The long-term causal effect of U.S. bombing missions on economic development: Evidence from the Ho Chi Minh Trail and Xieng Khouang Province in Lao P.D.R.

Takahiro Yamada¹; Hiroyuki Yamada²
¹Ministry of Finance, Japan; ²Keio University

Abstract

This study investigates the long-term causal effect of heavy U.S. bombing missions during the Vietnam War on later economic development in Lao P.D.R. The empirical strategy relies on an instrumental variables approach. We exploit the distance between the centroid of village-level administrative boundaries and heavily bombed targets—the Ho Chi Minh Trail in the case of southern Laos and Xieng Khouang province in the case of northern Laos—as an instrument for the intensity of U.S. bombing missions. We use the three rounds of average nighttime strength data (1992, 2005, and 2013), and two rounds of population density data (1990 and 2005) as the outcome variables. The estimation results show no robust effect of U.S. bombing missions on economic development in the long term. Meanwhile, we find that the results do not necessarily support the conditional convergence hypothesis within a country, although this result could be Lao-specific.

Keywords: Conflict Damage, Economic Development, Conditional Convergence Hypothesis, Lao P.D.R.

Introduction

- Laos is one of the most intensely bombed countries per capita in history; during the midst of the Vietnam War, 1964–1973.
- To examine the bombing effect, we take advantage of the historical fact that the U.S. army dropped a vast number of bombs on the communist supply lines, called the Ho Chi Minh Trail (HCMT).
- Relevant papers verified the effect of wars on economic development include Davis and Weinstein (2002) and Miguel and Roland (2011).

Question 1: This study first asks if the bombing missions during the secret war affected later economic growth in Laos.

Question 2: This study additionally asks if conditional within-country economic convergence existed after the war.

• There is no lasting long-run impact of the U.S. bombing missions on economic development.
• Bombing intensity in regression 5 is positive and statistically significant at the 10 percent level in southern Laos in 2013, which may reflect the positive spillover effect of the HCMT as a transportation network that fostered later economic development in southern Laos.
• The estimation results (i) using the population density as a dependent variable, (ii) the case of northern Laos, and (iii) the robustness tests excluding villages the Ho Chi Minh Trail passed through and within Xieng Khouang province. Those results are consistent to the one in Table 1.

In general, the results of the instrumental variables approach show that there is no robust relationship between bombing missions and long-term economic development as proxied by nighttime light intensity.

Conclusions

- Conditional regional economic convergence hypothesis within a country does not necessarily hold in the case of Laos after the substantial destruction of war.
- We find that the existence of UXOs, contaminating up to 25 percent of the villages and 14 out of 17 provinces in Laos (NRA, 2015), has hampered business and the introduction of new investments into the local economy, resulted in an unbalanced distribution of capital and labor in post-war Laos—a part of reason there is no regional convergence within the country of Laos.

References