

ESSAYS ON THE IMPACT OF ARMED CONFLICT ON PREFERENCES: EVIDENCE FROM RURAL NORTHERN UGANDA

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Summary

Violent armed conflicts remain an obstacle to development for developing countries, and the occurrence of such conflicts since the early 1980's has been concentrated in low-income countries. The literature has hitherto shown that the negative effects of armed conflict are indisputable, and include destruction of physical and human capital, loss of human lives, displacement of civilians, increased poverty levels, institutional decay, capital flight, temporary drops in income, discouragement of investment, changes in behavior and decision-making, among others. The exposure to armed conflict has indeed exacerbated disparities in global social and economic development.

Recent studies have found that armed conflict affects individual preferences, yet, preferences do influence important economic decisions and are at the very heart of development economics influencing important economic and social decisions such as savings, investment, trade and participation in collective action activities. If indeed exposure to armed conflicts affects preferences, post-conflict reconstruction programs need to take individual preferences into consideration so as not to hinder the progress of reconstruction programs or trigger long-term welfare consequences for those exposed to conflict. Therefore, given the significance of preferences, it is of high importance that we accumulate evidence whether exposure to armed conflicts affects preferences.

The northern region of Uganda experienced armed conflict by the Lord's Resistance Army for close to twenty years. Many of the affected residents in the northern region were forced to migrate to Internally Displaced People's camps during periods of severe conflict and thousands of deaths were recorded. Despite the numerous targeted interventions of post-conflict reconstruction programs in northern Uganda, poverty and under-development have remained significantly high in the region which poses challenges in reducing regional inequality in Uganda.

Using lab-in-the-field experiments to elicit individual preferences, we examine the impact of exposure to armed conflict on preferences ten years after the conflict ended. The lab-in-the-field experiments include the risk and time preference, trust and dictator experiments. Specifically, the study examines the effect of exposure to conflict on risk aversion, loss aversion, time discount rates and trust. In addition, this study uses individual-, household-, and community-level data collected in northern Uganda as part of the Research on Poverty, Environment and Agricultural Technology (RePEAT) project. The study also examines whether the behavior of the subjects in the experiments translates into systematic differences in real-life behaviors related to preferences. Our main identification strategy is grounded on the randomness of the conflict in terms of subject abduction and household displacement, in addition to addressing endogeneity concerns related to number of deaths as a conflict exposure variable measured at county level.

The first of two main chapters of the dissertation examines the effect of exposure to armed conflict on risk and time preferences, and real-life behavior related to risk and time preferences. We find that exposure to armed conflict induces higher loss aversion and time discount rate, but has no effect on risk aversion and present bias. Those who were abducted during the war and those who resided in counties with higher number of deaths during the conflict (severely affected counties) show higher loss aversion, while households who were displaced to internally displaced people's camps and those who were in severely affected counties are more impatient. We also find that our results are not

mediated by other recent negative shocks affecting agricultural income and land conflict. In regards to real-life behavior, we find that households who were displaced and those who are in severely affected counties are less likely to invest in health inputs as measured by the use of mosquito bed nets, while those in severely affected counties are more likely to avoid loss as measured by non-use of hired labor for farming. These findings are consistent with real-life behavior. In contrast, we do not find any evidence that conflict exposure decreases adoption of crops with higher risk (export crops and oil crops), high-yielding variety maize (hybrid maize), and hyperbolic discounting as measured by alcohol consumption.

The second main part of the dissertation examines the long-term effects of conflict exposure on trust and real-life behavior related to social capital. We find no evidence of exposure to conflict affecting trust. However, there is a heterogeneous impact among former abductees: those who were abducted when young (below 16 years) exhibit less trust and less trustworthiness. Furthermore, those who had been abducted seem to display higher mistrust when playing with partners from the northern region than with partners from other regions. In terms of real-life behavior, we find that those abducted during conflict are more likely to engage in pro-social behaviors of political participation and collective action. Specifically, we find that those who were abducted are more likely to engage in political participation through voting, take up leadership positions within the community, participate in community groups, and work together with others. We find that assistance received post-conflict and the experience of holding a leadership position while with the rebels are the main channels of fostering pro-social behavior by the abductees.

In both the two main chapters, we estimated alternative tests to ascertain if the real-life behavior results are statistically significant when we adjust P-values using the false discovery rate (FDR) at 0.05 level of significance, and found that none of the real-life behavior results are significant, suggesting that our real-life behavior results should be interpreted with some caution.

The findings from the studies have important implications for public policy efforts to address post-conflict reconstruction programs. On the one hand, exposure to violence might have long-term negative consequences on individuals' attitudes and therefore making it inevitable for policy makers to take preferences into consideration when formulating post-conflict reconstruction programs. This is important because preferences plausibly support the identification of mechanisms that may affect real-life behavior, which may help policymakers design effective policies from an informed viewpoint.

Evidence from our results imply that internally displaced households, abducted individuals and those who were residing in counties with high number of deaths are particularly likely to suffer from the effects of conflict. Policy makers should ensure that these groups are provided with targeted interventions such as consulting, counselling and mental health programs which presumably are likely to improve not only their psychological well-being but also trigger investment and saving behaviors, and long-term economic prosperity. In terms of future research, it would be interesting to investigate the impact of these interventions on the long-term economic outcomes. In addition, policies that are directed at promoting community participation may be essential for post-conflict reconstruction programs to be effective. For example, appropriate interventions that are aimed at increasing trust levels (e.g. counselling services), especially for those who were abducted, should be implemented. This is important for mitigation of the risk of former abductees being exploited and recruited into bandit gangs, given that abducted individuals have mistrust of fellow northerners, and those abducted when young are also less trusting.

On the other hand, the results showed that those who were abducted exhibit pro-social behavior, suggesting that survivor abductees can transform into responsible, productive, and useful members of their communities. Continuous provision of different forms of assistance to exposed individuals, even ten years after the conflict, may therefore be essential in uplifting their social economic welfare and promoting collective action within the society.