

# **THE LOCAL ECONOMIC IMPACT OF NATURAL DISASTERS**

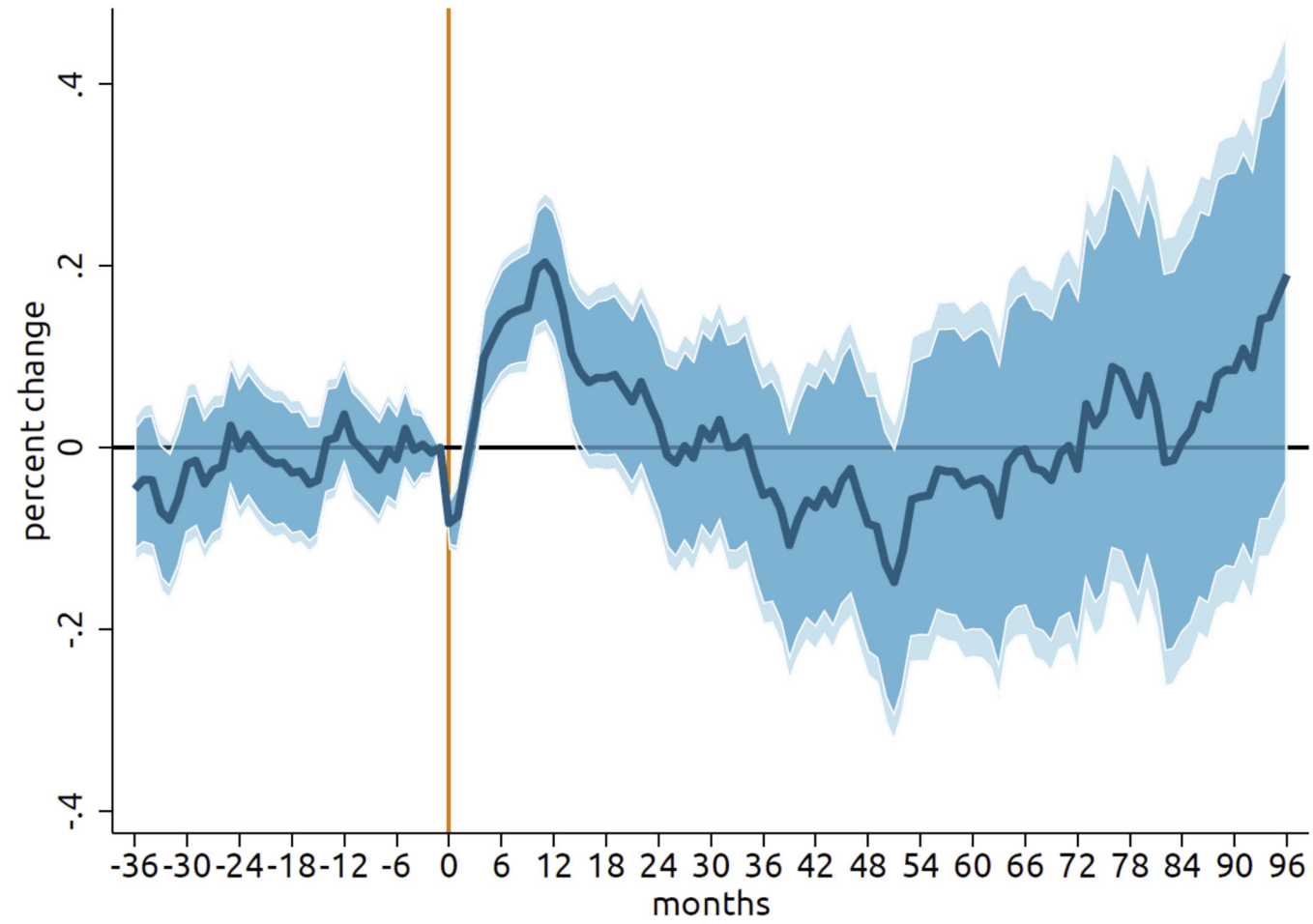
discussion by  
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# DISASTERS AND RECOVERY

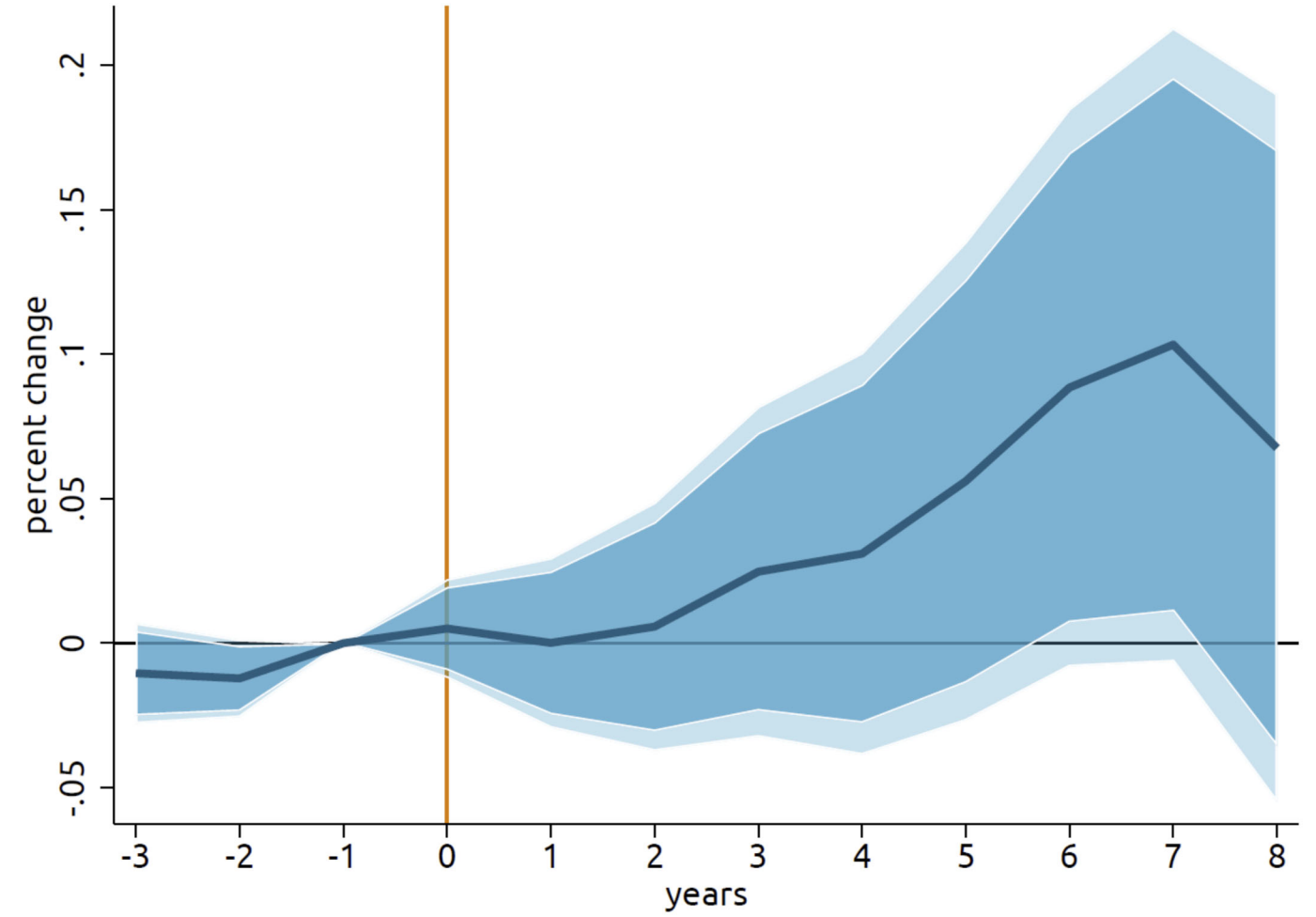
- Renewed interest in the effect of disasters (natural and man-made) on the economy in light of COVID
- Cross-country comparisons are hard
  - Data (definitions, measurement, monetary value of disasters)
  - Institutions
- This paper:
  - Great within-country (U.S.) data
  - Solid econometrics
- Main conclusions:
  - natural disasters are not costly & followed by an economy boom
  - the post-disaster level of economic activity is higher

# HOW BAD IS A DISASTER?

(b) Total Nonfarm Employment

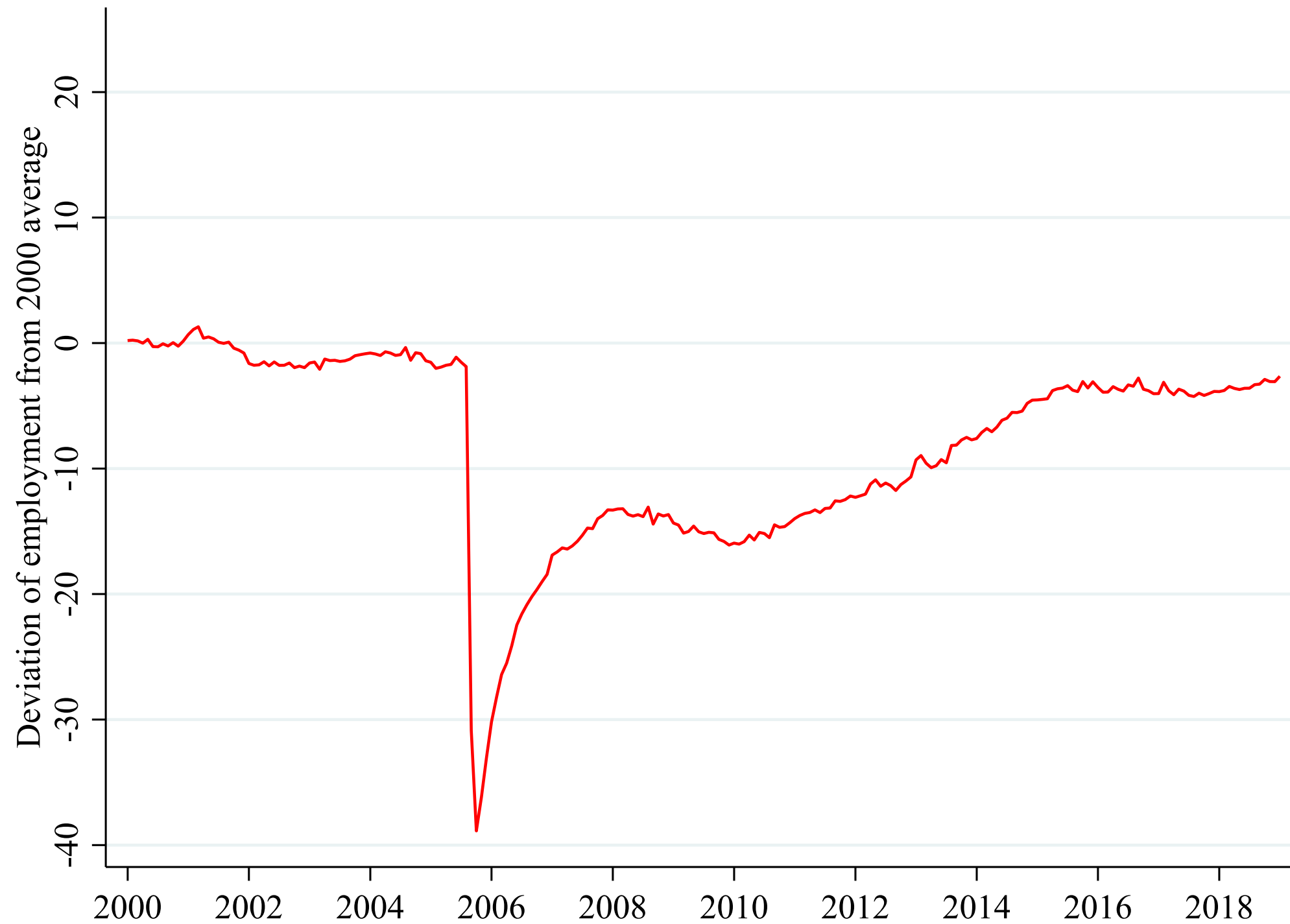


(f) Population



# HURRICANE KATRINA

1,800 deaths and \$125 billion in damage



The fall and persistence are outside ranges estimated in the paper

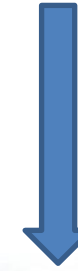
# HURRICANE KATRINA

1,800 deaths and \$125 billion in damage



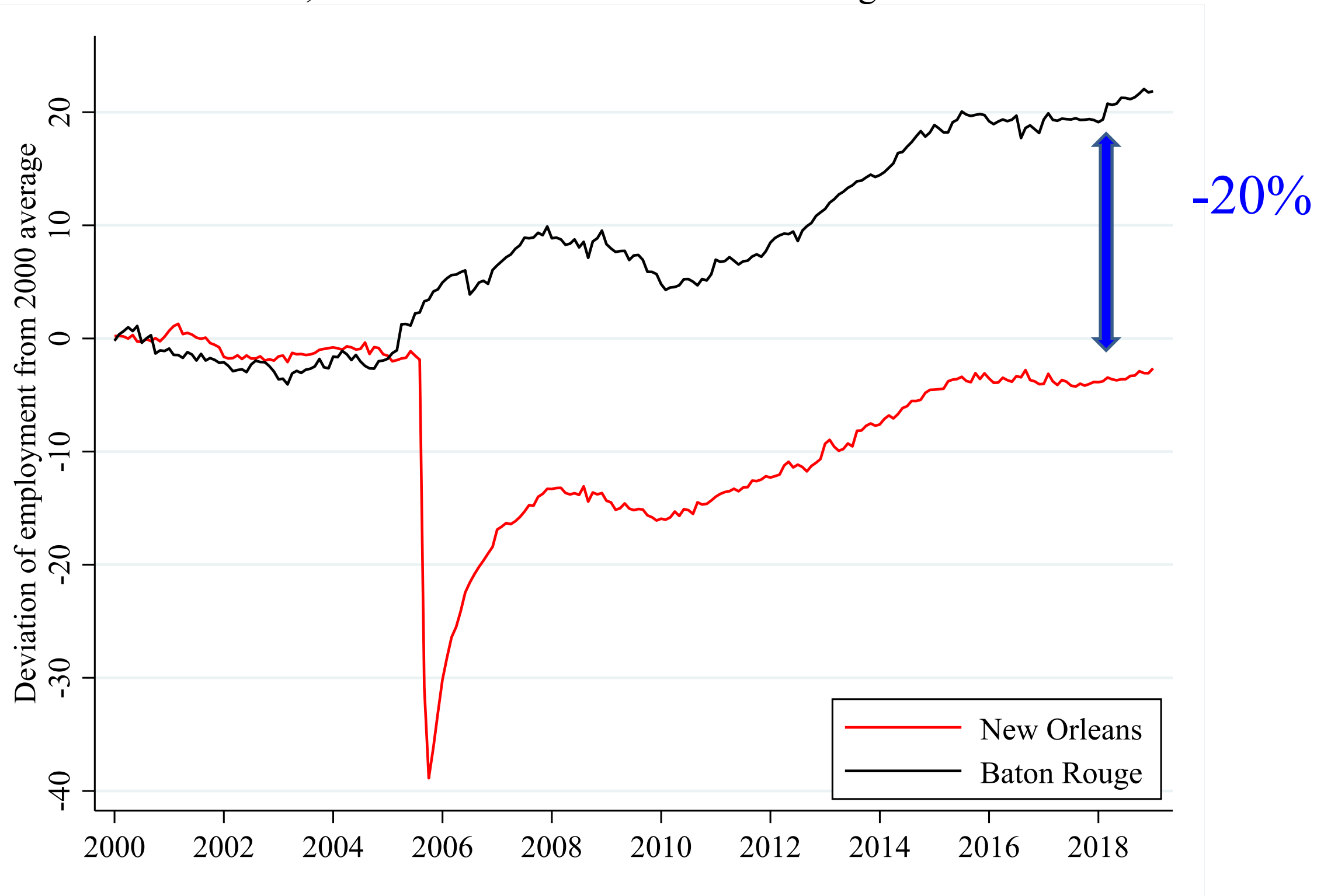
New Orleans

Baton Rouge



# HURRICANE KATRINA

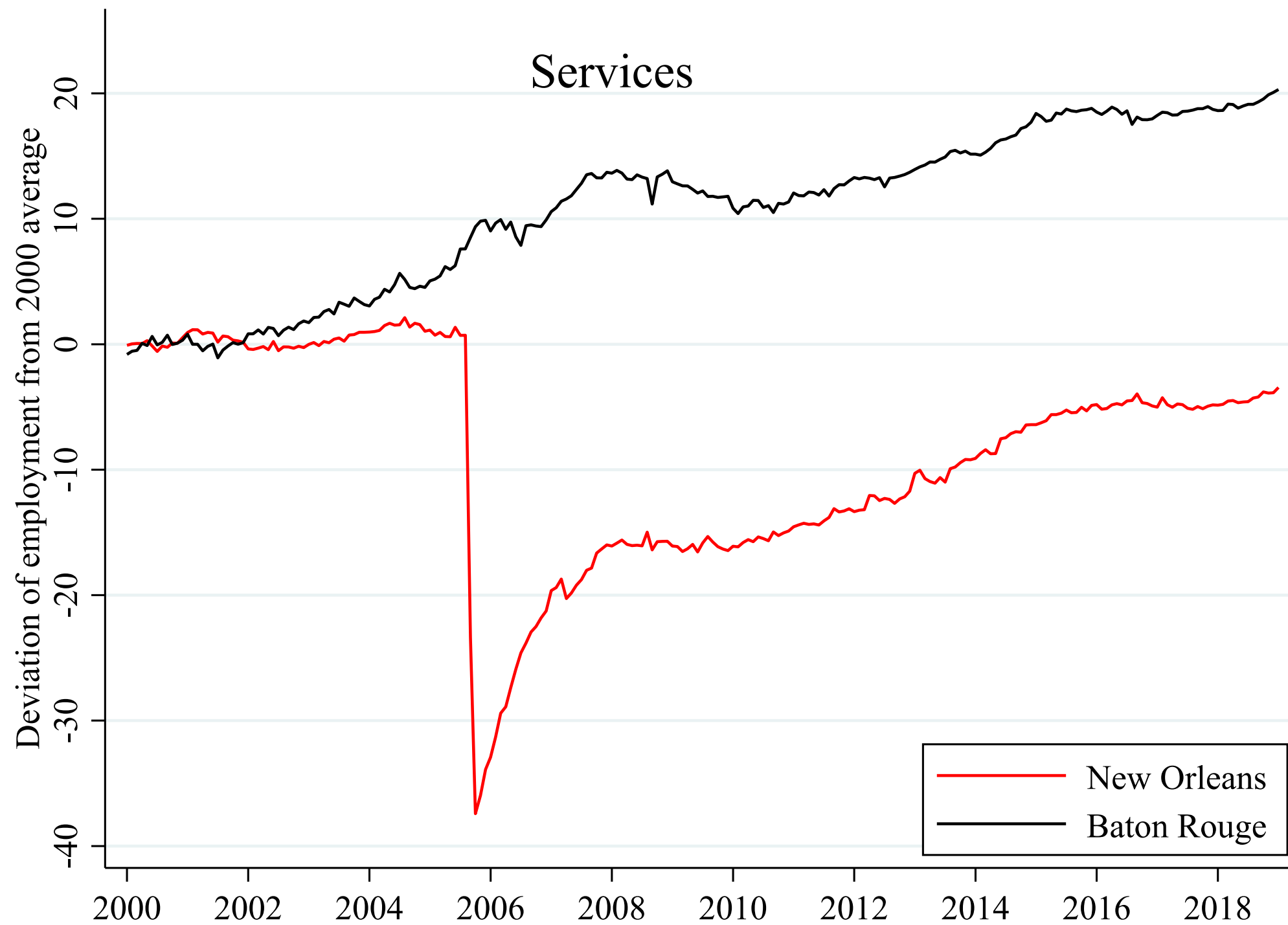
1,800 deaths and \$125 billion in damage



When “matched”, the long-run effects may be even worse than implied by “levels”

# HURRICANE KATRINA

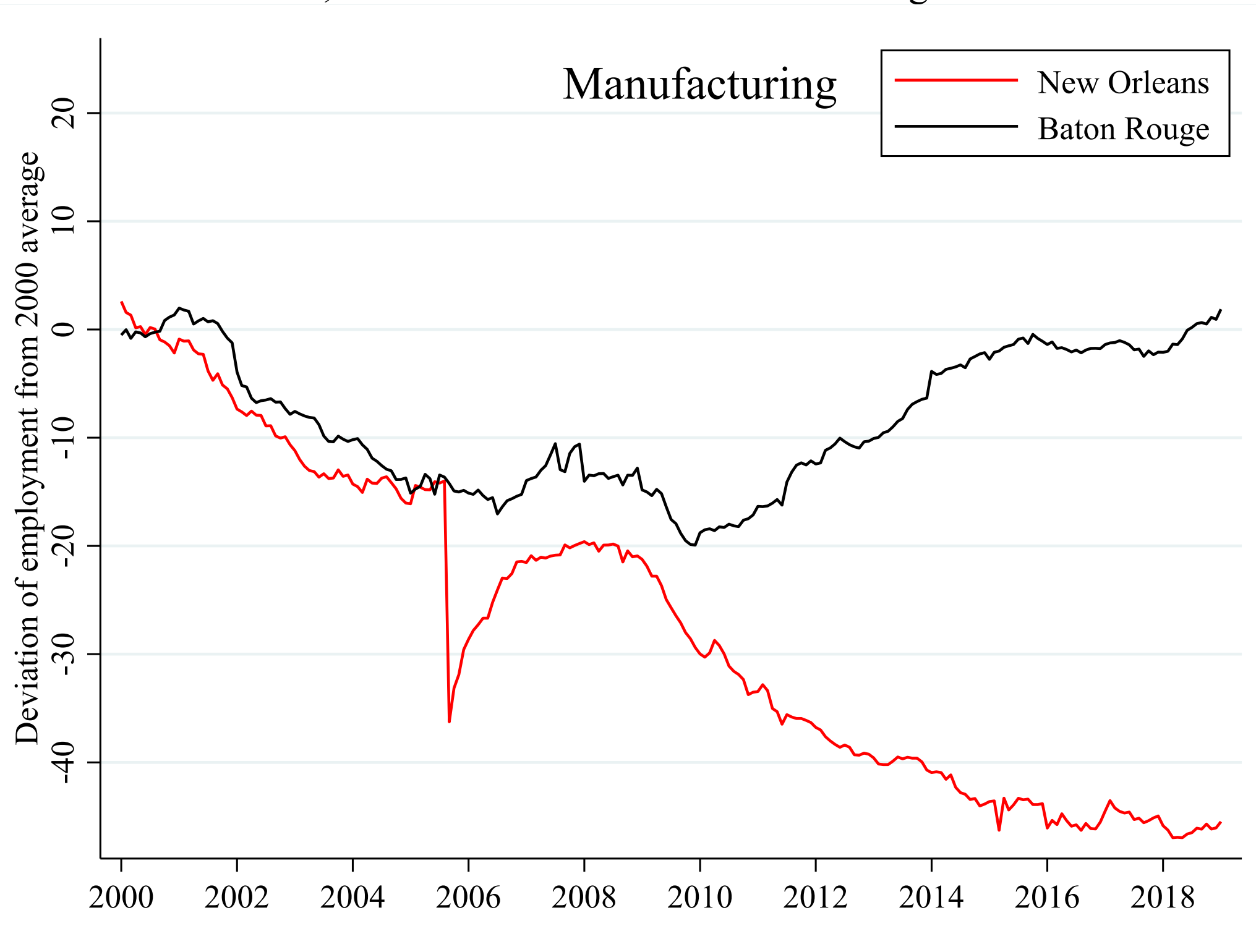
1,800 deaths and \$125 billion in damage



Services are not spared...

# HURRICANE KATRINA

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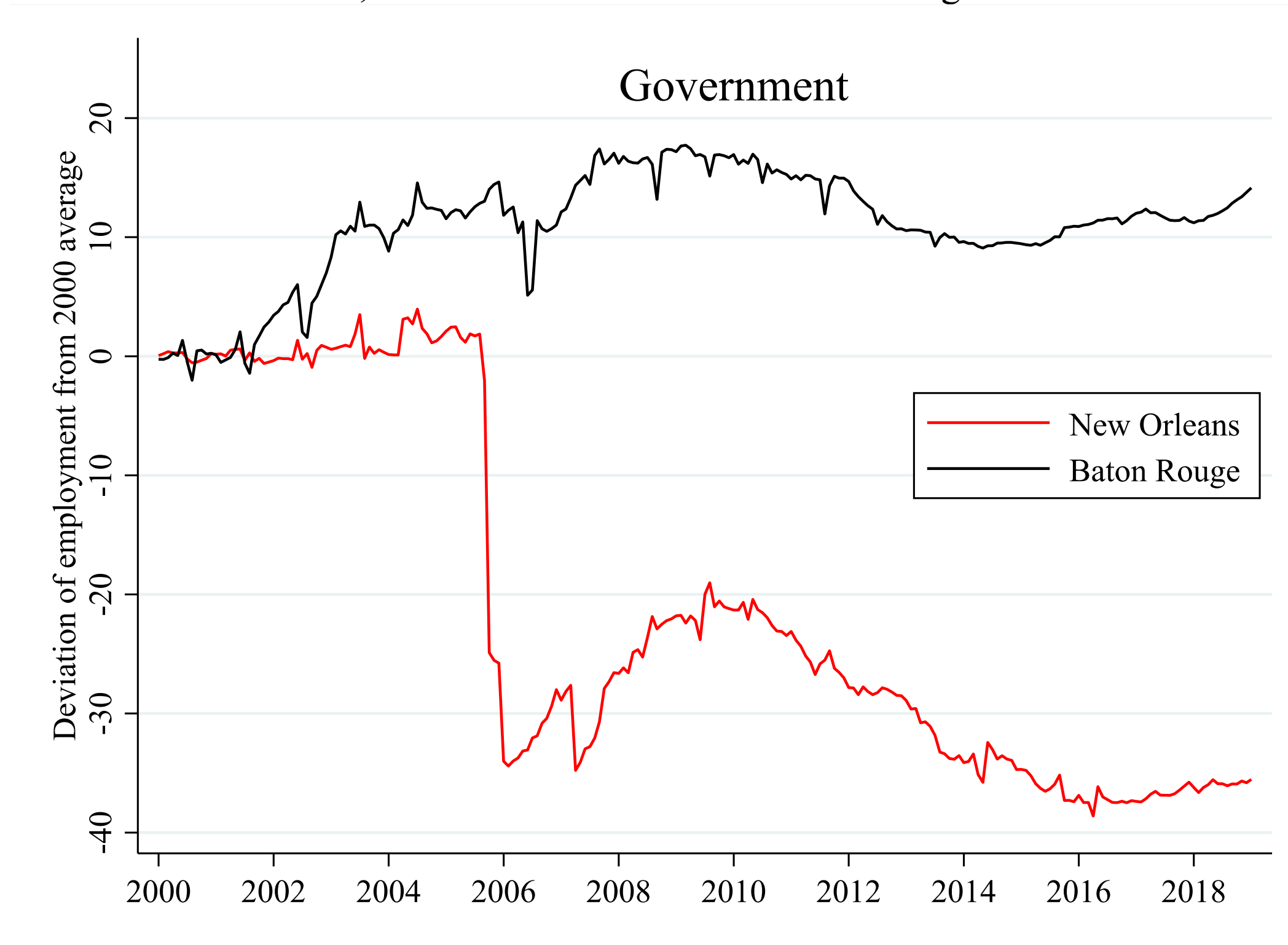


Manufacturing is more complex but could be even more devastating in the long run



# HURRICANE KATRINA

1,800 deaths and \$125 billion in damage



Even government (esp. state-level) jobs took a huge hit and never recovered.

## CONCLUDING REMARKS

- A hugely important question: what kind of recovery can we expect after COVID given what we know about recoveries after natural disasters?
- This paper makes an important step in answering this question.
  - natural disasters are not costly & followed by an economy boom
  - the post-disaster level of economic activity is higher
- The New Orleans experience (especially relative to Baton Rouge) after Hurricane Katrina suggests that the cost of disasters is staggering and could be extremely persistent.