

PAA Poster Session Format Options

1. Slide Deck (12-15 slides suggested)
2. Typical large poster

Optional:

1. Slides with voice over
2. 5 minute video

Immigrants, Legal Status, and Illegal Trade

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Paper available at: <https://www.brettmccully.com/files/jmp.pdf>

Project Overview

- ~\$2 trillion of illegal goods cross int'l borders annually (Mavrellis 2017)
- What drives int'l illegal trafficking?
 - Controversial but **untested** opinion: immigrants facilitate trafficking
- In this [paper](#):
 - I use novel data on ~10,000 confiscations of int'l illegal drug shipments
 - Find that immigrants ↑ drug trafficking from their home country
 - Mechanisms: immigrants' social connections & lack of labor market opportunity
 - My evidence suggests that legalizing undocumented immigrants can significantly reduce illegal drug imports

Contributions

- First to estimate causal effect of immigrants, legal status on trafficking
 - Prior studies do not use exogenous variation in immigrant populations, do not explore role of immigration policy: Berlusconi et al. (2017), Giommoni et al. (2017), Aziani et al. (2019)
- Extend research on connection between immigrants and trade to illegal markets
 - Extensive literature finding immigrants increase legal trade: Gould (1994), Head et al. (1998), Rauch et al. (2002), Combes et al. (2005), Cohen et al. (2017), Parsons & Vezina (2018)
- Provide evidence for new mechanism—social connections—linking migration to crime
 - Prior literature on immigration-crime finds labor market returns important: Bell et al. (2013), Bianchi et al. (2012), Spenkuch (2014)

Finding a Proxy for Illegal Drug Flows

- Use data on confiscated international drug shipments reported by Spanish law enforcement
- Observe:
 - province of confiscation
 - country from which drugs were trafficked immediately prior to entering Spain
 - country of intended destination
- Country of origin/destination assigned through law enforcement investigation
- Primarily confiscations of wholesale quantities

Morocco, Latin America main sources of illegal drugs trafficked into Spain:



Press PLAY to animate map!

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Estimating Equation: “Gravity”

- For foreign country o , Spanish province by d :

$$Y_{o,d,t} = \alpha_{d,t} + \alpha_{o,t} + \beta M_{o,d,t} + \zeta \ln(Dist_{o,d}) + \varepsilon_{o,d,t}$$

Where:

- $Y_{o,d,t}$ is a dummy for whether any confiscation occurred
 - Import and export margins estimated separately
 - $M_{o,d,t}$ is a measure of the number of immigrants from o living in d in year t
 - $\alpha_{d,t}$ controls for, e.g., economic/institutional/policing conditions of province d in year t
 - $\alpha_{o,t}$ controls for, e.g., national policies vis-a-vis country o in year t
 - $Dist_{o,d}$ is the distance in km between o and d
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- I use instrumental variable adapted from Burchardi, Chaney, and Hassan (2019) for $M_{o,d,t}$

Gravity Results

- Illegal drug imports
 - A 10% \uparrow in immigrants from a given country \uparrow the likelihood that drugs are confiscated coming from that country by 0.9 percentage points
- Illegal drug exports
 - A 10% \uparrow in immigrants from a given country \uparrow the likelihood that drugs are confiscated going to that country by 0.2 percentage points
- Results are robust to variations in sample, specification
- Results not driven by policing intensity

Mechanism 1: Immigrants' Social Connections

- Immigrants more likely to have friends, family back in home country
- Social ties/trust particularly important in illegal markets, given absence of legally binding contracts
- Consistent with qualitative evidence (Matrix Knowledge Group 2007; Marsh et al. 2012)
 - E.g., one jailed trafficker in Britain “was from Ghana. In 2000 he was approached by a Ghanaian friend to manage his drug business in the United Kingdom. He was trusted by the dealers he had to manage because they knew his family in Ghana.” (Marsh et al. 2012)

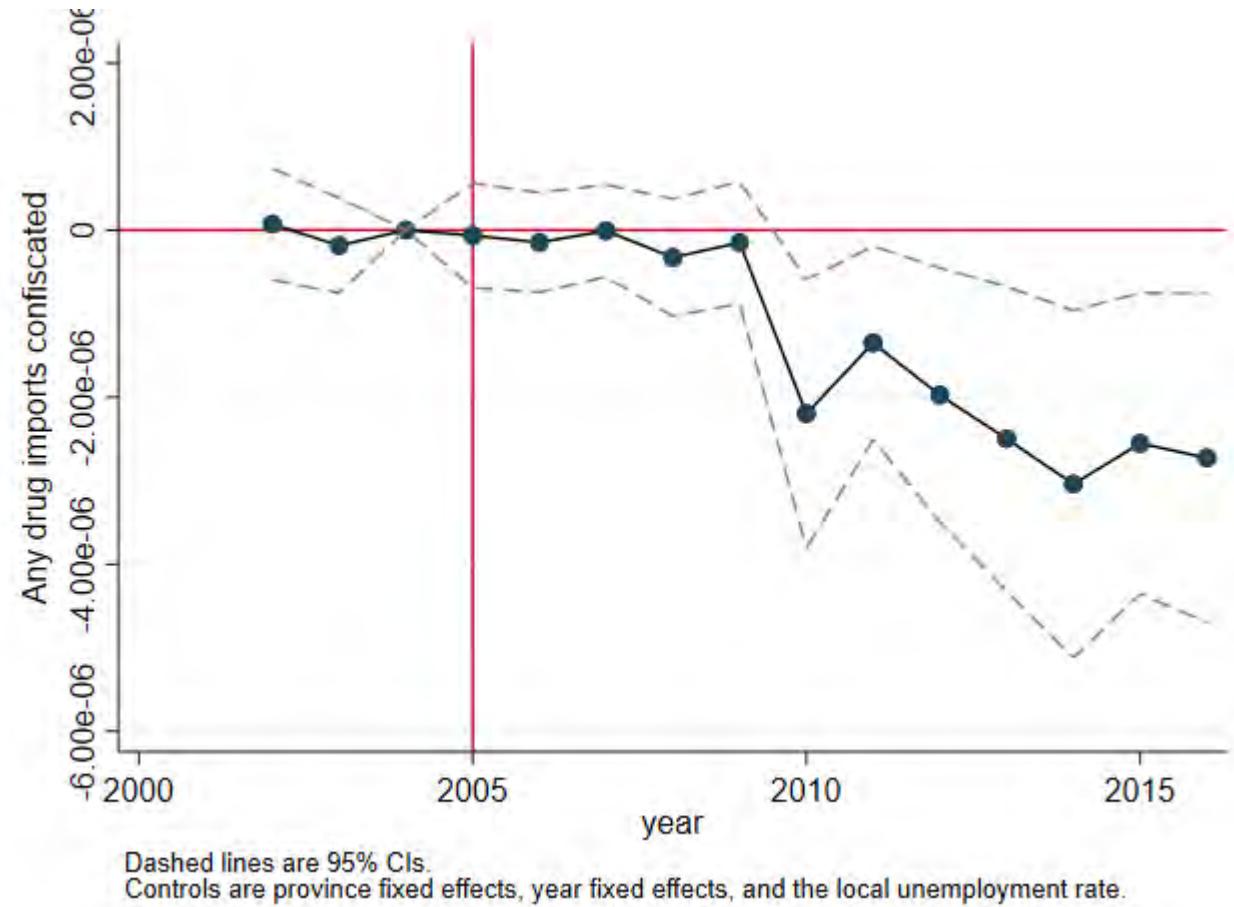
Mechanism 2: Legal Status and Trafficking

- Lack of legal status may reduce formal labor market opportunities
- Legalizing immigrants significantly reduces financially motivated crimes: Becker (1968), Mastrobuoni & Pinotti (2015), Pinotti (2017), Freedman, Owens, & Bohn (2018)
- High fraction of immigrants in Spain lack legal status
- Gravity estimation by immigrant legal status:
 - Irregular immigrants \uparrow illegal imports
 - Regular immigrants have no effect on illegal imports

Legalization Program Effects

Use extraordinary regularization event in 2005:

- Half a million irregular immigrants granted legal status
- Lead to a long-run reduction in drug trafficking
- Timing of reduction consistent with eligibility to obtain citizenship



Conclusion

- Significant public debate on immigration and crime relationship
- Show large, positive, causal effect of irregular immigrants on drug trafficking
 - Estimate a gravity equation of drug trafficking using novel data on drug confiscations
 - Estimate event study of large immigrant regularization
 - Immigrants' social connections, legal status drives result
- Legalizing immigrants can reduce the supply of illegal drugs in host country