduce distortions in local markets, restricting competition. Figure 3 shows the neighbourhood-level correlation between the proportion of respondents who report payments of security fees in their neighbourhood with the gang governance index. Unsurprisingly, we observe a strong and positive correlation (with the regression line almost following the 45° line). Moreover, in many neighbourhoods the proportion of people reporting security fee payments is large, even above 80% or 90%.

Figure 3. Relationship between gang governance and security fee payment



These and other analyses have received important attention from the local and national authorities, the public in general and the media. *El Colombiano*, the main daily newspaper in Medellín, even issued a special report²¹ in February 2021, discussing the problem of gang strength and governance and including some of the maps we produced with the survey.

Implications

What can other cities do to develop similar information systems?

First and foremost, this means adapting existing information systems, such as annual security perceptions surveys, to a wider set of objectives: measuring gang strength, perceived legitimacy (in the eyes of citizens they rule over), governance activities as well as illicit businesses, and the extent and intensity of their rule over civilian life.

To do so, this requires an upfront investment in identifying what questions to ask, to whom, and how to do so in a secure manner. This is the subject of a second and forthcoming policy note.

Once collected, it's important that these findings are publicly available and transparent, for journalists and local civil society groups to use and publish for advocacy and awareness.

Neighbourhood-level measures, and how they change from year to year, should also become a key indicator for police and city agencies alongside crime victimisation and homicide indicators.

21 *El Colombiano* (2021). 'Así está el mapa que refleja el "control" de las bandas'. *El Colombiano*, 22 February. Available at: <https://www.elcolombiano.com/antioquia/seguridad/el-mapa-que-refleja-el-control-de-las-bandas-NL14681194>. Accessed 8 April 2022.

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- Population Reference Bureau (2007). 'Urban population to become the new majority worldwide', available at: <https://www.prb.org/resources/urban-population-to-become-the-new-majority-worldwide/#:~:text=The%20urban%20percentage%20of%20the,percent%20in%20less%20developed%20countries>. Accessed 8 April 2022
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The Serious Organised Crime & Anti-Corruption Evidence (SOC ACE) research programme aims to help 'unlock the black box of political will' for tackling serious organised crime, illicit finance and transnational corruption through research that informs politically feasible, technically sound interventions and strategies. Funded by the UK's Foreign, Commonwealth & Development Office (FCDO), SOC ACE is a new component in the Anti-Corruption Evidence (ACE) research programme, alongside Global Integrity ACE and SOAS ACE. SOC ACE is managed by the University of Birmingham, working in collaboration with a number of leading research organisations and through consultation and engagement with key stakeholders.

SOC ACE is funded by the UK Foreign, Commonwealth, & Development Office. The views expressed here do not necessarily reflect the UK Government's official policies.

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