

# Organized Crime, Local Politicians, and State Capacity

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(*Job Market Paper*)

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October 18th, 2023

## Abstract

This paper investigates the effects of successful assassinations on the capacity of local governments. Exploiting the randomness in the outcomes of assassination attempts against mayors in Mexico in 2002-21, I find that the fiscal and personnel capacities of the municipal governments that lose their mayors deteriorate. Municipal tax collection decreases by 29%. The share of public expenditure on local construction projects increases by 6.3 percentage points at the expense of other public goods and services. Furthermore, the cost of retaining workers in their 30s and 40s increases by 13% of their wages. These effects are driven by retaliation from organized criminal groups whose presence increases on the year assassinations occur. The influence of non-political violence, the level of economic activities, or changes in population on these outcomes are ruled out. The results speak to the significance of leaders in maintaining fiscal capacity and retaining capable personnel in the workforce even in a violent environment.

**Keywords:** State capacity, local government, mayors, organized crime, assassinations

**JEL Codes:** D74, H11, H71, O17

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I am grateful for the continuous support and guidance from Michael Carlos Best, Suresh Naidu, Cristian Pop-Eleches, and Rodrigo Soares throughout the development of this project. I am thankful for the constructive and helpful feedback from Fabiola Alba-Vivar, Sujoy Bhattacharaya, Sandra Black, Matt Davis, Florian Grosset, Kyung Woong Koh, Tushar Kundu, John Marshall, Victoria Mooers, Micaela Sviatschi, Eric Verhoogen, Rose Camille Vincent, Jack Willis, seminar participants at PSE Summer School in 2021, and participants of the Development Economics, Political Economy, and Applied Microeconomic Methods colloquia at Columbia University. Umar Ali, Andrew Baran, Isabella Graham, and Katherine Wang provided excellent research assistance. Any remaining errors are mine.