

Departmental Seminar

17.04.2023 Erik Hornung, Universität zu Köln (Host: Axel Dreher)

NAFTA and drug-related violence in Mexico

Abstract:

We study how NAFTA changed the geography of violence in Mexico. We propose that open borders increased trafficking profits of Mexican cartels and resulted in violent competition among them. We test this hypothesis by comparing changes in drug-related homicides after NAFTA's introduction in 1994 across municipalities with and without drug-trafficking routes. Routes are optimal paths connecting municipalities with a recent history of drug trafficking with U.S. ports of entry. On these routes, homicides increase by 27% relative to the pre-NAFTA mean. These results cannot be explained by changes in worker's opportunity costs of using violence resulting from the trade shock.