

Discussion of “Casualties of border changes: Evidence from nighttime lights and plant exit”

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 1. **Economic consequences of conflict**
 2. **Market access**

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- ▶ Many conflicts involve changes in borders and market access → potentially persistent, uneven and widespread economic consequences
- ▶ Paper provides case study on importance of this channel

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- ▶ Many conflicts involve changes in borders and market access → potentially persistent, uneven and widespread economic consequences
- ▶ Paper provides case study on importance of this channel
- ▶ Extremely topical setting
- ▶ Highly disaggregated data and variation

Comments

1. Are changes in market access induced by conflict “different”?
2. Local vs Aggregate effects
3. Plant exit as outcome variable
4. Public investment as a confounder

1. Are changes in market access induced by conflict different?

- ▶ Conflict begets conflict → expectations about further border changes and disruptions?
- ▶ Tense relationships with (old/new) neighbours and international community → Barrier to integration? Possibility of retaliation?
- ▶ To what extent can a country really gain market access through annexation?

1. Are changes in market access induced by conflict different?

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 - ▶ To what extent can a country really gain market access through annexation?
- Richer discussion of the unique nature of conflict as source of variation in market access would be helpful
- Compare magnitudes with existing market access literature?

2. Local vs aggregate effects

- ▶ Empirical strategy identifies relative effects between North and South regions
 - ▶ What can we learn on aggregate (country-level) costs of conflict?
- How much due to relocation of economic activity? Internal migration?

3. Plant exit as outcome variable

- ▶ Is higher exit necessarily “bad”?
- ▶ Models à la Melitz would predict higher exit of unproductive plants following integration
- ▶ Manufacturing is a declining sector → from 40% of Russian employment in 1991 to 27% in 2019 (ILOSTAT)

3. Plant exit as outcome variable

- ▶ Is higher exit necessarily “bad”?
- ▶ Models à la Melitz would predict higher exit of unproductive plants following integration
- ▶ Manufacturing is a declining sector → from 40% of Russian employment in 1991 to 27% in 2019 (ILOSTAT)
- What types of plants exit?
- Empirically, how does exit of manufacturing plants correlate with other economic outcomes?
- Possible to look at (net) entry?

4. Large Public Investments in Affected Areas



4. Public Investment as a confounder

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- ▶ Paper states “*we do not view this as problematic for our estimates since the activity generated by these projects is directly linked to the new access to the Crimean market*”

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 - ▶ External validity → is this is an important mediating factor?
 - ▶ Investments might have other (political) motives?
- Can you use timing and location of large investments to study their role?

Small Final Points

- ▶ How is the *post2014* dummy in Table 1 not absorbed by year fixed effects?
- ▶ Six measures of exposure → How strongly correlated? Could move some results to an Appendix to streamline exposition
- ▶ Rationale for interaction with *Big City* dummy in border crossing exercise should be explained more clearly
 - ▶ Shouldn't effective distance variable take care of big cities being more connected to border crossings?
 - ▶ How do results look like without this interaction term?

Conclusions

- ▶ Very interesting paper
- ▶ Fresh perspective on economic impacts of conflicts through market access
- ▶ More work on external validity would further sharpen contribution