

IDE Research Bulletin

Research Summary based on papers prepared for publication
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Economic Analysis of Political Shocks

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The aim of this research project is to examine the influence of political shocks on the socio-economic outcomes. Based on micro-level data, the following two empirical studies were conducted.

Malaria Infection and Infant Mortality during the War: Evidence from Liberia

One legacy of civil war is the interruption of health accumulation. Following several pioneering studies (e.g., Akresh et al., 2011; Akresh et al., 2012a; Akresh et al., 2012b; Alderman et al., 2006; Bundervoet et al., 2009; Minoiu and Shemyakina, 2012), one recent, leading question is how an armed conflict harms human capital stock rather than whether such harm occurs at all (Blattman and Miguel, 2010, p. 42). This question is important when designing effective assistance programs both during and after the conflict and to better understand the long-term influence of war on economic development.

Although malaria has historically been considered one of the most important causes of violence-induced mortality and morbidity (Collier et al., 2003; Ross, 1910, p. 577), few economic studies have rigorously assessed its influence. Armed conflict greatly increases the risk of malaria-related mortality because people seeking to escape from battle-ridden areas often hide in and/or travel through malaria-prone bushes and forests and are unable to follow typical preventive actions (e.g., Foster et al., 2009). Furthermore, despite this increased infection risk, appropriate treatment is often unavailable as health services are impaired due to the war.

By focusing on the Liberian civil war, this study explores whether the armed conflict increased infant mortality by exposing pregnant mothers and their children to a high risk of malaria infection. By comparing changes in mortality for children conceived before and after the outbreak of this war between high and low malaria-endemic areas, this study observed that a one-percent increase in conflict-induced malaria infection risk caused a 0.44-percent increase in one-year infant mortality. This elasticity is potentially a lower-bound effect of malaria infection risk, and it could be used as a reference point in future research exploring the influence of such risk on infant mortality.

As maternal passive immunity waned, this negative health effect gradually increased and became more statistically significant. Moreover, infants conceived in rainy seasons by young mothers residing in rural, battle-intense areas faced more serious adverse health consequences. On the other hand, a significant gender difference for the mortality effect was not observed. The importance of this passive immunity and heterogeneous mortality consequences for infants conceived by geographically, seasonally, and (possibly) immunologically high-risk mothers may assist policymakers

and practitioners in determining target groups for aid programs during inter- and post-war periods.

Sanctions and Public Opinion: The Case of the Russia-Ukraine Gas Disputes

Why are economic sanctions so often ineffective? While the causes behind the poor performance of sanction initiatives remain unresolved in the literature, one prominent explanation holds that sanctions can lead to a rally-around-the-flag effect. According to this view, perceived political grievances and/or economic harm resulting from sanction policies gives rise to a popular backlash, at times manifesting itself in greater patriotism and nationalism in the target country.

The rally-around-the-flag hypothesis for countries suffering from economic sanctions has been little studied empirically, mostly due to problems of data availability on the political views of citizens in the target state. We fill this gap by looking at a trade dispute between Ukraine and Russia, which resulted in a collapse of Russian natural gas exports to Ukraine and in a dramatic rise in gas prices.

This case offers a unique opportunity to quantify the effect of trade sanctions on political opinions in a targeted country. We can take advantage of this opportunity thanks to the Ukrainian Longitudinal Monitoring Survey (ULMS), which was conducted in both 2004 and 2007. Using a multinomial logit approach, we analyze the formation of citizen preferences regarding political and economic systems in Ukraine after Russia used its economic leverage in the gas market to increase gas prices in Ukraine, controlling for individual preferences before the sanctions were applied.

We find strong evidence of a rally-around-the-flag effect. Our findings show that people more directly affected by the sharp increase in gas prices were substantially more likely to change their political views in a "pro-Western" direction and in support of a more open democratic system. We identify a similar effect regarding economic policies, leading to more than a doubling in the likelihood of supporting liberal market views. Suggestive but less conclusive evidence also suggests that Ukrainians who were more directly affected by the dispute were more likely to support joining the European Union.

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