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**Gang rule:
Understanding and countering criminal governance***

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Abstract

Criminal groups govern millions worldwide. Even in strong states, gangs resolve disputes and provide security. Why do these despots of coercion emerge? In many cases, gangs fill vacuums of official order. If so, increasing state presence should crowd out criminal governance. In this paper, however, we show that state and gang rule are sometimes complements. In particular, gangs can deter state predation by keeping neighborhoods orderly and loyal. If true, increasing state presence could increase gang rule. We investigate in Medellín, Colombia. Criminal leaders told us they rule mainly to protect drug rents. We test gang responses to state presence using a geographic discontinuity. Internal border changes in 1997 assigned some blocks to be geographically closer to state security for three decades. Gangs responded to closer state presence by increasing governance services, but primarily in neighborhoods with the greatest potential drug rents. This suggests new strategies for countering criminal governance.

JEL codes: E28, H11, K42, O17, C21

Keywords: Organized crime, gangs, state building, duopoly, public services, criminal governance, qualitative methods, quasi-experiment, Colombia

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Gang Rule: Understanding and Countering Criminal Governance

Gangs govern millions worldwide. Why rule? And how do they respond to states? Many argue that criminal rule provides protection when states do not, and that increasing state services could crowd gangs out. We began by interviewing leaders from 30 criminal groups in Medellín. The conventional view overlooks gangs' indirect incentives to rule: governing keeps police out and fosters civilian loyalty, protecting other business lines. We present a model of

duopolistic competition with returns to loyalty and show under what conditions exogenous changes to state protection cause gangs to change governance levels. We run the first gang-level field experiment, intensifying city governance in select neighborhoods for two years. We see no decrease in gang rule. We also examine a quasi-experiment. New borders in Medellín created discontinuities in access to government services for 30 years. Gangs responded to greater state rule by governing more. We propose alternatives for countering criminal governance.

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