The halo effect: violent crime and foreign direct investment

Miguel A. Ramos; Nathan J. Ashby

+ Author & Article Information

Purpose

The purpose of this paper is to develop and test theory regarding a geographic halo effect, whereby foreign investors draw overly broad impressions about a country based on high levels of violent crime in specific locations impacting foreign direct investment (FDI) across the country.

Design/methodology/approach

The authors analyze the impact of homicides on FDI by source country into Mexican states from 2001 to 2015. They estimate fixed effect and dynamic panel models controlling for several determinants of FDI at the state level and the potential geographic spillover of such violence from adjacent states.

Findings

The authors find robust support for the existence of a geographic halo effect caused by violent crime. The results show that the highest number of state homicides is associated with lower FDI across states.

Research limitations/implications

The research provides some evidence of the potential role of cognitive biases on FDI decisions. In addition, its focus on Latin America brings attention to an understudied region in international business research.

Practical implications

For practitioners engaged in FDI decisions, the results imply the need to be more aware of potential cognitive biases that may influence them.

Originality/value

Few papers have explored the influence of cognitive biases on FDI.

You do not currently have access to this content.

Sign in

Don't already have an account? **Register**

Client Account

Email address / Username

Password

Reset password
Register

ICE Member Sign In

Log in

🏛 | **Access through your institution**

Purchased this content as a guest? Enter your email address to restore access.

Email Address

Pay-Per-View Access €35.00

🛒 Buy This Article

Rental

This article is also available for rental through DeepDyve.

Read this now at
deepdyve ▸