The impact of crime and violence for Mexico's economy
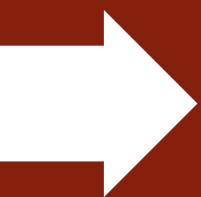
Viridiana Ríos, Ph.D

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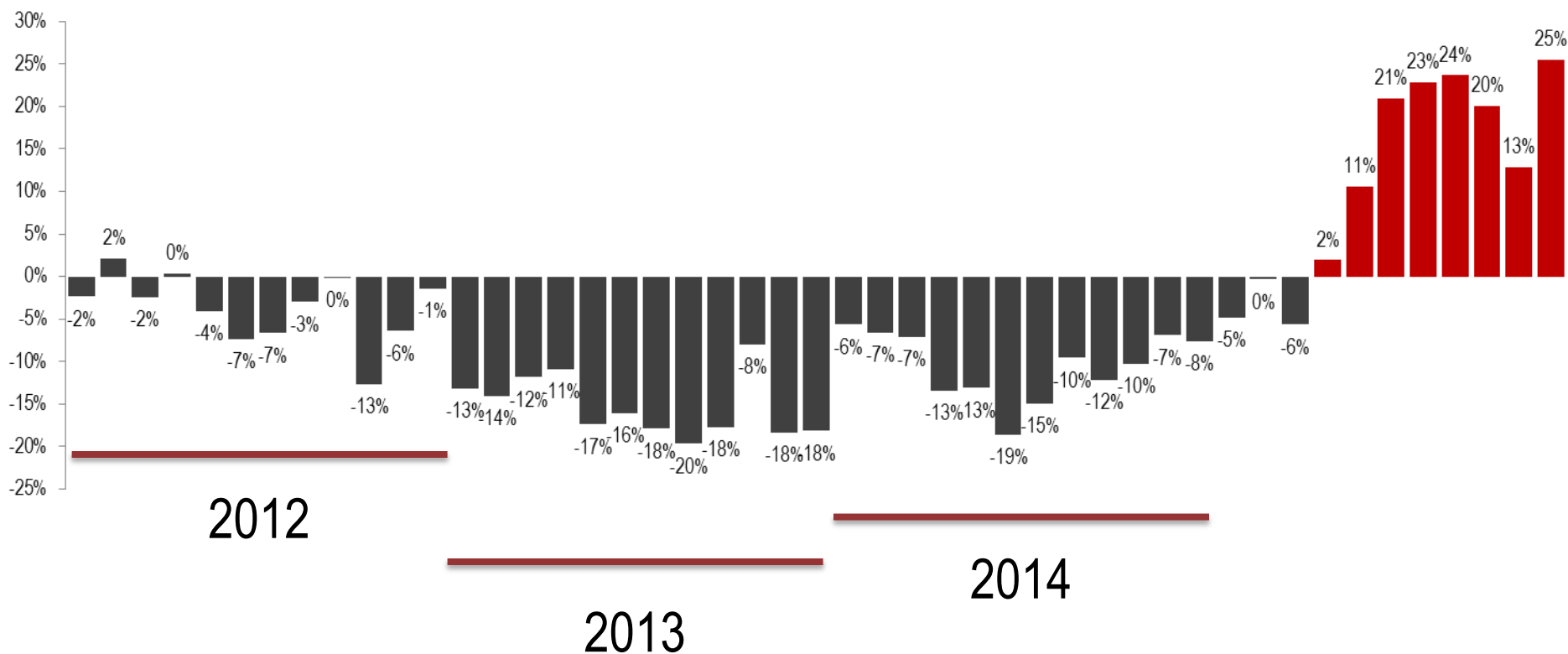http://scholar.harvard.edu/vrios
vrios@post.harvard.edu

Homicides increased 11% in 2015

Source: Sistema Nacional de Seguridad Pública, Homcidios Dolosos (January 2012, November 2015). Consulted on January 11th, 2016
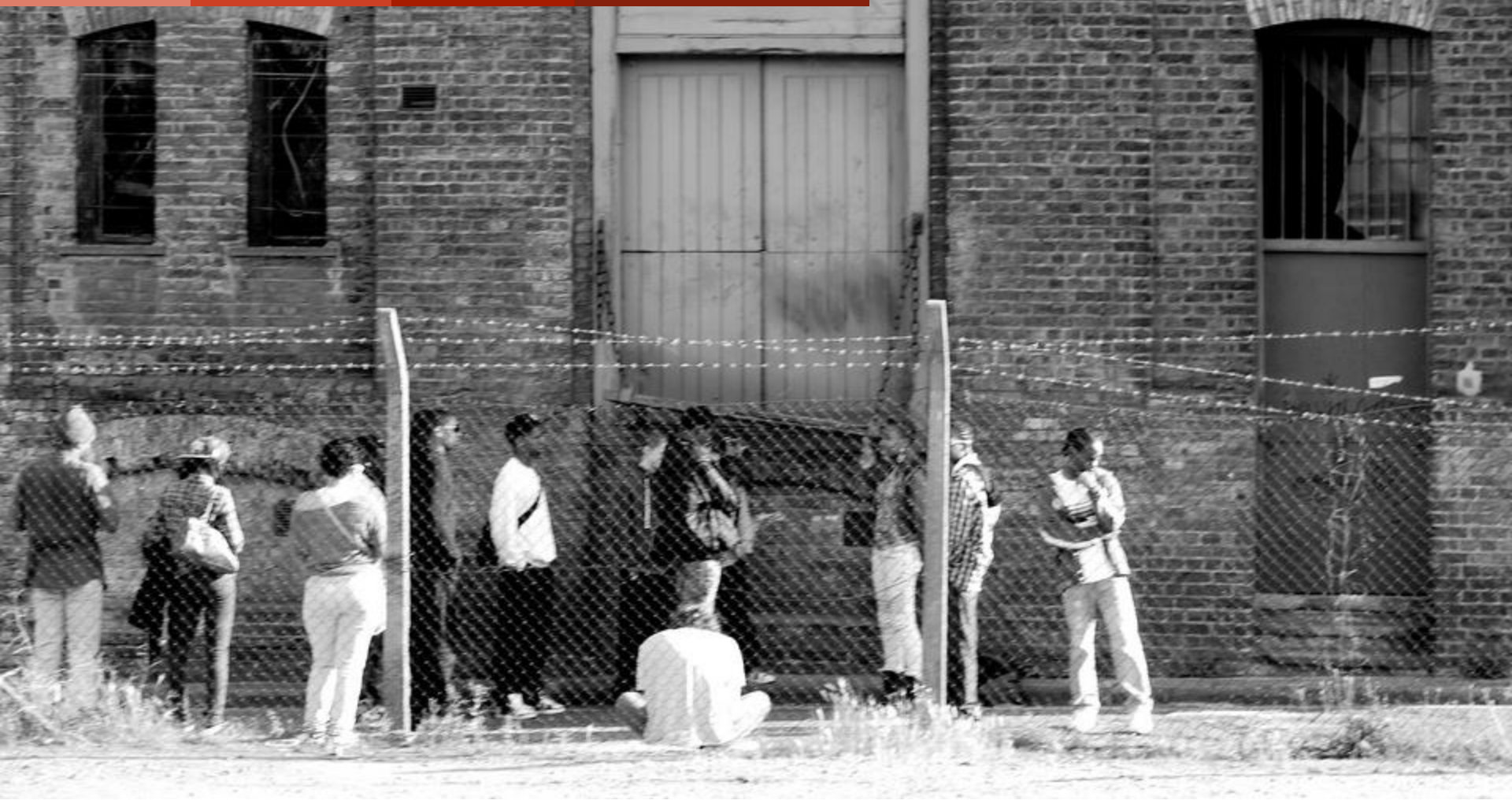
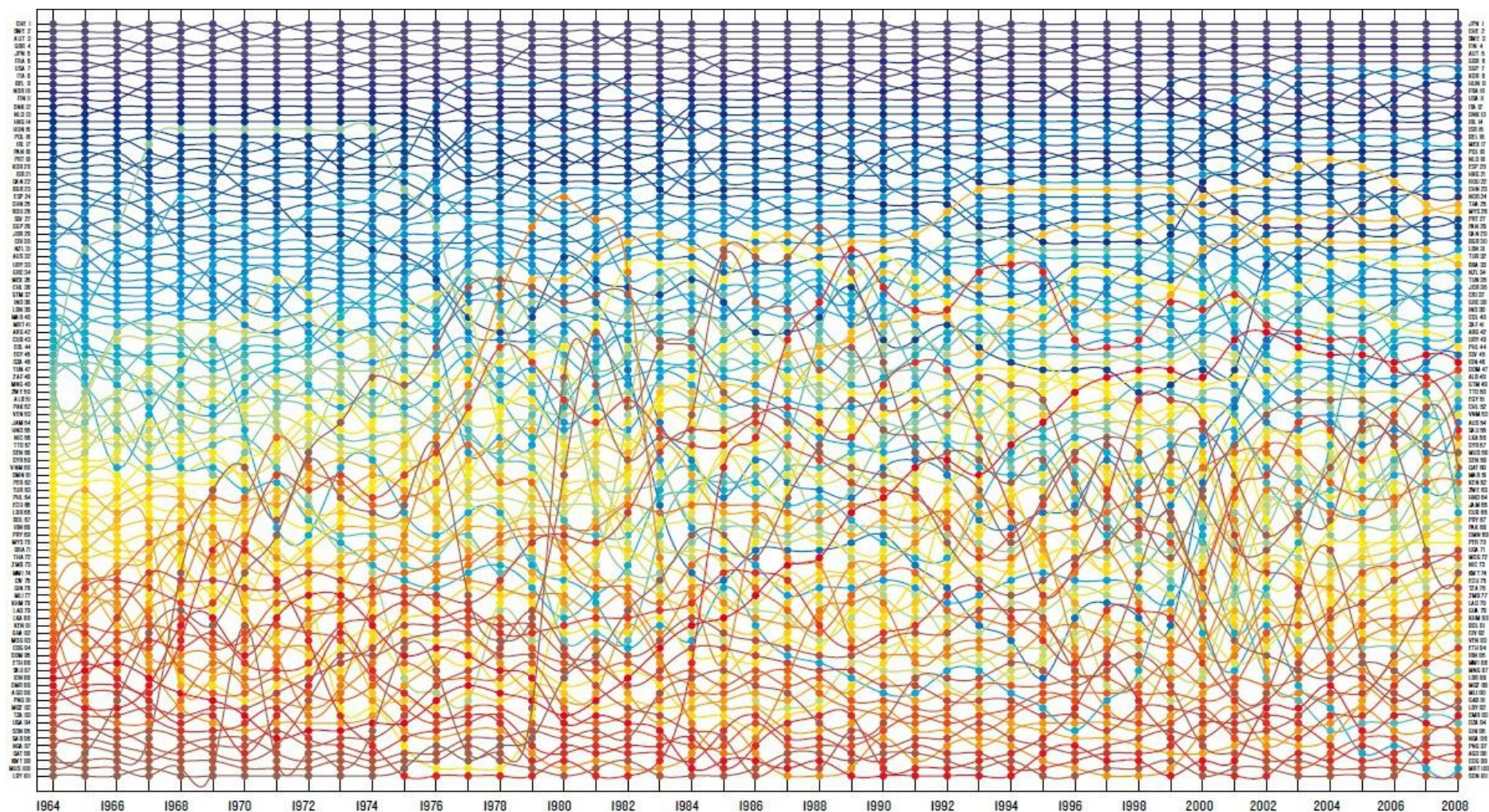How much is this affecting Mexico's economy?

$$Y = Af(K, l)$$

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Economic growth may not only be a function of factor accumulation, but of factor allocation.

Complex economies tend to experience large growth over the long term Graph shows the evolution of the complexity ranking over time. More complex countries (top) are those that export many scarce products (i.e. diverse and non-ubicuous) (Hausmann and Hidalgo, 2014)

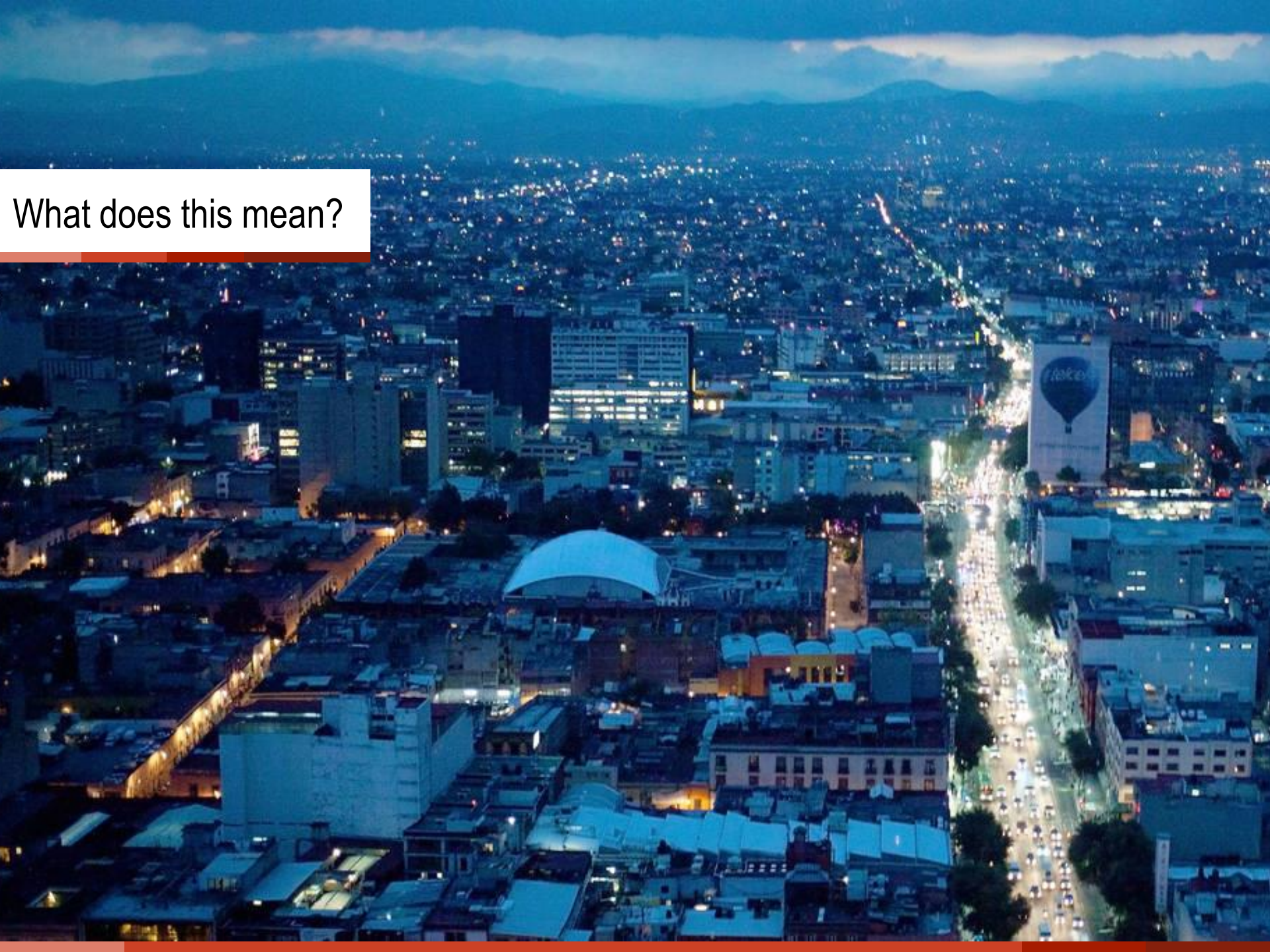Table 3: Instrumental Variables, Several Independent Variables

	Dependent variable:					
	Industries					
	(1)	(2)	(3)	(4)	(5)	(6)
Homicide Rate	−5.275***	−6.457***	−4.951***			
	(0.033)	(0.044)	(0.039)			
Criminal Org				−73.355***		
				(5.052)		
Drug Homicide Rate					−28.563***	
					(1.575)	
Drug Targeted Homicide Rate						−35.142***
						(2.249)
Added Value	0.088***	0.064***	0.102***	−0.708***	0.382***	0.378***
	(0.009)	(0.008)	(0.007)	(0.096)	(0.070)	(0.081)
Worked Hours	−0.375***	−0.270***	1.127***	3.225***	1.778***	1.981***
	(0.029)	(0.028)	(0.029)	(0.320)	(0.262)	(0.306)
Employment	1.914***	1.528***	1.033***	11.790***	2.639***	2.937***
	(0.035)	(0.033)	(0.032)	(0.791)	(0.298)	(0.350)
Border Distance	−0.002***	0.002***	0.001***	−0.013***	0.010***	0.016***
	(0.0001)	(0.0002)	(0.0002)	(0.002)	(0.001)	(0.002)
Constant	31.875***	31.673***	29.439***	18.163***	38.018***	34.283***
	(0.121)	(0.306)	(0.270)	(2.707)	(2.495)	(2.805)
Observations	109,641	109,641	109,641	145,820	48,990	48,990

Note: $^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$

Source: Rios (2015) "The impact of crime and violence on economic sector diversity" Working Paper.

What does this mean?
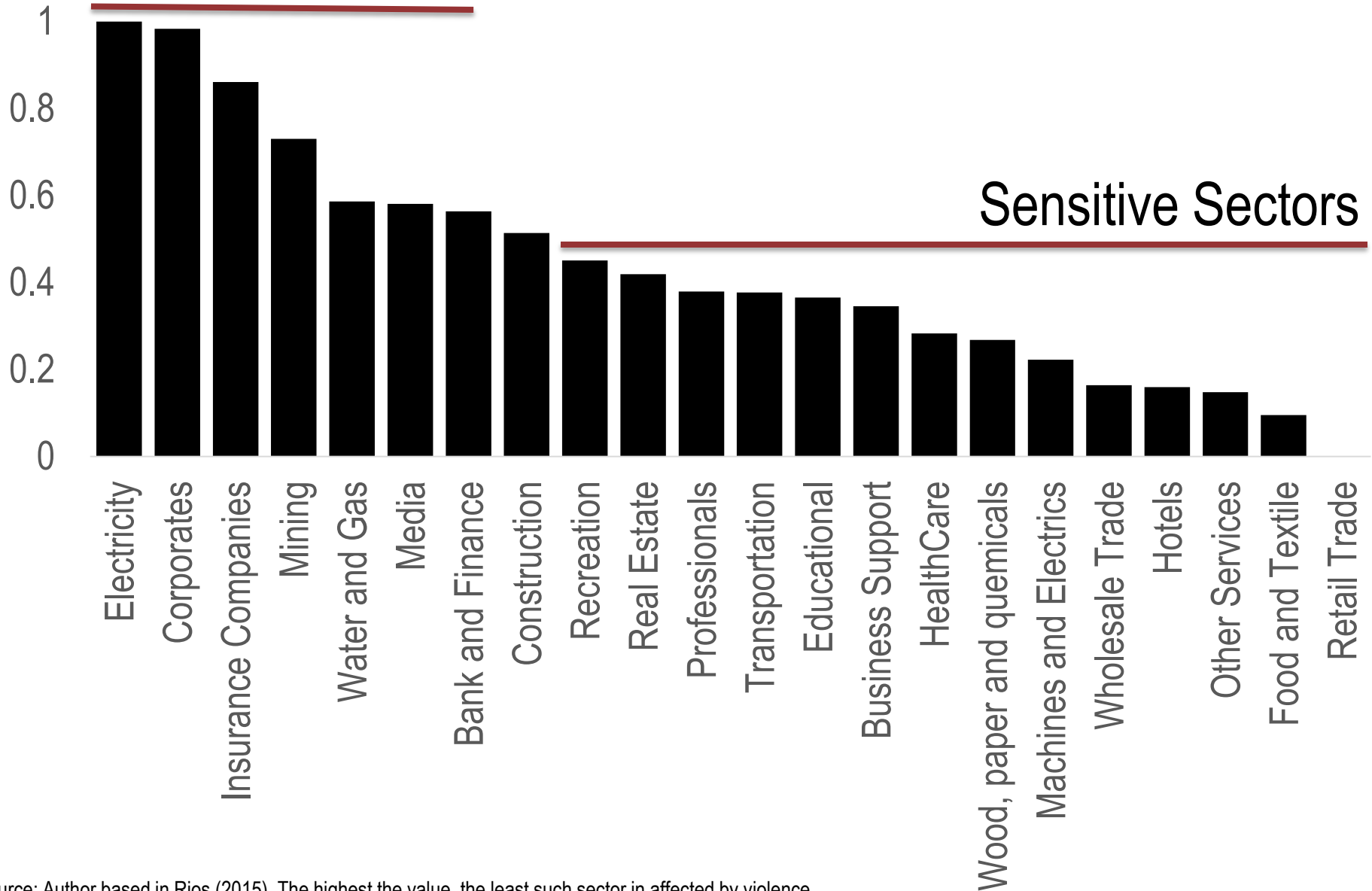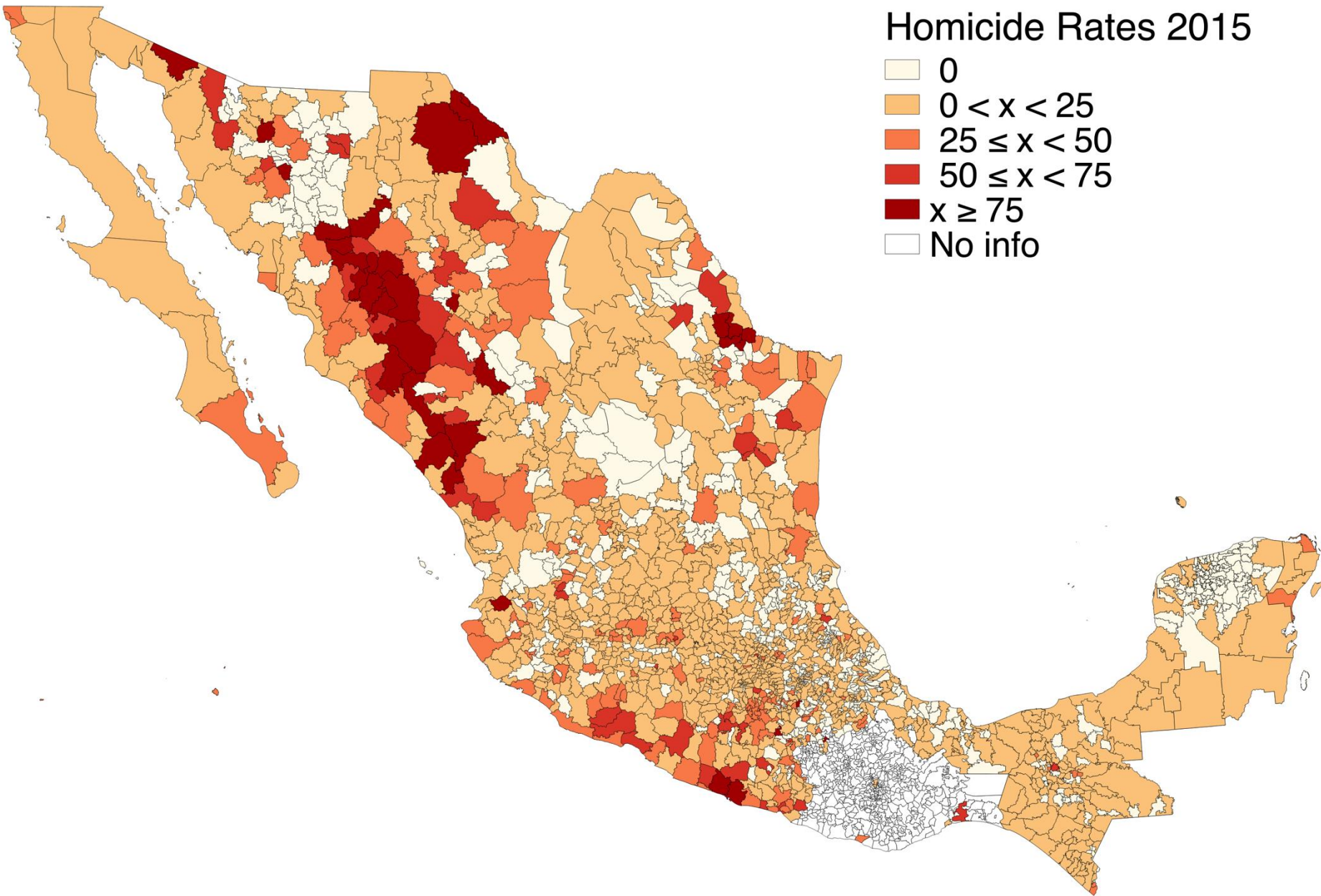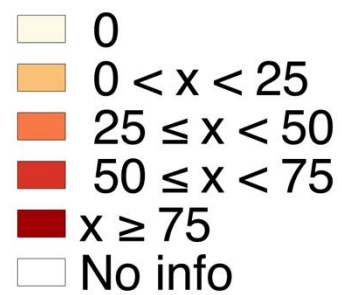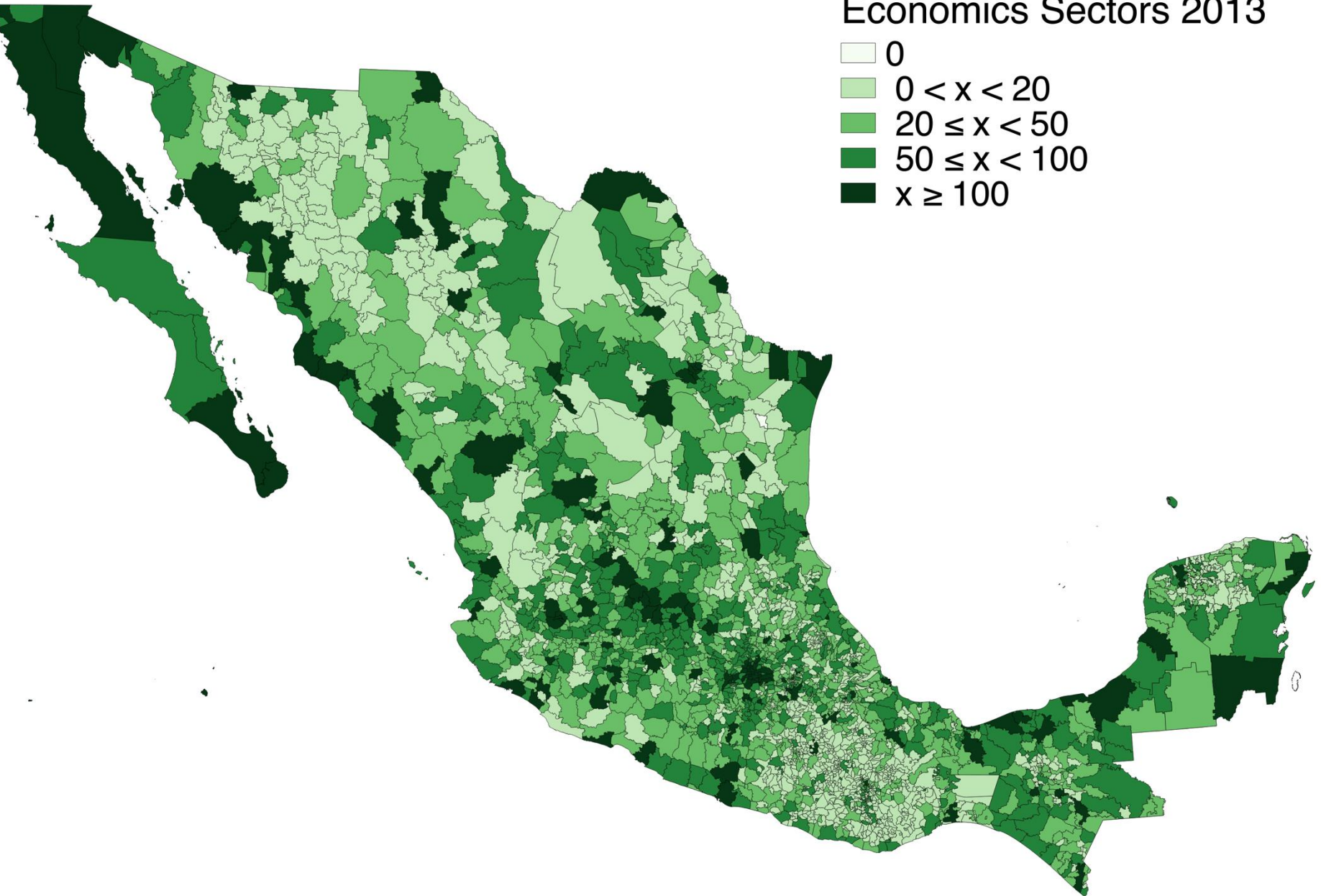
Source: Author based in Rios (2015). The highest the value, the least such sector in affected by violence

Homicide Rates 2015
- 0
- 0 < x < 25
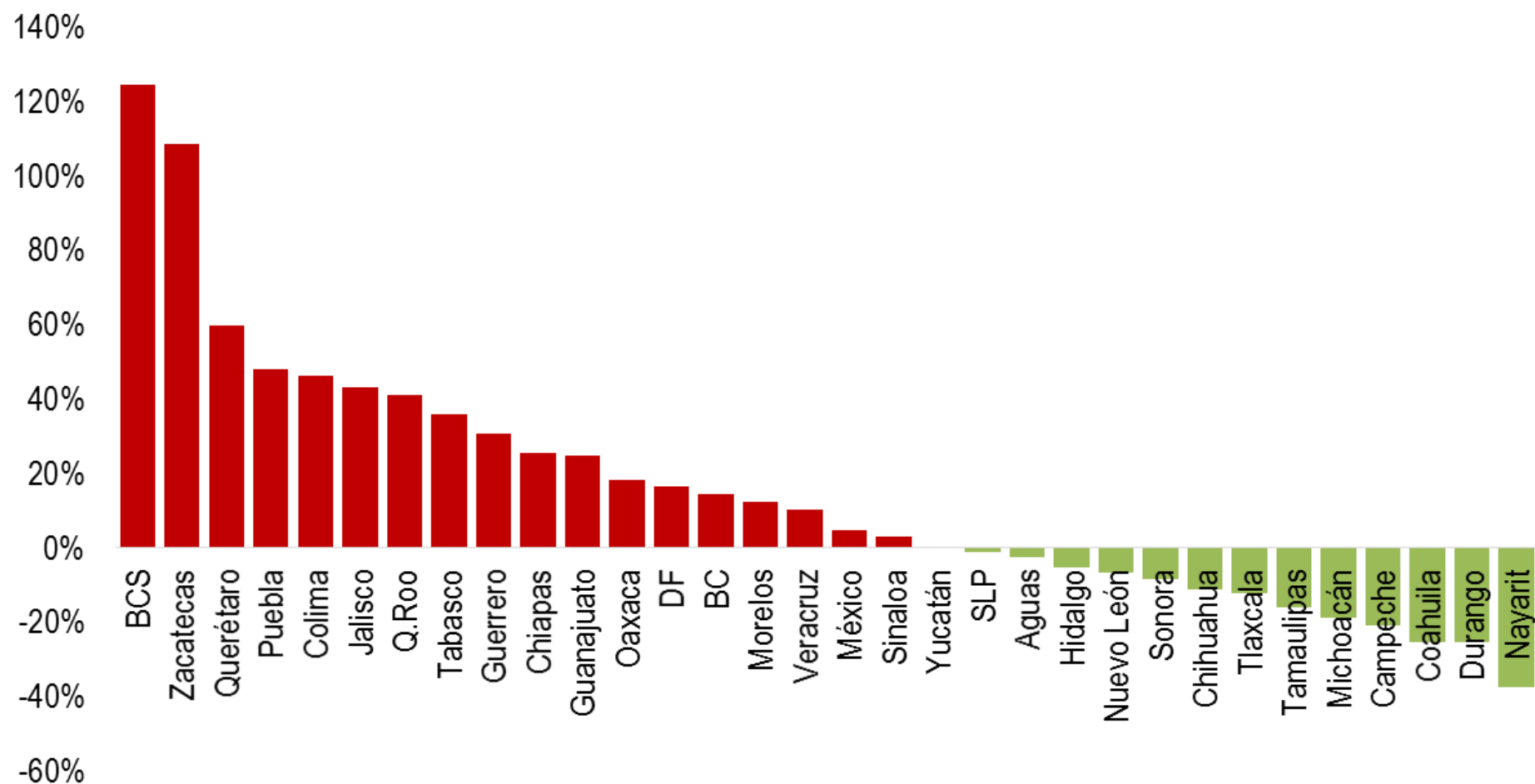- 25 ≤ x < 50
- 50 ≤ x < 75
- x ≥ 75
- No info

Economics Sectors 2013
- 0
- 0 < x < 20
- 20 ≤ x < 50
- 50 ≤ x < 100
- x ≥ 100
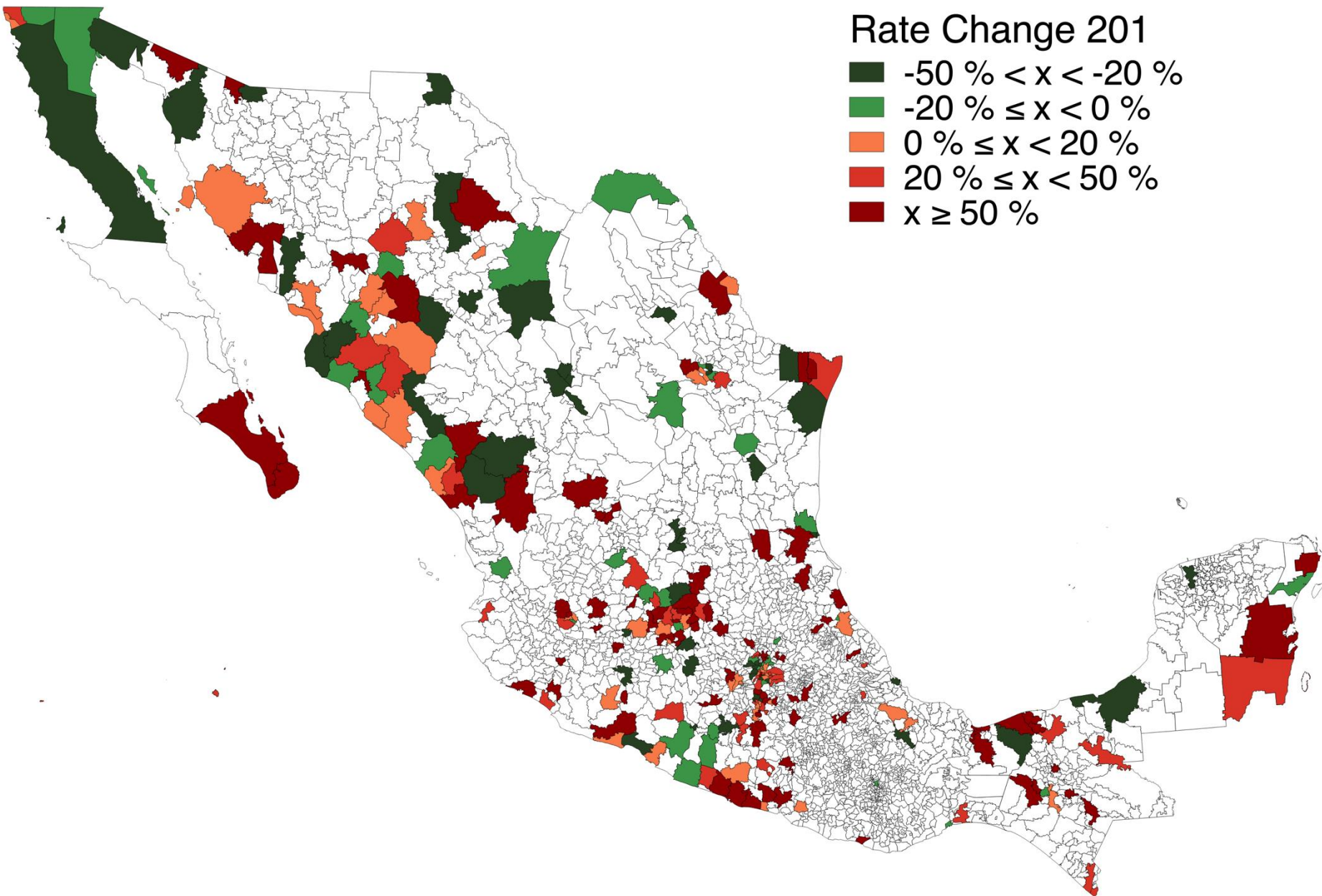
Rate Change 201
- -50 % < x < -20 %
- -20 % ≤ x < 0 %
- 0 % ≤ x < 20 %
- 20 % ≤ x < 50 %
- x ≥ 50 %

Source: Sistema Nacional de Seguridad Pública, Homcidios Dolosos (January 2012, November 2015). Consulted on January 11th, 2016

Thanks!
Questions

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