



Workshop on “Exposure to Armed Conflict and Private Economic Activity”

Program

February 17 – Thursday

10:00 Opening Remarks

10:10 Sami Miaari, Tel Aviv University

Title: Should I trade or should I go (to war)? Lessons from the Second Intifada

Abstract: Do trade shocks affect conflict? The evidence on this question has so far focused mainly on commodity price shocks. This paper moves beyond this focus and uses data from the entire export and import baskets to examine whether changes in Palestinian trade in the second half of the 1990s affected the intensity of the subsequent Palestinian uprising (‘second Intifada’). The findings suggest that an increase of USD 10 million in Palestinian exports of a sector employing 10 percent of the locality’s private employment reduces conflict intensity in that locality by between 12 and 15 percent. The results are robust to instrumenting these trade shocks with factors exogenous to Palestinian localities. The effects are the opposite sign and similar magnitude for imports once the import competition channel is isolated. The paper provides evidence that these results are more consistent with the opportunity cost mechanism than by the resentment of Palestinians towards Israel due to the loss of the Israeli market.

Discussant: Roberto Nistico

10:50 Roberto Nistico, University of Naples

Title: Mothers at Peace: Post-Conflict, Fertility, and UN Peacekeeping

Abstract: Armed conflicts crucially shape individuals’ long-term decisions, including reproductive behaviour. For one, war-torn regions are characterized by increased social insecurity, a loss of reproductive health services and lower female education. These

factors, combined with the increased value of child labour and a desire to replace children lost to the conflict, should result in higher fertility rates among women exposed to violence. At the same time, it is also plausible that individuals postpone childbearing in expectations of better times or because they prioritize child quality over quantity. Given the theoretical ambiguity, extant empirical evidence is overall inconclusive. As lack of security is a key factor in shaping decisions, we explore how the provision of a stable and secure environment through the deployment of UN peacekeepers affects fertility behaviour. We study the case of Liberia, which hosted one of the largest UN peace operations, deployed between 2003 and 2018 to support the implementation of a peace process in the immediate aftermath of the Second Liberian Civil War. Liberia currently has one of the highest fertility rates in the world and we are able to use two rounds of the Demographic and Health Surveys (DHS) carried in the country to study fertility before, and during the military intervention. We leverage geo-coded information on peacekeepers' subnational deployment and data on maternal and child health, fertility and childlessness using birth histories of women from the DHS. The granularity of the data - in particular the distance between peacekeepers' presence and the location of respondents - allows us to probe whether this link is causal, and which mechanisms are likely at play. Two key results emerge: first, women exposed to the local presence of peacekeepers are characterized by lower likelihoods of having a child in the post-deployment period. Moreover, the effect is heterogeneous by age, marital status, parity, education level and type of location (rural vs urban). Second, UN peacekeeping increases the probability of contraceptive use, maternal health at childbirth and childbirth outcomes, and improve women's autonomous decisions on earnings, thus suggesting that the negative effect on fertility might be mediated by an increase in parental investment and women's empowerment.

Discussant: Elisa Cavatorta

11:30 Break (10 min)

11:40 Elisa Cavatorta, Kings College London

Title: Does exposure to violence affect reciprocity? Experimental evidence from an ongoing conflict

Abstract: This paper studies how reciprocity in the forms of conditional cooperation and vindictive behaviour is affected by exposure to violence in a field experiment with adolescents living in a conflict setting. We find that exposure to violence affects reciprocity of Palestinian adolescents: those more exposed to violence engage in more

reciprocal behaviour in both the domain of cooperation and that of aggression. Part of the effect is explained by changes in the beliefs about their peers' behaviour. A re-analysis of micro-datasets from other conflict contexts provides evidence of the generalizability of our results.

Discussant: Arzu Kibris

12:20 Arzu Kibris, Warwick University

Title: Individual exposure to armed conflict and entrepreneurship

Abstract: We study the individual level impacts of exposure to armed conflict on entrepreneurial activity. We introduce new data from a large-N field survey we conducted in Turkey in 2019. Our study is built on a natural experiment setting that allows us to identify random exposure to armed conflict, to establish a clear timeline, to isolate the individual effects from any conflict induced deterioration in the economic environment, and to demonstrate the causal impact of armed conflict exposure. We show that while exposure to the conflict environment reduces the likelihood of private economic activity, those individuals who directly experience traumatizing violent events in that environment become significantly and substantially more likely to setup their own business. However, results also indicate that, while they are more likely to venture into private economic activity, these individuals are also more likely to fail in those ventures. Our analyses indicate exposure-induced changes in outlook on life as a potential mechanism behind these causal associations.

Discussant: Tommaso Ciarlo

13:00 Lunch (1 hour)

14:10 Michele di Maio, Sapienza University of Rome

Title: Firms amid Conflict: Performance, Production Inputs, and Market Competition

Abstract: We study the effect of conflict on firms' economic performance and explore the underlying mechanisms. Combining an original panel dataset of Libyan firms with geolocalized data on conflict events, we build a firm-specific measure of conflict exposure and use its within-firm variation to show that the relationship between conflict exposure and performance is convex. This is the result of two opposite mechanisms. Revenues decrease because of the conflict-induced lower availability of production inputs. At the

same time, revenues tend to increase for surviving firms that face weaker market competition because of the conflict-induced reduction in the number of competitors.

Discussant: Andres Moya Rodriguez

14:40 Ana Maria Ibanez, Universidad de Los Andes and InterAmerican Development Bank

Title: Life Out of the Shadows: Impacts of Amnesties in Migrants' Lives

Abstract: This paper examines the well-being effects of a regularization program offered to half a million Venezuelan refugees in Colombia. For this purpose, 2,232 surveys to refugee families were collected and used to compare refugees who arrived in Colombia around June 8th, 2018—which defined the program's eligibility. The program's beneficiaries experienced improvements in consumption (60 percent), income (31 percent), physical and mental health (1.8 standard deviations), registration rates to the score used to target social programs (40pp), and financial services (64.3 pp), relative to the other refugees. The program also induced a change on labour formalization.

Discussant: Michele Di Maio

15:20 Break (10 min)

15:30 Tommaso Ciarli, University of Sussex

Title: What Drives Small Firm Performance Under Violent Conflict?

Abstract: In this paper we study the impact of violent conflict on the performance of non-farming enterprises in Nigeria between 2010-16, and the mechanism that drives the impact. NFE are largely informal micro firms, owned by households. We find that their productivity and the probability of making profits fall sharply under conflict. This is mainly driven by a fall in sales, not accompanied by a fall in labour. We next study if the fall in sales is due to a reduction in investment, final demand, or both. We find no supportive evidence that violent conflict reduces household's expenditure in the same are. However, because the available data do not allow to properly disentangle quantity demanded and price, this may be due to an increase in prices. We do find a strong positive impact of violent conflict on the costs of factor prices (except for labour) and a related decrease NFE's investment in capital and material inputs. We distinguish between the overall impact and the intensive margin. We also test if behaviour and performance differ across sectors, and for firms selling to different markets and find small differences. To

identify the impact of violent conflict we exploit three instrumental variable strategies that exploit ethnic differences, in combination with inequality, in a country that is highly fragmented. Results are robust across several definitions of ethno-linguistic groups and IVs.

Discussant: Hale Utar

16:10 Hale Utar, Grinnell College

Title: Firms and Labour in Times of Violence: Evidence from the Mexican Drug War

Abstract: This paper examines how industrial development and employment in an emerging economy are affected by urban violence due to drug trafficking. Employing rich longitudinal plant-level data covering all of Mexico from 2005–2010 and exploiting plausibly exogenous spatiotemporal variation in homicide rates during the outbreak of drug-trade related violence in Mexico, commonly referred to as the Mexican Drug War, I show that violence has a significant negative impact on manufacturing establishments' output, product scope, employment, and capacity utilization and that the impact is very heterogeneous. Dissecting within- and cross-establishment heterogeneity points to two underlying channels through which rising violence affects firms: local labour supply and local demand channels. The results show both channels co-exist and operate at both the intensive and the extensive margin. By affecting smaller, local, and female-intensive plants more, the rise of drug violence has significant distortive effects on domestic industrial development in Mexico.

Discussant: Ana Maria Ibanez