# Informal Intersections:
# Gangs and Economic Opportunity in El Salvador

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# Introduction

Driving away from the El Salvador International Airport into San Salvador, one looks out their window to see dozens of women and small children tiredly waving down drivers to stop at their shacks from which they all sell the exact same handmade hammocks, toys, watermelons, and mangos. After driving for about ten minutes, the women, children, and makeshift shacks begin to disappear, behind them emerging the telephone poles and cement walls that stood behind them decorated with the spray-painted letters of MS13 and B18: El Salvador's most notorious and violent street gangs that earned El Salvador the title of the second deadliest country in the world in 2017 (Motlagh, 2019). Indeed, this is El Salvador's reality, with 68.5 percent of the total employed population considered to be informally employed (Romero, 2021), just as these women on the side of the road, forced to navigate an economic landscape defined by gang territories. Despite such a violent and unregulated structured environment, however, Salvadorans –non-gang members and gang members alike– have found ways to generate economic opportunities for themselves.

In 2017, with a homicide rate of 61 per 100,000 (Motlagh, 2019), El Salvador began to gain and establish an international reputation as a territory consumed by gang violence and repressive policies that continue to grow in the twenty-first century. Simultaneous with this growth in violence, El Salvador has also experienced a relatively stable economic growth rate of 2.0 percent since 2000 (IMF, 2016). While this growth is among the slowest in the region (IMF, 2016), it does not appear to fluctuate in tandem with spikes or drops in gang violence. The coexistence of these two characteristics over the last two decades introduces a unique phenomenon that draws attention to the landscape in which Salvadorans have been able to

consistently fabricate economic opportunities despite such a strong presence of crime and violence, as this study examines.

This study examines this phenomenon by focusing on the coexistence of the fabrication of economic opportunity and gang activity and the active interaction between the two forces within the informal economy. The informal economy is where gangs exist and engage as informal organizations (Decker & Pyrooz, 2014). Additionally, making up 68.5 percent of the total employed population (Romero, 2021), the informal economy has an undeniable presence in El Salvador. Gangs and gang activities not only situate themselves in the informal economy as influencers of economic opportunity for the rest of the population but also as generators of economic opportunity. This study points toward the themes of education, extortion, and migrant remittances existing as, and influencing, economic opportunities in the informal economy that have permitted stable economic growth amidst decades of violence.

In terms of influencing economic opportunity for the rest of the population, gang activity in El Salvador imposes both direct and indirect costs on the economic sector by reducing the productivity of resources and the internalizing of the effects of crime, which, when combined produce an extreme erosion of economic activity (Plotnikov, 2020). In 2015, the direct costs, primarily due to extortion, were estimated to be 20 percent and indirect costs to be 7 percent of GDP (Plotnikov, 2020). Surely, it is true that violent activities such as homicide and extortion hinder activity in the formal economy. Despite this, the ways in which gangs create their alternative economy of violence within the informal economy perhaps are helping rather than hindering access to economic opportunities for those struggling to enter the formal economy.

El Salvador's formal economic and business environment is not known as one in which it is straightforward to conduct business without complications; the nation ranks 129th out of 190

in how easily one can start a formal business (Pisani, 2019). In this context, gang activities such as extortion actually provide a means of generating money outside of the formal economy, funding the livelihood of gang members and their support base (ContentEngine, 2020), which together make up approximately 9% of the population (ICG, 2017) while also reinvesting extortion revenues into the local economy (D'aubuisson, 2022).

That said, the informal economic activity of extortion, alongside other gang activities such as homicide, provides further implications regarding economic opportunity for the other 91% of the population. For instance, many understand a nation's level of education to be a reliable indicator of present and future economic opportunities (Dahbura, 2018; Radcliffe, 2021). Educated individuals become more productive in the workforce, are more likely to earn higher wages, and require less management, all of which support faster economic growth (Radcliffe, 2021). In El Salvador, however, gang activities have been linked to overall lower levels of education (Dahbura, 2018). This fact may be attributed to gangs primarily targeting school-aged youth (12-23 years of age) for membership recruitment (Dahbura, 2018), which leads these youth to be removed from or loosely involved in their education.

The fear of homicide and recruitment likewise strongly influences parents' decisions on if and where to send their children to school. Evidence for this decline in education as a result of gang violence can be seen alongside a surge in homicides that began in 2013 and peaked in 2015 (Roser & Ritchie, 2021), in which El Salvador also saw a surge in children dropping out of school, climbing from 13,000 in 2014 to 39,000 in 2015 (Tjaden & Lasusa, 2016). Thus, the negative impact that gang violence has on children and rates of school attendance today provides substantial implications as to the potential, or lack thereof, of future economic opportunities when these children enter the workforce.

Lastly, El Salvador's gangs have not only deterred citizens from school or particular work but have caused massive waves of outward migration, primarily to the U.S., to escape the violence. This outpouring has resulted in a significant inflow of migrant remittances. In 2019, 1.6 million Salvadorans lived abroad, approximately 28.6 percent of the country's population (Velásquez et al., 2021). The diaspora of Salvadorans out of the country has had a pronounced negative impact on the level of human capital and appeal of Foreign Direct Investment (FDI) within the country's borders (Plewa, 2021). Despite this fact, the large portion of the population living outside of the country has generated an informal avenue for economic opportunity through remittances. In 2019, remittances accounted for almost one-fifth of the country's GDP (Plewa, 2021). The inflow of remittances keeps 79% of remittance recipient households from falling into poverty (Keller & Rouse, 2016), generating an informal means of allowing individuals to begin saving, obtain a disposable income, and make business investments–all modes of greater economic opportunity and growth.

Gang violence, without a doubt, has a severe impact on day-to-day life within El Salvador, creating complex feedback networks and relationships in the informal economy that influence the ability of Salvadorans to access economic opportunity. This is done through how their informal activities impact education levels and, therefore, the potential for economic opportunity; the informal means of creating economic opportunity through extortion; and how they have led to outward migration and, therefore, the inflow of migrant remittances leading to the potential for economic opportunity. In addition to the mutations created by gang activity in the economy, their actions on top of government anti-gang policies and other regulations that hinder the accessibility of the formal economy leave Salvadorans to grapple with few resources to create informal economic opportunities.

This research aims to examine how Salvadorans have learned to navigate through the impacts of gang activity in an already unequal economy, maintaining a stable (but low) growth rate throughout spikes and dips of extreme violence (IMF, 2016). It will look at gang activities such as extortion as potentially creating economic opportunities for some outside of the formal economy. Other gang activities, in addition to extortion, such as homicide, reduce school attendance and drive outward migration, resulting in remittances that ultimately put into effect the generation of economic opportunities.

As the research contextualizes El Salvador as a site of limited economic opportunity within the formal economy, given its historically unequal economy, the first part of my research explains El Salvador's history as it relates to the gang's emergence and their growth in and alongside the informal economy. It includes an analysis of the feasibility of entering El Salvador's formal economy as a defense for placing the informal economy at the center of this research concerning economic opportunity. The analysis is based on U.S. deportation policies of the 1990s, anti-gang security policy, regulation within the economic sector, and finally, fluctuations and evolutions of gang violence since the end of the civil war to demonstrate the limited selection of economic opportunities. The following is supported by data on actions that have been taken by gangs and Salvadorans to create economic opportunity. Such data consists of personal accounts of school attendance and attainment, recipients and uses of extortion money; remittances received from Salvadorans who have migrated due to gang violence; and how Salvadorans respond to and utilize remittances.

The first part of the research is generally supported by Salvadoran and U.S. official government documents and policies, as well as statistics that analyze the accessibility of the formal economy, while the second part consists primarily of scholarly literature and news

articles, as represented in the literature review. These sources aid in analyzing how gang activity has contributed to an informal means of creating access to economic opportunities in El Salvador over time compared to activities that Salvadorans have engaged in to do the same.

While there are many studies examining gang violence and economic struggles independently, pointing to one or the other in their analysis, there lacks a comprehensive study of the relationship between the two. This study aims to fill that gap in the literature by defining the way that economic growth has persisted through informal means of economic opportunity, not only despite crime and violence but at times positively influenced by the effects of the two. By situating the study in the context of the informal economy, this paper provides a lens that illuminates the complexity of the informal economy and the possibility of economic growth outside of the typically reproduced neoliberal narrative.

# A personal note

This thesis on gang violence and economic opportunity in El Salvador came from personal and familial interests and experiences. At the age of sixteen, my father fled the violence of El Salvador's civil war in the 1980s entirely alone. I heard about his experiences growing up in El Salvador throughout my childhood and often traveled with him to visit our family in Cabanas. Although, until I began writing this paper, I was unable to safely return to the country for almost ten years due to the overwhelming control and violence of gangs. After not being able to see my family for such a long time, I wanted to develop a better understanding of how the gang activities and violence have consolidated to the point of preventing me from seeing my family. I became interested in combining this personal connection to gang violence in El Salvador with the subject that I have been most drawn to in my studies in the field of international affairs, which is economic development. However, since gangs have only held a

strong occupation for the past two or three decades, I felt that it is too soon for a complete review of their impact on economic development. I decided then to examine their impact on the potential for economic development rather than economic development itself. Determining economic opportunity as the potential to engage with and stimulate the economy and thus the potential for economic development. I was drawn to examine the relationship between gang violence and economic opportunity. This thesis began as an effort to study and work through understanding the struggles that many, including my family, have suffered as a result of gang violence. Throughout the research process, it became apparent that despite the deeply personal travesties that gangs incur on others, their overall economic impact is relatively balanced; in fact, gangs provide services to many that the state has neglected to provide.

# Framing the research problem

## Background information

Gang violence in El Salvador cannot be discussed without considering the country's long legacy of violence and its root causes of unequal distributions of land and wealth (Lauria-Santiago & Binford, 2004; Osuna, 2020). These same roots of inequality can likewise explain the exceptional dominance of the informal sector within El Salvador and the extensive struggle for economic opportunity when considering the accessibility of the formal sector. This chapter provides background information on how these root causes have resulted in gangs, gang activity, and informality. The discussion begins with defining informality and economic opportunity as they are considered here. The following includes a summary of the continued marginalization that led to the emergence and consolidation of gangs and then a description of

gang structure and activities to justify their contextualization within the informal economy to meet the need for economic opportunity.

## Informality and economic opportunity

This work views informality and economic opportunity as realms characterized by their heterogeneity and diverse ways of making a living. Informality, referring to “all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements" (ILO & OECD, 2019), is often tied to the false dichotomy of formal and informal when in reality they are both complex structures that overlap and intersect in many areas to generate economic opportunities that straddle both formality and informality (Gibson-Graham, 2008). Nevertheless, we focus on informality here, as its importance to and dominance over El Salvador’s economy has been well documented (Papadovassilakis & Dudley, 2020; IMF, 2016), and gang activities and the economic opportunities that they encourage, alter or create fall under the definition of the informal economy.

The informal economy, as defined here, adopts criminal activities such as the theft or sale of stolen goods as considered to be contributing to this sector as well (Gibson-Graham, 2008). As such, a sufficient amount of criminal activity engaged in by gangs, such as extortion, falls under informality. The great importance of informality that leads to its use as an umbrella concept over that of gangs and economic opportunity in this paper, however, is the strong emphasis placed on the agency and entrepreneurialism of individuals who find means of generating economic opportunity when it is not feasible in the formal sector. Thus the actions taken by gang members and non-gang members of society considered within this research should

not all be considered causational or linear with each other. The agency of individuals has encouraged them to generate economic opportunities in the environment they have.

In order to understand the diverse ways in which the Salvadorans have taken agency in growing their economy within the informal sector, this paper will consider their generation of economic opportunity as engagement in the economy. This includes extortion practices by gangs and remittances from Salvadorans abroad, as it generates capital and existing income that may be put towards immediate consumption in the economy or future investment or investment in education.

## The emergence and consolidation of gangs

One may realistically trace the emergence and consolidation of gangs in El Salvador to the country's legacy of violence compounding with U.S. immigration policies during and after El Salvador's civil war from 1980 to1992. The civil war emerged from widespread discontent among peasants' overexploitation and dehumanizing government oppression, resulting from unequal distributions of land and wealth, which motivated an armed insurrection (Osuna, 2020). The war was fought between the U.S.-backed Salvadoran government and the insurrectionists of Farabundo Martí Liberación Nacional (FMLN), made up of leftist guerilla groups. The violence shook the country to its core, taking over 75,000 civilian lives, and tens of thousands of soldier and guerilla lives (Osuna, 2020), with a large majority (85%) of the atrocities committed by the government (Cervantes & Menjívar, 2018). The brutal war is characterized as an "indiscriminate massacre" by the military against peasants (Cohen, 2011), profoundly embedding a shared sense of trauma, grief, and violence in the nation.

Many fled during the war feeling marginalized and unprotected by the government. This caused a massive migration of Salvadorans to major U.S. cities, notably Los Angeles, where a

strong Latino presence already existed (InSight Crime, 2021; Paarlberg, 2021). However, the U.S. only approved 2% of asylum applications by Salvadorans due to a solid reluctance to contradict its own foreign policy by extending protection to those fleeing a war that the U.S. had helped to fund (Cervantes & Menjívar, 2018). Consequently, most Salvadorans that entered the U.S. did so without documentation.

Lack of documentation intensified marginalization for Salvadorans in the U.S. In addition, the fact that many were raised in a brutally militarized society, terrorized by the police and military, or had been child soldiers themselves, led many Salvadoran youths to find comfort, protection, and community in the gang culture of other marginalized youth that was already beginning to grow in the streets of Los Angeles (Osuna, 2020; Paarlberg, 2021). As more and more lost Salvadoran youth desensitized to violence began to join these communities, gang membership among Salvadoran migrants in the U.S. began to intensify, leading to the emergence of Mara Salvatrucha 13 (MS13) and Barrio 18 (18th Street gang), the two gangs that now dominate the streets of El Salvador (InSight Crime, 2021).

Gang membership and a lack of documentation set the stage for the implementation of new U.S. immigration policy, the Violent Crime Control and Law Enforcement act of 1994 (Paarlberg, 2021) and the Illegal Immigration Reform and Immigration Responsibility Act 1996 (Osuna, 2020; Paarlberg, 2021) broadening the range of deportable offenses. In the following years of 1998 to 2007 policies, the U.S. deported some 74,000 Salvadorans (Osuna, 2020). The deportation of many Salvadorans and their newly found gang affiliations came with a reintroduction of violence to a country trying to heal after a traumatizing twelve-year civil war. As many of these Salvadorans returned to El Salvador, they were again marginalized, now by Salvadoran society, leading to greater consolidation and intensification of gang violence that the

country was in no way prepared for. The already limited government expenditure and weak justice system were unprepared for the influx of crime and ultimately struggled to keep the gang violence under control (Osuna, 2020). The government responded to the crime with repetitive implementations of Mano Dura (iron fist) policies over the past few decades (ICG, 2017; Osuna, 2020; Paarlberg, 2021). These repetitive policies focused on harsh repression to combat gang violence. They led to the arrest of many individuals for the mere suspicion of gang affiliation, causing prisons in El Salvador to evolve into sites of both the recruitment and consolidation of gang membership and activity (Paarlberg, 2021).

## Gangs and their activities within the informal economy

It is necessary to contextualize gangs and their activities within the informal economy, as their very structure and operation lack formality, and a variety of their activities are inherent in economic influence. Despite the extensive occupation of gangs throughout El Salvador, with up to 500,000 individuals – approximately 9% of the population –tied to gang membership, the structure of gangs themselves is highly decentralized and informal (Paarlberg, 2021). With no single recognized leader (InSight Crime, 2021), gangs operate in cliques spread throughout 94% of 262 municipalities in El Salvador (ICG, 2018).

In the territories they occupy, known as “red zones,” gangs act as de facto governing authorities, setting up roadblocks to prevent formal or legal law enforcement from entering their territories (ICG, 2018). However, from the gangs’ point of view, these territories had already been abandoned by the state, and that they were sites of extreme poverty in which gang members themselves have claimed that “the only living force that exists in [these] communities is the gangs” (ICG, 2018). Nevertheless, the fact that legal authorities cannot enter these territories defines gang occupation itself as operating informally, outside of the law. Furthermore, El

Salvador's Mano Dura policies draw a distinct line between gang membership and law enforcement, proclaiming gang membership and gangs themselves as organizations outside of the law (Paarlberg, 2021; InSight Crime, 2021; Osuna, 2020; ICG, 2017).

As the organization and structure of gangs exist informally, one can only interpret any intersection between gangs and the economy as occurring within the informal economy. Many individuals coming from families and communities impoverished by the deep economic inequalities in the country have turned to gang membership as their only means of surviving (InSight Crime, 2019; ICG, 2017; Osuna, 2020). In other words, they have only chosen to become members of gangs as a means of making a living.

Gangs create their own economic opportunities and thus finance their existence primarily through extorting small businesses, a majority of which also operate within the informal economy (Papadovassilakis & Dudley, 2020; InSight Crime, 2021; Paarlberg, 2021). Ultimately these extortion practices fund not only gang members but also their support base, therefore financing the livelihood of approximately 9% of the population (ICG, 2017).

## Literature review

As each of the elements considered in this research (gangs, extortion, education, and remittance) is linked to a significant phenomenon in El Salvador, there exists a substantial amount of literature for each element. Even so, few works tie one or more of these elements together, and none were found that tie all of these elements together in the context of El Salvador. The literature review begins with coverage of literature surrounding economic opportunity and informality to establish the lens through which the other elements are examined. Following is literature regarding gangs in El Salvador concerning their background information and historical importance to the context of their activity today. Research on the three elements of

concern, education, extortion, and remittances, and how they relate to the direct impacts that gang activities have had on civil society within El Salvador follows. To tie everything together is literature on the implications of those previously listed direct impacts and their relevance to economic opportunity.

## Informality and economic opportunity

In their work surrounding "diverse economies," J.K. Gibson-Graham (2008) provides a wonderfully concise and accurate explanation of the heterogeneity and complexities of making a living in the global south. They highlight the importance of not overlooking the agency of individuals in the choices that they make within the broader structures and procedures that define and shape their lives. The authors also note the many inequalities within these structures and procedures that many workers in the global south run into. These inequalities not only make making a living much more difficult but likewise push a substantial number of individuals into the informal sector, where these inequalities maybe even are slightly mitigated or come at a lower cost.

Gibson-Graham defines the informal economy as an economic activity that occurs outside of formal controls and legislation by means of non-formalized relations of employment, with criminal activities such as the theft or sale of stolen goods considered to be contributing to this sector as well. This reflects a similar notion to the definition provided by the OECD of the informal economy as well: "all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements" (OECD & ILO, 2019). More importantly, Gibson-Graham claims that criminal activity may also contribute to movement in the informal economy, which strongly supports the foundation for this research.

As it provides a coherent framework for informality, especially in a way that fits gang activity within it, I will use this word to describe and provide an understanding of the environment in which the activities and economic opportunities discussed in this paper take place.

## El Salvador

### Gangs: history and activity

El Salvador's history, consistent with a long legacy of violence and repression, functions as an essential background for facilitating the existence of many elements of this research, from the conditions for informality to the conditions for gangs. Understanding this legacy of violence as it is reproduced through gangs and government repression becomes extremely important in understanding El Salvador's environment of violence today, informality, and economic opportunity.

There is a significant amount of literature that concerns itself with that historical legacy and how it operates as a precursor to the formation of gangs or "maras" and their activity in El Salvador today. Specifically, Steven Osuna's paper "Transnational Moral Panic: neoliberalism and the specter of MS-13" (Osuna, 2020) does an exceptional job of describing various events throughout the country's history that have contributed to today's violence. Osuna explains El Salvador's civil war of 1980-1992 as stemming from state repression of the 1970s, which resulted in an armed insurrection against the oligarchy, a position that has been taken various times (InSight Crime, 2021; Paarlberg, 2021; Rodriguez, 2015). The guerilla warfare between the Farabundo Marti National Liberation Front (FMLN) and the Salvadoran government, which was supported by $6 billion dollars in the military, economic and covert aid by the U.S., took over 75,000 civilian lives and tens of thousands of soldier and guerilla lives. During this period, three million Central Americans (15% of Central America)(Osuna, 2020), the majority of whom

were displaced refugees from El Salvador, migrated to the U.S. to escape the violence (Osuna, 2020; Gammage, 2006).

The largest concentration of Salvadoran migrants in the U.S. was found in L.A., which at the time already had a strong gang presence during severe economic restructuring. As poor Salvadoran youth were marginalized as outcasts, with extensive exposure to extreme levels of violence, they found comfort and protection among gangs. Osuna explains this physical and psychological warfare experienced in El Salvador combined with harsh economic restructuring in L.A. as the formula that transformed that generation of Salvadoran youth into what has become two of the most dangerous, violent, and well-known gangs in the world, Mara Salvatrucha (MS13) and Barrio 18. Others have posited the emergence and proliferation of gangs in such a period of transition as a search or reach for social power (Hume, 2008).

The U.S. Illegal Immigration Reform and Immigration Responsibility Act of 1996 began to deport many of these gang members and other Salvadorans back to El Salvador, with around 74,000 Salvadoran deportations between 1998 and 2007 (Osuna, 2020; InSight Crime, 2021b; Lovato, 2020; Ambrosius, 2018). Many of these deportees had migrated to the U.S. so young that they did not even remember El Salvador and did not have anywhere to go, once again marginalized by civil society and turning toward gang-provided protection. El Salvador's limited government expenditure and weak justice system were highly unprepared for such an immense influx of crime and unable to keep gang activity and violence under control (Osuna, 2020; InSight Crime, 2019; Lovato, 2020; Ambrosius, 2018; ICG, 2017).

The policy responses by El Salvador's government to increasing gang activity in the twenty-first century are likewise well documented in scholarly literature. Mano Dura (Iron Fist) policies, also known as Las Leyes Anti-Mara (Anti-Mara Laws), introduced in 2003 (Hume,

2007), were the beginning of a series of repetitive policies that focused on harsh repression to combat gang violence that has ultimately been unsuccessful. In "El Salvador's Politics of Perpetual Violence," International Crisis Group (ICG) describes the repetitiveness of these policies as a result of El Salvador's two-party system pushing politicians to introduce policies that are "politically and electorally appealing" rather than ones that may address root causes and enact change (ICG, 2017). The report includes public sentiments about violence as producing uncertainties and hesitations in sentiments about politics.

These uncertainties and hesitations encourage a disengagement of the public in politics creating greater fractionalization between elites and their understanding of what the public requires (ICG, 2017). Thus El Salvador's government has failed to introduce the policy in the twentieth century that has dug any deeper than creating a militarized defense against gang activity, only augmenting the violence. The report by International Crisis Group does well to pinpoint areas ignored by the government that has influenced the continuation of gang activity, such as lack of investment in education, absence of attention to those most frequently victimized and recruited (young children and women), and the strength of the bonds between gang control and communities.

## Impacts of gang activity

Just as important as the history and legacy of violence in El Salvador is the scale and impact of the violence. El Salvador's gangs have a presence of about 140,000 members worldwide, with around 100,000 based in El Salvador (ICG, 2017) and a support base of 500,000 (Zaidi, 2019; Paarlberg, 2021; ICG, 2017; Brown et al., 2021). Two of the perhaps most well-known activities that gang members engage in are extortion and homicide (InSight Crime, 2021b). These activities sometimes produce adverse implications on the rest of civil society that

ultimately perpetuate the absence of economic opportunities, but other times can, in fact, generate economic opportunities where the state failed to provide them for many marginalized actors. In my research, I will focus on the adverse implications of the elements of education, extortion, and remittances.

**Education**

Juan Nelson Martinez Dahbura writes in "The Short Term Impact of Crime on School Enrollment and School Choice: Evidence from El Savlador" about the adverse implications that violence in El Salvador has on education (Dahbura, 2018). In this paper, Dahbura analyzes how gang activity influences if children go to school and where they go to school. The paper finds that while extortion rates do not have a significant influence on school enrollment, other more violent activities do. Dahbura finds that when homicide is high, there is a greater risk for families to send their children to school, leading to spending more on protective measures such as transportation rather than on a child's actual education. On the other hand, when risk is perceived as low (lower homicide rates), families spend more on their children's education.

Another significant piece of literature regarding gang's impact on education is "Weighted Aspirations: Becoming a Teenage Dropout in El Salvador" (Mordy, 2020). In addition to providing important background information on El Salvador's history with education, Mordy presents and dissects the experience of many Salvadoran youths in their educational journey and career through interviews. Mordy's work is used to analyze the impact of gang activity on education, primarily as a source for empirical examples, as many of the youth interviewed cited experiences involving gangs as their reason for decreased school enrollment. The author explains that gangs led to lower levels of school attainment for many youths through means of victimization and fear tactics that cause youth to drop out and through recruitment tactics that

cause youth to drop out of school and deter them from returning to school. Additionally, multiple articles and news sources interviewing and citing individuals claiming gang violence as the reason for lower levels of educational attainment, most often attributing the consequence to schools acting as grounds for gang recruitment are used (Moloney, 2015; Ross, 2014; InSight Crime, 2019; Mordy, 2020; ICG, 2017).

For reassurance, the study refers to InSight Crime's claim, "El Salvador's Gangs Causing Tens of Thousands to Leave School" (Tjaden & Lasusa, 2016). The authors refer to data showing that the number of children dropping out of school increased threefold in the years following the end of the gang truce. Data from the World Bank (2022) shows that violence increased drastically at the end of the gang truce. Data from UNESCO (2021) shows a significant drop in gross secondary school enrollment, the prime age for gang recruitment and victimization.

**Extortion**

A substantial amount of literature has addressed how gangs operate extortion rackets in El Salvador, as it has become a pervasive phenomenon and the gang's primary means of income (ContentEngine, 2020; Neu, 2019; Brown et al., 2021; ICG, 2017). I primarily turn to Papadovassilakis & Dudley (2020) to understand the relationship between gangs and the community formed by extortion. Viewed by gangs, extortion fees are exchanged for protection and security for local markets (ICG, 2017; Hernandez, 2018; Papadovassilakis & Dudley, 2020). Papadovassilakis & Dudley also posit that gangs may even build a symbiotic relationship with the individuals they extort over time so as to lower the impact of extortion. Other authors have likewise mentioned how relationships with gangs may alter their extortion demands and how there is an entire economy and accounting process that accompanies extortion practices (Ross, 2014; Neu, 2019). While transportation and distribution firms account for the most targeted firms

(Brown et al., 2021), almost anyone working in the informal sector lives at risk of extortion (Papadovassilakis & Dudley, 2020). Despite such relationships, all authors of work regarding extortion practices in El Salvador have acknowledged the negative impacts that extortion can have on individuals, such as the greater likelihood of homicide, income shocks, and migration (Caceres, 2021; ICG, 2017; Marroquin, 2020).

Specifically, Brown et al. (2021) examine how market structure and extortion practices have impacted different communities in various ways, confirming that there are negative economic consequences that follow higher extortion rates. Similar to the way that higher rates of gang violence after the collapse of the 2012 truce led to a decrease in gross secondary school enrollment, Brown et al. confirm the impact of extortion by examining the geography of gang violence and extortion surrounding a 2016 non-aggression pact. They showed that during the pact, extortion rates were significantly higher due to gangs having more secure control over the territory, allowing them to focus less on fighting and more on extortion practices. The authors conclude that the pact provides causal evidence that increased extortion led to higher consumer prices.

Lastly, to emphasize the difficulty of engaging in the formal economy in El Salvador, thus highlighting the impact of extortion and the informal economy, I refer to reports ranking the feasibility of starting a business (Pisani, 2019), and discussing starting a business, enforcing contracts and ease in dealing with construction permits, and protection of minority investors (World Bank Group, 2020). Other reports note various explanations for the low feasibility of entering the formal economy (US Department of State, 2021) and high levels of corruption (Blinken, 2021) that deter other people from engaging in it.

**Remittances**

As both migration and remittances have historically been significant and recurring themes in El Salvador, there exists an array of literature discussing their history and recounting stories of personal experiences with each topic. To emphasize the reality of gangs causing so many Salvadorans to migrate, I turned to articles that wrote of interviews with Salvadorans that had claimed gang violence, threats, or fear forced them to leave their homes and migrate (Gaynor, 2021; Pagani, 2021). Secondly, the story of a town called Intipuca, which is famous for its reliance on outward migration and remittances sent home, emphasizes the impact that remittances have on Salvadorans. Half the town migrated to the US, and the other half lives off what the migrants sent home (Brigada, 2018). Many other sources have also stated that they believe gangs or violence to be a significant motivating factor for outward migration (ContentEngine, 2021; Osuna, 2020; Menjivar & Cervantes, 2018; Sieff, 2019).

There are many published works regarding the history and importance of remittances to El Salvador. Cox-Edwards and Ureta (2003) discuss how remittances affect Salvadorans, presenting data on how many send money and how many recipients live in the country. Acosta (2019), who discusses data on recipients, allows for a better understanding of the individuals who receive remittances. Wiltberger (2014) specifically discusses the history of remittances in El Salvador surrounding the promotion and praise of Salvadorans abroad sending remittances by the state as a development strategy.

## Economic opportunities related to education, extortion, and remittances

The correlation between gang violence in El Salvador and the existence of economic opportunity is not a direct one. This section attempts to connect how gang violence's relationship to the elements of education, extortion, and remittances creates further implications for economic

opportunity in El Salvador. This is done by drawing from scholars that have written on each element's influence on economic opportunity outside of El Salvador.

It has been well documented that level of education and skill are strongly correlated with the creation of economic opportunity (Radcliffe, 2021; Dahbura, 2018; Negara & Utama, 2020). In "How Education and Training Affect the Economy," Brent Radcliffe explains that differences in levels of education or formal training as key to increasing an economy's productivity. Radcliffe explains that employers specifically prefer employees with higher levels of education and training because such employees require less management and can work independently, thus only providing economic opportunities for educated and skilled workers. Many other authors also posit that higher education is associated with increased employability due to acquiring human capital (Radcliffe, 2021; Sombat, 2021; Thurow, 1975), and some refer to cognitive skills specifically (Schanzenbach et al., 2016). Additionally, many have argued that higher education correlates to a more robust formal economy (Mordy, 2020; Zinny, 2022) and stronger innovation, and a more competitive economy.

To support my hypothesis that extortion may indeed be used by gangs to generate economic opportunity, Interviews by InSight Crime are used (D'aubuisson, 2022) that refer to gang activity and their involvement in the economy of the Las Margaritas neighborhood in Soyapango. The interviews cite gang members using extortion funds to purchase and run businesses in the neighborhoods they control with a significant hold over their local economy. Additionally, all authors acknowledge the negative impacts of extortion on individuals, such as the greater likelihood of homicide, income shocks, and migration (Caceres, 2021; IC, 2017; Marroquin, 2020). Such work shows that extortion is still harmful in many ways to the generation of economic opportunities for others

Lastly, many have referenced remittances as a means of generating economic opportunity. Many scholars have claimed that remittances may work as insurance mechanisms or security nets for recipients (Halliday, 2006; Yang, 2008; Acosta, 2019; Coutin, 2007). Many others have argued that money from remittance collections may go toward investments (Chami & Fullenkamp, 2013; Anzoategul et al., 2014). Lopez-Calix & Seligson (1990) show that remittances have indeed been used for investment purposes by Salvadorans in the past. Additionally, scholars note that some may reserve remittances specifically for investment in education and health (Cox-Edwards & Ureta, 2003; Caceres & Saca, 2006). These authors present claims that support remittances as generators of economic opportunity.

### Conclusion

The literature presented above, when pieced together, does indeed indicate adverse effects of gang activity and crime on the elements of education, extortion, and remittances that ultimately do negatively affect the availability of economic opportunities. However, there still lacks literature that is holistically inclusive of all of these elements and is in the context of El Salvador and gang violence specifically. I will use this existing literature to support and structure my own research of these elements under the concern of gang violence in El Salvador.

## Methodology

Gang violence undoubtedly has a severe impact on day-to-day life within El Salvador, creating a complex web of networks and relationships that influence the ability of Salvadorans to access economic opportunities. This is done through an influence on education; through their extortion activities, the use of extortion funds to invest in their local economies; and through their influence on the outward migration of Salvadorans, and thus the access to remittances

received by those family members who have stayed behind. In addition to mutations created solely by gang activity in the economy, the impacts of their actions worsen when combined with government anti-gang policies and other regulations that hinder the accessibility of the formal economy leading Salvadorans to grapple with the resources they are left with to create alternative economic opportunities.

This paper provides qualitative analysis, examining how Salvadorans have learned to navigate gang violence's impacts in an already unequal economy, maintaining a stable (but low) growth rate throughout spikes and dips of extreme violence. By presenting and examining research on behavior in the educational sector (school attendance rates), behavior in response to extortion activities, and behavior regarding migration and migrant remittances, it becomes clear how impactful gang activity is to the economy. This research and behavior are presented through a holistic analysis and compilation of primary sources, including news articles and government publications, and secondary sources, including books, scholarly articles, journals, and histories.

Primary sources such as news and journal articles, including interviews of Salvadorans who have suffered consequences of gang violence, are used to provide an image of the difficulty Salvadorans experience in generating economic opportunities; while others are quoting and interviewing gang members to provide a picture of the economic and opportunistic motivations behind their activities. On the other hand, primary sources, specifically publications by El Salvador's Ministry of Education, and other organizations such as UNESCO and the World Bank, provided information regarding the timeline of spikes and drops in gang activity through homicide and the subsequent spikes and drops in each element such as educational attendance or attainment rates, investment, migration, remittance flows, among others.

Secondary sources provide a substantial amount of information necessary for the analysis required for this research paper. Books, scholarly articles, journals, and histories were used to draw on multiple areas of study to provide a holistic view not only of the immediate impacts of gang activity, such as lower educational attainment or income schools, but also the consequences later down the road that impacts future economic opportunities. I compiled and analyzed these sources to support my hypotheses that 1) gang violence has a negative impact on education by reducing school attendance rates in times when rates of violence and crime are high, which will have negative implications on future economic opportunities; 2) certain gang activities, such as extortion can actually help create economic opportunity for some outside of the formal economy; and 3) gang violence drives outward migration resulting in a loss of human capital but also results in remittances that have more positive effects in the generation of economic opportunities.

# Analysis

## Education

### Introduction

Fransisco Zelada has worked as a headteacher at Planes de Mariona in the gang-occupied northern suburbs of San Salvador through multiple years of death threats from gang members in the community (Moloney, 2015; Ross, 2014). As an educator, he sees how gangs have infiltrated the school system and use violence to disrupt overall educational attainment. Zelada attributes the fall in school enrollment from 287 to 232 from 2014 to 2015 to gang violence, personally knowing families who had been affected (Moloney, 2015; Ross, 2014). Zelada's experience is not unique in El Salvador. From 2014 to 2015, the year following the collapse of the gang truce

saw not only a drastic increase in violence, but the number of children dropping out of school skyrocketed from 13,000 to 39,000 (Tjaden & Lasusa, 2016).

This chapter seeks to name the number of ways gang activity disrupts educational attainment, as Zelada has claimed, and therefore inhibits the generation of economic opportunities for the present and future generations of El Salvador. The explanation begins with a discussion of the history of education in El Salvador and how it has routinely been viewed as a top priority for economic development investment but has also routinely failed in protecting the most at-risk youth from falling behind. Following is an examination of education as an economic opportunity, delving into the skills acquired with more years of education and how they increase the likelihood of economic engagement. Concluding this chapter is a review of how gang presence contributes to higher dropout rates and educational exclusion and lower overall educational attainment.

## Education in El Salvador

The people of El Salvador have long understood the importance of education related to economic opportunities. Even amid civil war, the FMLN guerilla army used popular education as a strategy practiced throughout guerilla territory, Honduran refugee camps, and the frontlines during periods of peace in order to educate the rural population about the economic inequality that had led to the war itself (Lauria-Santiago & Binford, 2004; Cox-Edwards & Ureta, 2014; Smith & Hammond, 1998). Communities mobilizing to assume roles of teachers and administration was the only source of education in these spaces during the conflict, with 1,000 teachers and 13,500 students taking part in this informal education system in the 1990s (Cox-Edwards & Ureta, 2014). The end of the war transformed this informal means of creating

economic opportunity through education into officially sanctioned educational reform practices as the primary focus of post-war reconstruction (Edwards, 2014; Mordy, 2020).

Twelve years of brutal war consisted of military spending sucking resources away from social spending and destroying public infrastructure throughout the country, ending with up to 80% of the rural population unemployed (Mordy, 2020). El Salvador's government understood that a commitment to continue community-supported popular educational reform would be the key to rapidly rebuilding the country's economy (Mordy, 2020), especially in conflict areas where access to education had been especially restricted (MINED, 1995; Cox-Edwards & Ureta, 2014). The government did make significant strides to enroll children in school, establishing the goal for El Salvador's 200th national anniversary in 2021 to have every child graduating high school (Mordy, 2020). Such strides included prohibiting secondary school fees; increasing public spending on education by 1.5% to 3% of GDP from the early 1990s to the early 2000s; offering night school classes to students who require them; new vocational and technical programs which were meant to motivate students and ensure employment after graduation; teacher training and incentive programs; free school supplies and uniforms; and reforming the curriculum to "teach them the values, attitudes and behaviors fundamental for peace" (MINED, 1995; Mordy, 2020).

This effort did present significant advancements in the educational sector in the years surrounding its implementation. For example, the primary school completion rate among Salvadoran youth ages 15-16 was only 24% in 2000, yet it jumped to 87% in 2014 (Mordy, 2020). However, in 2014 still, only 35% of Salvadoran young adults had earned a high school diploma (UNESCO, 2018; Mordy, 2020). It is true that, despite the tremendous effort to reach such an ambitious goal, access to education and educational enrollment has struggled to prevail in the past decade throughout El Salvador. Moving forward, with only six years left before the

2021 goal, approximately 9.7% of secondary school students were overaged in 2015, rising to 10.29% of students in 2017 and 10.42% in 2018 (MINED, 2021). With this significant portion of the population meant to graduate soon, in addition to the 31.64% of youth aged 15-17 years old out of school in 2018 (MINED, 2021), it did not seem hopeful that the 2021 goal of "high school for all" would be met. Indeed in 2021, only 61.5% of 16-17-year-olds were enrolled in secondary education, on track to graduate high school (MINED, 2021).

Since setting the 2021 goal of committing every child to graduate high school, most overaged students, or educationally excluded, and out-of-school youth were those students of more impoverished and gang-occupied communities (Mordy, 2020). It is interesting to note that these are the exact sort of communities that had been the focus of the 2021 goal, which intended to reconstruct and grow the economy through education. It was the same experts that suggested high school education as the best goal in the effort to expand economic opportunities who warned that leaving the poor behind in access to education would only contribute to greater crime and violence (Mordy, 2020; Rincón et al., 2005). Indeed, the struggle to ensure widespread educational attainment has compounded with significant increases in violence and gang consolidation.

## Education as economic opportunity

Many countries throughout the world, including El Salvador, have prioritized education as a means of reconstructing economic growth in post-conflict territories (Buckland, 2016) due to the widespread acceptance and prescription that investment in education is a key factor in generating economic opportunities (Dahbura, 2018; Radcliffe, 2021; Negara & Utama, 2020). Education is considered a means of generating economic opportunity for youth by providing greater access to opportunities for them to engage in the economy now and in the future through

increased employability and innovation via the acquisition of skill and human capital, creating an overall more competitive economy (Radcliffe, 2021; Bouhajeb et al., 2018; Sombat, 2021). The economic opportunities that come with higher educational attainment likewise correlate with a stronger formal economy (whereas lower levels of education correlate with an expansion of the informal economy) (Mordy, 2020; Zinny, 2022), higher earnings, and overall lower levels of poverty and unemployment (Schanzenbach et al., 2016) which in turn create more economic opportunities.

Educational attainment allows for individuals' acquisition of human capital by teaching individuals both cognitive and soft skills, attractive assets in terms of employability (Schanzenbach et al., 2016). Employers view cognitive skills, such as analytical and problem-solving skills, that allow individuals to work independently and productively and require less management as an asset to their business (Radcliffe, 2021). This means more educated individuals possess a greater likelihood of becoming employed as employers associate their educational attainment with these skills. Employers likewise view these skills and higher education as factors that signal worker trainability, making educated individuals an attractive business investment for future efficiency and productivity (Verahaest & Omey, 2012; Thurow, 1975).

Individuals with higher levels of education and well-established cognitive skills who work productively often receive higher earnings in addition to higher rates of employability (Radcliffe, 2021; Schanzenbach et al., 2016). Soft skills learned from educational attainments, such as motivation, perseverance, and creativity, also have proven associations with higher earnings (Schanzenbach et al., 2016). This is due to education and skills allowing an individual to get a better-paying job. Additionally, individuals with higher skills often choose to pursue

even higher levels of education, further raising human capital and employability (Schanzenbach et al., 2016).

Not only do these skills present the opportunity to engage in the economy through formal employment, but the access to higher earnings that they present offer even more excellent opportunities to engage in the economy. Higher earnings provide individuals with a greater capacity to provide for their immediate needs and the potential for more disposable income, becoming an economic opportunity. The immediate needs, desires, and capacities of a poor person are best understood by that very individual; thus, poor people are most knowledgeable about spending their limited or disposable income to best create even greater economic opportunities for themselves (Fergusen, 2015). Disposable income offers economic opportunities through the potential for savings, and investment in further education, small businesses, or the local economy (Fergusen, 2015).

Studies have also shown educational attainment to produce much higher levels of innovation in individuals and, therefore, an overall more competitive economy (Bouhajeb et al., 2018). Soft skills learned from higher education motivate individuals to continue engaging with and innovating within the economy. In contrast, cognitive skills allow individuals to innovate efficiently and productively. Innovation allows for more significant technological progress, thereby opening up even more economic opportunities by feeding the cycle of increased productivity and, therefore, greater competition in the economy (Bouhajeb, 2018).

Once an individual completes higher levels of education, their increased employability, higher earnings, and levels of innovation contribute significantly to increased economic opportunities. Although, in more impoverished areas, educational attainment may not be a feasible option for families who view time spent on education as equivalent to absent labor in the

short-run (Radcliffe, 2021). While it is important to remember that short term abandonment of labor is often a significant opportunity cost in the short run, once higher levels of education have been attained, the impact of absent labor may be recovered as earnings are higher than they'd have been had there been no investment in education (Radcliffe, 2021).

## Gang impact on education

There are many ways educational attainment becomes less accessible for youth in El Salvador. However, considerable attention should be placed on gang activity as a contributing factor. Gang members occupy and control roughly half of all public schools, according to Francisco Zelada, a headteacher outside of San Salvador (Ross, 2014), engaging in activities such as harassing youth for recruitment, extorting students and teachers as well as committing homicide around school corners (Ross, 2014; Mordy, 2020; Moloney, 2015). These activities resulted in an intense increase in police security within and surrounding classrooms, which has likewise produced adverse effects on youth who lack but are presumed by police to possess gang affiliations (InSight Crime, 2019; Mordy, 2020; ICG, 2017). These high levels of violence strongly correlate with fear that deters caregivers from allowing their children to interact with neighbors (Mordy, 2020), let alone go to school during more violent periods (Dahbura, 2018), while trauma from violence may lead youth to leave school in order to support their family (Mordy, 2020).

In 2012, El Salvador's Minister of Security named public schools in the nation "breeding grounds for gang recruitment" (quoted in Segura, 2012). Many attribute this sentiment to the fact that gang members are themselves school-aged youth and thus seek out their peers to join their gang, sometimes by force (Tjaden & Lasusa, 2016). Gang membership generally consists of resource-poor, school-aged young men (ages 12-23) (ICG, 2017; Dahbura, 2018).

With almost all young males fitting this description, gangs view them as potential recruits and begin preying on youth as young as eight years old (Ross, 2014), using schools as primary sites of influence. Francisco Zelada states in an interview, "He didn't want to join the gang. So they shot him against a wall behind the school," recalling the consequences that have deterred many youths from defying gang orders (Ross, 2014).

Forceful recruitment by gangs leads to a further reduction in future potential educational attainment because once these youth engage in criminal activity, whether by choice or not, it significantly heightens the difficulty of pursuing any type of educational or other future careers outside the criminal or informal sector (Tjaden & Lasusa, 2016). Although a survey published that only 1% of students dropped out due to joining a gang (Mordy, 2020), the detrimental effects of gangs on overall educational attainment are likely under-reported, as gangs likewise target youth that has dropped out of school for other reasons, such as economic hardship, forcibly recruit them and diminish any potential those youth had for eventually returning to school (Moloney, 2015).

Youth fitting the description of gangs experience victimization by gangs and increasingly by the police as well, who are meant to protect them from the violent and criminal activities of the gangs. The introduction of Mano Dura policies as a strong hand means of repressing gang activity gave police authority to stop, search, and arrest individuals based upon suspicion of gang affiliation, allowed for the detention of minors as young as age 12 and placed police patrols inside and around classrooms on school grounds (InSight Crime, 2019; Mordy, 2020; Osuna, 2020; ICG, 2017). Not only have these policies cemented gang ties for individuals who did not previously hold them by sending them to jail with other gang members, but police corruption and abuse have been even more disruptive than the gangs themselves (Mordy, 2020). Indeed, the

implementation of these policies coincided with a spike in violence in murder rates, jumping from 37 in 2001 to 56 per 100,000 in 2006 (Cruz & Durán-Martínez, 2016; Mordy, 2020).

This multiple marginality (Vigil, 2020) between the gang and police victimization of school-age youth as they attempt to engage in their education has produced an environment of violence that has taken a significant toll on students' capacity to complete their education, causing youth to irregularly attend or drop out of school, or even migrate out of the country (Ross, 2014; Mordy, 2020). Caregivers are increasingly worried about children leaving the house at all in gang-controlled territories for fear of their children being attacked or becoming involved in gangs themselves (Mordy, 2020; Rodriguez, 2015). This is especially true for going to school when a child lives in one gang's territory but attends school in a rival gang's territory (Griffin, 2016). In gang-occupied communities, most "families walled themselves off from their neighbors and limited their children's contact with other youth as much as they could in order to stay safe" (Mordy, 2020).

Caregivers especially fear female engagement with gangs during times of heightened gang activity. A young girl named Alicia recounts how many girls are targets for gang violence and how guardians are especially worried about gangs approaching young girls (Mordy, 2020). Attending school at La Laguna in a densely populated and poor city outside San Salvador, Alicia says:

> In my neighborhood, there are almost no girls because all of the girls have gotten together with gang members," she said before naming the small handful who had not. "From there, of the girls like us who are alive… there isn't anyone else, there isn't any other [girl] who doesn't have something to do with a gang member. (Mordy, 2020)

Another young girl named Yanira attested to how gang violence has shaped her capacity for educational attainment. Yanira recounted in an interview how the gang murdered her sister

(Mordy, 2020). In sixth grade at the time, she immediately stopped attending school, ultimately leading to her drop out of school in order to help out her family, who was traumatized by the event and struggling economically (Mordy. 2020).

These stories suggest that increased gang violence strongly influences caregivers' and youths' willingness for youth to attend school. During the gang truce that began in 2012, homicide rates dropped significantly, over 40% from the previous year; and spiked again in 2014, increasing by over 55% when the deal collapsed (World Bank, 2022; Valencia, 2015). Gangs did indeed extend the truce to schools, stating that schools "will not be considered zones of territorial dispute, allowing students and teachers to carry out their educational activities and parents to be free from worry" (Dow Jones Institutional News, 2012). At the beginning of the truce from 2012 to 2013, when homicide rates began to drop, El Salvador experienced an increase in gross secondary enrollment from 73.424% to 77.168% (UNESCO, 2021). Once the truce fell apart in 2014, gross secondary school enrollment continued to gradually decline as gang violence persisted (UNESCO, 2021).

## Conclusion

While reduced school enrollment may not entirely be attributed to rates of gang violence, Francisco Casteneda, the Vice Minister of Education, stated that only 8-10% of the 70,000 out of 1.4 million students who dropped out did so due to gang violence; SIMEDUCO, on the other hand, posits the percentage to be over 50% (Moloney, 2015). It is likely that the impact of gang violence is underreported. For example, the government has attributed many dropouts to parents migrating; however, as Francisco Zelada claims, parents migrate because of gangs (Moloney, 2015).

Many youths have lived experiences in gang-occupied communities that provide evidence of higher levels of gang activity both in schools and the community as detering caregivers from allowing their children to attend school, or otherwise pressuring students to drop out to help cope with trauma. It has been repeatedly shown that communities living with gang presence in El Salvador have higher dropout rates (Melnikov et al., 2020, Mordy, 2020;). Lower attendance levels throughout educational careers also increase the likelihood of dropping out and thus produce overall lower levels of educational attainment, a weaker formal economy, and lower economic opportunity.

## Extortion

A man named "Antonio" survived several encounters with weapon brandishing gang members in La Reina, Chalatenango; they stopped him while driving multiple times and arrived at his home fully armed, demanding an extortion racket in exchange for not harming Antonio or his family, fees often surmounting to $250 at a time, which Antonio paid by taking money out of his own savings (Hernandez, 2022). Several merchants in San Luis neighborhoods and surrounding areas were likewise forced to pay extortion fees that ultimately imposed negative externalities on others when gangs demanded that merchants pay them instead of their employees a Christmas bonus, which is equal to one month of extortion fees (El Diario de Hoy, 2021). These experiences reflect those of many individuals engaged in both the formal and informal economy in El Salvador. An estimated 70% of individuals are affected by extortion carried out by gangs (without considering underreporting), primarily affecting distribution and transportation firms (Brown et al., 2021).

In addition to the cost of violence that accompanies extortion practices (ICG 2017; Neu, 2019), extortion practices produce complex implications for the communities in which gangs

operate. On one side of extortion transactions, a vast amount of negative externalities exist for the portion of the population paying the fee (Brown et al., 2021; U.S. Department of State, 2021; El Diario de Hoy, 2021). This compounds with the proceeds of extortion transactions, which finance the livelihood of gangs and their family and supporters or otherwise put towards investments (D'aubuisson, 2022).

Extortion falls in the overlapped section of a Venn diagram of economic opportunity and informality. The practice arises from the needs of gangs which mostly consist of marginalized victims insufficiently supported by their states and has thus become a makeshift means of an opportunity to engage in the economy. It remains within the realm of informality not only due to its lack of formal structure or oversight by the state but because, most often, those extorted are informal businesses (Papadovassilakis & Dudley, 2020).

## Extortion

With "a total of 31% of Salvadorans reporting having to pay a bribe to access basic public services over the past year" (ICG, 2017), extortion practices are widespread throughout the country. Typically operated in favor of imprisoned gang members (ICG, 2017), extortion serves as the primary economic activity gangs engage in to fund their own and their support bases' livelihoods which together make up approximately 9% of the population (ContentEngine, 2020; Neu, 2019; Brown et al. 2021; ICG, 2017). The actual practice and amount of extortion remain contingent on community variables, such as an individual's relationship to the gang, the size or type of their business, and the profile of gang members themselves (Brown et al., 2021).

While Salvadoran gangs did not start out practicing extortion (D'aubuisson, 2022), the mass detention of gang members as a consequence of Mano Dura policies (see ICG, 2017) resulted in imprisoned members depending on collections from extortion to support themselves

in the prison economy and their families on the outside (ICG, 2017). Gang members prepare themselves so that once arrested, they provide a list of ten people they know to mark as targets for extortion fees for members still on the outside (ICG, 2017). Almost all extortion rackets' operations stem from inside prison walls (Neu, 2019) to support gang members in the prison economy and their support base on the outside.

A single extortion transaction is almost always routed to more than one individual related to the incarcerated member (Neu, 2019). With over 60,000 members and a support base of 500,000, this puts the number of recipients of extortion transactions to be around 9% of El Salvador's population (Aguilar et al., 2006; ICG, 2017; Brown et al., 2021). This portion of the population is supported by women (D'aubuisson, 2022), extremely young and unassuming gang members (Melnikov et al., 2020), or sometimes locals collaborating with gangs who go around to merchants in their territory on a daily basis collecting extortion fees (Papadovassilakis & Dudley, 2020). Some individuals' revenues surmount to upward of $40,000 per weekday, or around $1 million a year (Papadovassilakis & Dudley, 2020). They guarantee their payments through threats, beatings, and inciting fear, as victims know that an absence of payment poses a risk to their lives (Papadovassilakis & Dudley, 2020).

The other 91% of the population not necessarily closely affiliated with gangs nor granted their protection must pay extortion fees in exchange for safety. Gangs have termed their imposed exchange of extortion a "security collaboration" (Hernandez, 2022) in which they resolve formal and informal vendors' territorial disputes and keep thieves at bay. To be sure, the Historic Center of San Salvador, a neighborhood well known for its expansive informal market operating alongside local gangs' extortion rackets, has little to no instances of petty theft, little breaking

and entering, and few reported assaults; furthermore, each of those reported instances involved visitors and not residents of the area (Papadovassilakis & Dudley, 2020).

In addition to the local community, companies and distributors have to pay extortion fees to operate within gang territories (U.S. Department of State, 2021). Gangs often occupy territories neglected by the state or in which low levels of public services or state protection are provided (ICG, 2017). Gangs successfully establish control over these territories by setting up "checkpoints" to restrict mobility in and out of their neighborhoods (Melnikov et al., 2020). This structure, facilitated by access to arms and lack of state or security presence (ICG, 2017; Andrews, 2017), allows for the enforcement of extortion fees with ease.

Territories with higher population densities have higher extortion rates (Papadovassilakis & Dudley, 2020) but still affect individuals across the country. As the most densely populated country in Central America, El Salvador allows for a particular vulnerability to urban overcrowding and easy criminal access to small businesses that depend on cash turnover (ICG, 2017), providing extortion hotspots all over the country. Reported extortion affects 22% of firms across El Salvador (ICG 2017), with 31% of Salvadorans having paid a bribe in 2017 (ICG), 2,114 reported victims of extortion in 2019, followed by 1,345 in 2020 and 1,131 in the first eight months for 2021 (Marroquin, 2020). While considering these numbers, one must keep in mind that reported extortion only accounts for an estimated 15% of all incidents of extortion (ICG, 2017) due to victims' lack of incentive to report either for fear of gang retaliation or mistrust of police authority (Marroquin, 2020; Brown et al., 2021). Extortion likely has a much firmer grip on the economy than any official numbers have suggested.

The structure that gangs use to extort varies depending on the characteristics of the local community, such as business sizes or relationships with the gang (Brown et al., 2021). Gang

members charge all businesses a daily "renta," but often charge larger businesses higher extortion fees, depending on the projected amount of sales or commercial flow, with clothing and retail stores potentially paying up to $10 a week (Papadovassilakis & Dudley, 2020). In other scenarios, businesses are charged based on the space they occupy in addition to a stable fee for protection (Papadovassilakis & Dudley, 2020). Those who have some relationship with the gang, even if distant, may have their extortion fees waived. For example, Francisco Zelada, a headteacher in El Salvador, reported that the local palabrero or gang leader's child attends his school and therefore waives his regular extortion fees (Ross, 2014). In other cases, street vendors who are related to gang members do not have to pay extortion fees (Papadovassilakis & Dudley, 2020).

Arising from the need for financial support after incarceration of gang members, extortion has flourished as an activity that has allowed gangs to fund themselves and their support base while likewise establishing control and "protection" over areas neglected by the state creating strong implications for the communities economy.

## Extortion: in the community

Gang extortion practices are deeply cemented in the everyday economy of the communities that they control and "protect," creating a complex set of implications. Extorted individuals in gang territory most often already operate within the informal economy and lack protective oversight measures from the state (Papadovassilakis & Dudley, 2020). Thus, many struggle with the consequences of extortion and the inherent violence of the activity compounded with existing poverty, sometimes even to the point of dropping out of school (Dahbura, 2018) or forced migration due to the incapacity to pay (Caceres, 2021). That said, many individuals and businesses have built symbiotic relationships with gangs over time (Papadovassilakis & Dudley,

2020). Examining these phenomena allows for a greater understanding of the impacts that extortion has, creating adverse experiences that have left Salvadorans to their own devices to sort out.

Many economic actors struggle in the face of extortion on top of existing hardships. Extortion reduces the capacity for poor individuals to recover from poverty, and with women as primary victims, the targeting and diminishing of economic opportunity becomes gendered (Clavel, 2019). Additionally, extortion raises the cost of doing business so much for some small businesses that costs are passed onto consumers through raised prices (U.S. Department of State, 2021; Brown et al., 2021), further disproportionately affecting poorer households. The pharmaceutical industry has mainly seen prices rise and fall in tandem with extortion rates, creating more negative externalities regarding access to healthcare (Brown et al., 2021).

Furthermore, the violence that comes with extortion strongly correlates with the exodus of Salvadorans out of gang-occupied communities (ICG, 2017; Caceres, 2021). Gangs are known to demand thousands of dollars from families, advising them that if they cannot pay by a certain date, they should leave the area, implying death as punishment for not paying; in consequence, many families are unable to come up with the demanded extortion fee and flee for safety (Caceres, 2021). In the school environment, families have been seen to migrate away due to the incapacity to pay a twenty-five-cent charge that comes with attending certain schools with a gang presence (Moloney, 2015). In a similar detriment to educational attainment, higher extortion rates have correlated with lower private school enrollment rates (Dahbura, 2018).

An alternative perspective provides a less harmful lens regarding the relationship between gangs and the small businesses they extort, showing that over time they may develop a "symbiotic" relationship (Papadovassilakis & Dudley, 2020). Functioning mostly in spaces

abandoned by the states, gangs provide regulatory services that many small businesses in densely populated areas depend on for security (Papadovassilakis & Dudley, 2020). Of course, the initial shock of receiving extortion demands impacts day-to-day business activities and market decisions; but over time, business owners prepare themselves for extortion demands and can better account for the costs or even negotiate prices with gang members at times (Neu, 2019).

Gangs do indeed provide certain regulatory measures for informal markets. However, these experiences suffered by extortion victims, while already facing pre-existing economic hardships; and Salvadorans forced to migrate, abandoning their homes and schools in fear of the inability to pay extortion charges, highlight the adverse impacts of extortion on the community that has contributed to a struggle to access economic opportunity. Despite this, extortion practices may introduce an informal means of economic opportunity for the gangs themselves.

## Extortion: between informality and economic opportunity

Extortion falls in the overlapped section on a Venn diagram of economic opportunity and informality. Challenges to doing business in the formal economy have pushed many Salvadorans into the informal economy (U.S. Department of State, 2021), the sector in which gangs primarily engage in extortion practices (Papadovassilakis & Dudley, 2020). Furthermore, it becomes apparent how extortion functions as an economic opportunity when gang members use money collected from extortion to make investments in businesses around the community.

The push that has allowed extortion to flourish within the informal sector in El Salvador was the inability to access the formal sector. When establishing a business, individuals must rationally choose which sector to operate within based on costs; if the costs of entering the formal sector outweigh those of the informal, more workers will gravitate to the informal sector

(Pisani, 2019). The immense size of El Salvador's informal economy proves that the country suffers from barriers to the formal economy.

Indeed, the nation does rank 129th out of 190 in how easily one is able to begin or start a formal business (Pisani, 2019). El Salvador also ranks below the regional average for starting a business and enforcing contracts and well below the regional average for ease in dealing with construction permits and protecting minority investors (World Bank, 2020). The discretionary application of laws and regulations, lengthy and unpredictable permitting procedures, and customs delays likewise diminish the feasibility of working in the formal economy (U.S. Department of State, 2021). Additionally, El Salvador suffers from high levels of corruption (Blinken, 2021), which inhibits the provision of security that usually comes along with the formal sector (Pisani, 2019). Many view the formal sector as costly to engage with when they may more easily work outside of government supervision with fewer complications. The absence of oversight in the informal sector functions as the primary characteristic not only for attracting workers but also gangs for extortion practices.

El Salvador failed to supply its citizens with the means of accessing the formal sector and thus greater security, just as it had failed to protect children of war from becoming gang-involved youth, perpetuating violence. Gangs feed off the informal economy by taking advantage of the lack of oversight to allow gangs to exert extortion practices without consequence. This symbiotic relationship allows for the dominance of informality and violence in El Salvador's society. As such, extortion functions as a means of promoting economic engagement by taking advantage of the limited resources available and high access to the informal economy.

One can better envision extortion as the generation of economic opportunity after examining how gangs use extortion money to engage in the economy. Gangs have indeed

provided evidence of their interest in investing some of that extortion money back into the communities that they control and into furthering their own growing business practices. The neighborhood of Las Margaritas en Soyapango presents a strong example of how gangs have cycled extortion money back into their communities.

One former gang leader named "Hutch" reported that he and his gang clique, the Big Crazys not only financed their lives in Soyapango through a constant stream of extortion funds but also began gravitating towards investment opportunities feasible by such the mass inflow of cash (D'aubuisson, 2022). Hutch used some of the extortion funds to open three bars in Soyapango, where his gang operated, in addition to purchasing pick-up trucks at auctions in California and reselling them in El Salvador (D'aubuisson, 2022). Cliques in Las Margaritas have also been reported buying "136 vehicles in the last two years, putting them to use as taxis or with Uber" (D'aubuisson, 2022).

Gangs provide the most essential items, from gasoline to owning three bakeries and controlling all flour distribution in the territory; the neighborhood's economy has become completely engulfed in and dependent on the economic opportunities generated by gangs (D'aubuisson, 2022). In a way, their control over the market is an investment in a greater level of security for their community. It is true that certain gang-controlled communities have little to no instances of petty theft, little breaking and entering, and few reported assaults (Papadovassilakis & Dudley, 2020).

These investments not only generate even greater economic opportunities and security for gang members and their support base but also shows that gangs have taken advantage of their capacity to engage in the informal sector and their leverage over the community to provide and control services that were not being provided in the formal sector. The ways in which gangs use

this extortion money force us to consider extortion as an economic opportunity, as it indeed generates and controls a variety of services throughout the country.

## Conclusion

Extortion is undoubtedly a violent activity that can be severely disruptive to everyday lives in El Salvador. Still, one must recall that extortion arose from the need for economic opportunity. At close examination, gangs use extortion to exploit El Salvador's vast informal economy to create their own economic opportunities. Gangs later recycle these economic opportunities back into their own communities through investments and the implementation of security measures that the state failed to provide. Perhaps this answers part of why economic growth, while low, does not fluctuate with gang violence and activity in the country; because they operate primarily in the informal sector and because they may be cycling money right back into the economy.

# Remittances

The United Nations High Commissioner for Refugees (UNHCR) reports on a woman named Isabel, the 33-year-old widow of a fisherman named Isaias, living in central El Salvador (Gaynor, 2021). Isaias was murdered after he was unable to pay the extortion fee of $1000 to the local gangs within the twenty-four-hour time frame they gave him (Gaynor, 2021). Isabel claims that following the death of her late husband and her funeral, gangs threatened the rest of the family as well; she states: "They killed my husband and they threatened me. If I'd stayed, they'd have killed me too," (Gaynor, 2021). Similar to Isabel's story is that of José de Eugenio López, interviewed by Aljazeera (Cuffe, 2019). López was interviewed whilst on his third effort to migrate out of the country, claiming that "In [El Salvador], crime makes it impossible to live.

There are too many gangs. There are too many death squads," (Cuffe, 2019). Whilst recounting his efforts to migrate, Lopez notes the goal of finding work abroad in his most recent journeys (Cuffe, 2019). Many more migrants from El Salvador tell the story of gang violence-inciting, enough fear to push them out of their own country. However, it is the subsequent flow of remittances that follow that come to take center stage in this section.

As the town of Intipuca can claim, remittances have been a significant source of income and generator of economic opportunities in El Salvador. Intipuca lies in the La Unión municipality, known for its presence of criminal actors, with MS-13 having 12 factions in the municipality alone (InSight Crime, 2021a). This town has earned the nickname "Most Gringo Town in El Salvador" after about half of the town's population has migrated to the U.S. to send home remittances (Brigida, 2018). Those left behind in Intipuca make up a town full of residents, similar to the 79% of remittance recipient households that would begin falling into poverty if remittances stopped (Keller & Rouse, 2016). Accounting for 22% of GDP in 2021 (Content engine, 2021), remittances have certainly established a firm grasp on El Salvador's economy and thus the creation of economic opportunity.

## Remittances in El Salvador

Remittances have held a long-standing relationship with El Salvador's economy since the first diaspora of Salvadorans out of the country, fleeing the civil war of the 1980s (Cox-Edwards & Ureta, 2003). Today migration and the subsequent remittances that follow remain viable options as a means of maintaining a presence in and engaging with the financial sector to the point that the Salvadoran government began to promote migration and praise migrants sending remittances home, using the discourse as a development strategy for stimulating the economy

(Wiltberger, 2014). Although, gangs do indeed play a role behind the curtains as to why this economic opportunity cannot be accessed at home and must be outsourced through remittances.

The timeline of remittances to El Salvador demonstrates how the importance of this informal income has grown to influence the economy, with remittances representing 0.3% of GDP in 1980, 7.6% in 1990, 11.2% in 1998, and 18.7% in 2018 (Acosta, 2019). Remittances have become entrenched as a significant source of household income. In 1997, approximately 14% of rural households and 15% of urban households received remittances from relatives or friends living abroad (Cox-Edwards & Ureta, 2003). As more and more individuals migrated out of the country, they facilitated the subsequent migration of their family and friends (Acosta, 2019). Up to one-fourth of the population now lives abroad, financing their families back home in El Salvador, allowing remittances to grow, constituting the country's largest form of revenue in 2014 and, more recently, accounting for 22% of GDP in 2021 (Content Engine, 2020).

El Salvador's Central Bank estimates that Salvadorans living abroad, primarily in the U.S., send 3.5 billion dollars each year through El Salvador's annual remittance account (Wiltberger, 2014). The impact of remittances on the recipients in El Salvador is even more astonishing when considering that the effect of remittances surpasses 10x the size of other income in urban areas (Cox-Edwards & Ureta, 2003). It is essential to note the sizable effect of remittances on recipients to understand their power to allow for more significant opportunities otherwise inaccessible in such a vulnerable economy.

Remittances have had such a sizable impact on the economy that even the government has invested time promoting and praising Salvadorans living abroad and sending remittances home as a development opportunity. Several acts were implemented that fundamentally facilitated the flow of remittances into the country. A 1999 Investment Law eased remittance

flows by allowing unrestricted remittance of royalties and fees, and in 2001, El Salvador's dollarization supported remittances from the U.S. (U.S. Department of State, 2021).

The government has likewise made efforts to show its appreciation for the three million Salvadoran citizens living abroad, 2.5 of whom live in the U.S., by approving voting for all those abroad (Content Engine, 2021). When Congresswoman Ana Figueroa states: "[migrants] are agents of change and should have a say in the decisions that are made in the country" (Content Engine, 2021), labeling El Salvador's agents of change as those furthest removed from the country, she emphasizes the view of remittances as a sufficient avenue for growth.

Out of the individuals who do migrate out of El Salvador to send remittances home, 62% are males (Acosta, 2019); who may be the presumed husbands or sons of women left behind, who appear more remittance dependent than men overall in El Salvador (Orozco, 2016). That said, a growing number of women and children are migrating out of the country (Gaynor, 2021). This is likely due to how gangs target Salvadoran citizens, recruiting young men and extorting women (see Extortion and Education chapters).

## How gangs cause remittances

While various reasons may cause individuals to migrate out of the country and send remittances home, many individuals acknowledge the environment produced by gangs as a primary factor. Eduardo Escobar, executive director of Acción Ciudadana in El Salvador, states: "In El Salvador, in general, people live day to day in survival mode, hoping you don't get killed, hoping you have at least some beans to feed your family" (Valverde, 2020). These references to homicide and extortion by gangs support the idea that a vast amount of migration is motivated by gang violence (Content engine, 2021; Gaynor, 2021; Osuna, 2020; Menjívar & Cervantes, 2018).

Gang violence as a motivation for migration has been higher for women especially (Gaynor, 2021). In addition to having some of the highest homicide rates in the world, El Salvador also has the highest femicide rates (Osuna, 2021). Many women flee because they know they will have to face violence at the hands of the gangs but do not have faith in the state to protect them. Valverde (2021) quotes Cecilia Menjivar, "In theory, the laws to protect women from violence are there. In practice, they are completely empty of any teeth," suggesting many women may see fit to flee to a state that they believe will be able to protect them.

Children are likewise increasingly likely to migrate due to threats from gangs. The Guardian reports that an interview of Salvadoran youth showed that 60% of children gave violence, crime, and gangs as their reason for leaving El Salvador (Lakhani, 2014). Indeed, following the collapse of the gang truce, a time in which homicides jumped over 55% (World Bank, 2022), border apprehensions of unaccompanied Salvadoran minors more than tripled from 5,990 in 2013 to 16,404 in 2014 as a result of the overall immense influx of individuals fleeing a spike in violence (Menjívar & Cervantes, 2018; Lind, 2014). One may argue that the increase in apprehensions was not due to increased migration and movement but rather due to increased border security. While U.S. border security did increase in the year 2014, it increased as a *result* of the rapidly heightened movement of youth following high levels of violence in Central America (Anastario et al., 2015). In fact, surveys (Anastario et al., 2015) indicated that as the year dragged on and violence and crime continued to rise after the collapse of the gang truce in 2014, Salvadoran youth themselves increasingly began to cite violence as their reason for migration more and more.

In a similar vein, reports claim that police officers are increasingly fleeing the country to find work in the U.S., resettling as refugees (Sieff, 2019). Because their employment in El

Salvador made them broadly targeted by gangs across the country, certain officers fear for their lives under the brutality of gangs, believing that "[the gangs] have more control than we do" (Sieff, 2019).

There may exist reasonable doubt that gang violence truly motivates a substantial number of individuals to migrate; however, victims are only reporting gang violence as a reason for migration ⅓ of the time is the result of the widespread and well-understood notion of "ver, oír, callar," calling for victims of and those under the threat of gangs to "see, hear, shut up" (Ross, 2014, Lovato, 2020). Despite this, sources do exist attributing a significant amount of migration to violence (Anastario et al., 2015; Lakhani, 2014). Overall, the effect of gangs surely motivates a sufficient number of Salvadorans, specifically women, youth, and police officers, to flee the country in fear, ultimately leading them to become remitters for their family and friends they left at home.

## How remittances generate economic opportunities

Remittances must indeed begin with the investment in migration which does indeed hurt the economy by removing human capital from the labor force; however, once the returns on that investment come back in the form of remittances, there is a much greater set of economic opportunities to follow. Acting almost as microcredit, remittances provide the generation of economic opportunity for individuals by allowing them to engage in the economy through funds outside of their regular income. El Salvador's government has for a long time supported the investment in remittances, aware of how they have spurred economic growth. This adamant support stems from the economic opportunities they generate by relaxing constraints on household budgets (Cox-Edwards & Ureta, 2003) which surely leads individuals to reassess household decisions regarding labor supply and occupational choice, investment, and education

(Docquier & Rapoport, 2006). It is not only these household decisions that also possess relationships with the informal sector but the informal agreement itself that these households make to invest in migration and remittances allows us to consider remittances an informal economic opportunity despite their government promotions. Increasingly, scholars recognize remittances as informal social arrangements within families and communities (Docquier & Rapoport, 2006).

El Salvador has encouraged the sending of remittances both through state discourse, claiming remittance sending citizens as "agents of change (Ana Figueroa quoted in Content Engine, 2021); and through real actions, such as allowing citizens living abroad to vote (Content Engine, 2021) and facilitating an easy flow of money from abroad into the country (U.S. Department of State, 2021). The reason for taking such a strong stance behind remittance sending is the release of tension remittances provide recipient households with, providing them with additional income to engage in the economy past their immediate needs allowing them to reassess household decisions in terms of labor supply, and occupational choice investment, and education (Docquier & Rapoport, 2006).

In terms of labor supply and occupational choice, remittances have shown a strong relationship with the informal economy through the reallocation of recipients' labor, allowing individuals to pursue work in the informal economy while maintaining a supportive income. The informal agreements among members of a recipient household lead to labor reallocation patterns generated by remittances, which present themselves as non-extensive and generally lie within households, mainly among females (Acosta, 2019). Adult females from recipient households are less likely to participate in the local labor market and more likely to work on their own farms (Acosta, 2019). Additionally, access to remittances significantly positively correlates with male

self-employment (Docquier & Rapoport, 2006), with a 5.5% increase in probability (Acosta, 2019). This shift toward more household and self-employment, which tend to fall under informality (Ivlevs, 2016), is facilitated by remittances and their capital.

Remittances provide a safety net for the qualms involved with informal work (Ivlevs, 2016), allowing individuals to invest in the work they desire without worrying about survival. In especially highly volatile environments as El Salvador is, remittances act as an insurance mechanism (Halliday, 2006; Yang, 2008; Acosta, 2019). In fact, remittances may be more well established as a safety net, with migrants sending remittances home when recipients are experiencing economic emergencies than established as regular informal income (Coutin, 2007). This informal arrangement within the household holds the same structure as arrangements that facilitate investment. Remittances function for individuals as essentially unrestricted private financial flows which may finance investments and consumption (Chami & Fullenkamp, 2013).

Indeed there is an increasing association between remittances and private capital flows, leading the U.S. State Department to consider remittances and FDI to have similar economic impacts (Chami & Fullenkamp, 2013). Thus, if we view remittances as microcredits for recipients, we can expect similar behavior to microcredit recipients, which show high saving and investment rates (Anzoategui et al., 2014). For example, a microcredit program in India showed recipients making a greater investment in business durables and business profitability increasingly improving for many existing businesses (Anzoategui et al., 2014). Remittances would allow for similar habits by financing the cost of investing directly for recipients (Chami & Fullenkamp, 2013). Indeed evidence has shown that remittances raise investment in small businesses (Docquier & Rapoport, 2006). It is true that in El Salvador, surveys as early as 1990 (Lopez-Calix & Seligron) show an average of 16% of remittances put toward investment

purposes. Remittances used for investments absolutely fall under the generation of economic opportunity as they facilitate greater engagement in the economy through active business engagement and the potential for the future growth of businesses.

Lastly, remittances may not be used for concrete business investment purposes but rather for the investment in education to generate future economic opportunities. In El Salvador, where the narrative of educational importance to the economic growth of the nation is highly prioritized, remittances have shown a significant impact on school retention rates, having a larger effect than other types of income (Cox-Edwards & Ureta, 2003). In urban areas, 15 % of remittances go to an investment in education and health. In contrast, in rural areas, that number drops to 7% (Cáceres & Saca, 2006). Some studies (Cox-Edwards & Ureta, 2003) have shown that children in rural households receiving one hundred dollars in remittances a month have a 56% lower probability of dropping out of school than those in urban households have a 24% lower probability. As previously examined, education is a huge factor in the generation of economic opportunity in sites of re-constructing the economic growth of post-conflict territories by increasing employability through the acquisition of human capital, cognitive skills, and soft skills, which likewise foster higher earnings and strengthen engagement with the formal economy.

The informal arrangement resulting from household decision-making leads these households to decide to send a member abroad to receive remittances that may be used in these ways. Labor reallocation and investments in business and education that occur as a result of receiving remittances do indeed allow for the more significant generation of economic opportunities generally through future potential.

## Conclusion

Though difficult to tie the origin of remittances to gang activity, it is easy to imagine the chain reaction that may be seen between gangs enacting violence, inciting fear in individuals, causing them to flee the country, and migrants abroad sending remittances home.

Indeed, gangs and their violence have encouraged an exodus of Salvadorans out of the country, as can be seen with waves of violence in correspondence to waves of migration. We can further compound this with sources citing a substantial number of individuals and youth claiming to be fleeing gangs and their violence (Lakhani, 2014; Menjívar & Cervantes, 2018; Lind, 2014). Thus, we can believe that the majority of individuals that have successfully migrated, 2.5 million of which live in the U.S. (Content Engine, 2021), and send back remittances, do so as a result of gang activity.

# Conclusion

The research and qualitative analysis that this paper present establishes that gangs and their activities within and involving those in the informal sector do indeed produce social ills, such as creating an environment of fear that pushes many Salvadoran youths out of the school system and even out of the country, presenting ultimately negative consequences for economic opportunities, specifically those requiring human capital. On the other hand, the analysis also presents a variety of ways in which gangs and their activities concerning informality have, in some ways, generated economic opportunities. Examination of extortion activities, while detrimental to victims, may produce a greater amount of economic opportunities for gang members and a substantial amount of the population that supports them. These economic opportunities consist of using extortion funds to finance their livelihoods, engaging in the economy through consumption, and also business investments in gang-occupied territories. Additionally, while the outward migration of Salvadorans indeed lowers human capital, the

subsequent increase of remittances that follow waves of migration has become an increasingly important contributor to El Salvador's economy.

Compared to the sections on extortion or remittances, examining the relationship between education and gang activity proved to produce much more negative consequences for the generation of economic opportunities. While many sources may suggest that low educational attainment in El Salvador is explained by reasons other than gangs, many are likely deterred from stating that gangs moved them in one way or another to abandon their education out of fear, thus raising the real impact of gang activity on education above what is generally presented in much of the relevant literature. Furthermore, even if gangs did not act as the primary motivator for abandoning one's education, their local and recruitment activities, in addition to police profiling and harassment of youth, weighed heavily on attendance levels. Throughout an educational career, lower attendance levels increase the likelihood of dropping out, thus contributing to overall lower educational attainment, lower levels of human capital, and the benefits of economic opportunity that come with it.

Just as education does, extortion creates negative implications for gangs' victims of violence. However, extortion differs in that it is a gang activity that, as a whole, does create some positive implications for economic opportunity. Extortion itself arose within the available resources of the informal economy as a grasp for economic opportunity by El Salvador's most marginalized population. As such, it should not surprise one that frequently extortion funds are, in fact, recycled back into the community through investment or security measures, replacing the role of the state in many cases. Furthermore, money collected from extortion ultimately informally funds the livelihood of gangs and their support base, making up just under 10% of the population, obviously impacting a significant amount of economic actors and participants.

Lastly, many view the exodus of Salvadorans fleeing gang violence in search of employment elsewhere, often the United States, as a negative impact for its disruption of families or loss of human capital, but these migrants who leave family behind in El Salvador often send back remittances. Remittances themselves are inherently a grasp for economic opportunity, succumbing to the last resort of abandoning one's home, family, and everything they know to create a livelihood for themselves and informally for their families in a different landscape. Indeed as shown, remittances have grown to support a significant portion of El Salvador's population, to the point where some recipients may enter a crisis if their remittances stop coming. As such, remittances surely create a substantial amount of opportunity for engagement with the economy for recipients.

Understanding that the emergence of gangs reflects a grasp for economic opportunity through informality for a wide set of marginalized individuals allows us to contextualize their activities as informal economic opportunities and thus the consequences of their activities as potential informal economic opportunities. This research is not meant to claim that the consequences of gang activities are a solution to the low availability of economic opportunity in El Salvador. On the contrary, I wish to acknowledge gangs and their activities as contributing factors to overall low growth. However, a step-by-step examination of how education, extortion, and remittances exist in El Salvador and how the consequences of gang activity influence them presents the case that some of the costs of gang violence are, in fact, recycled back into the economy. This may explain why El Salvador has maintained its low but steady, stable economic growth rate of 2.0 percent since 2000 without fluctuation in tandem with spikes or drops in gang violence. While the coexistence between violence and growth should not be considered a viable

structure for continued growth, it shows us that gangs have not caused a significant economic downturn.

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