

# The effects of natural disasters on the economy

[Literature](#), [Russian Literature](#)



The Effects of Natural Disasters on the Economy Introduction Within the past decade, economies have had to face their fair share of losses as a result of natural calamities that has led to insurance companies to pay out insurance claims that amounts to millions of dollars (Nanto, Cooper & Donnely 9). According to economic analysts, natural disasters have affected the economy immensely through the loss of the labor force, destruction of investments, and laid out infrastructure. As witnessed, some natural disasters occur within several seconds but the effects that they cause could be devastating. The effects caused by natural disasters such as earthquakes and tornadoes could have a severe impact on the local economy or in extreme cases to the national economy depending on the type of disaster. Subsequently, disasters that occur in an area that has dense population tend to have more impact on the local economy onwards. The most worrying trend that has been common after the occurrence of natural disasters is that the destruction estimates tend to be higher than the actual damage caused by the calamity. With this, this essay will delve into the ways in which natural disasters such as tsunamis and drought may change the economic phenomenon.

2. The Fukushima disaster in Japan In 2011, the economy of Japan experienced a shake up after the nine-magnitude earthquake accompanied by tsunami hit this major economy. At least twenty eight thousand residents lost their lives because these two natural disasters cut off transport infrastructure making rescue efforts unsuccessful. Other than population displacement, there was also air contamination caused by leakage at the Fukushima plant that specializes in nuclear energy production. As a result, Japan took longer to contain the radioactive leakage

that had spilled over to the Pacific Ocean and to the drinking water consumed in Tokyo. The implication here is that the destruction on the Japanese nuclear station translated to a significant deficit in the nation electricity grid. According records, eleven out of the fifty nuclear power stations felt the impact of the Tsunami and the earthquakes meaning that the electricity production capacity dropped significantly and has remained at this level ever since. Therefore, the losses experienced are less as compared to the capital required in the rebuilding process as it also takes time before a shaken economy goes back to its original form. The challenges lie in the acquisition of the extra capital for rebuilding in which many economies resort to lending in order to cover for the rebuilding budget. On the contrary, Japan took a different approach as it capitalized on the savings of the Japanese population, which enabled Japan to rebuild its economy in lesser years than anticipated (Nanto, Cooper & Donnely 10). The scenario tends to be different in developing nations that experience drought as not so many rebuild their economies within the shortest time possible.

3. The economists view on the effects of natural disasters

In economics, the accurate value of the losses may not be accurate if assessed after the occurrence of natural disasters because analysts tend to use the replacement costs of the assets. The most applicable way of ascertain the value of property should be the use of the market value of the property rather than relying on the replacement costs. Additionally, economists use two main types of losses as a way of making estimates on the value of the property destroyed by natural calamities. Indirect and direct losses are the two main ways in which direct losses are the easiest to estimate as economists estimate the value of buildings that

existed before a disaster. In the case of droughts or floods, the direct losses estimates may be through the estimation of the crops or livestock destroyed by the calamity. On the other hand, indirect losses estimates include the effects caused by the destruction of building structures, which is an indirect effect of a natural calamity. For instance, the jobs and work time lost, losses due to minimal tourism revenue, and utility disruption because of the destruction. Evidently, making indirect estimates over the losses presented by natural disasters is more difficult as compared to doing the same through the direct losses estimates.

4. Conclusion Natural disasters tend to spur up a sequence of events that starts from the destruction of buildings and infrastructure, which have direct losses then followed by indirect losses that include decreased employment levels. Finally, the recovery and rebuilding process ensues that tends to influence temporary sales because of the economic activities witnessed during the rebuilding. Ironically, natural disasters also present an economic advantage as the rebuilding process creates employment opportunities to the surviving population. The other positive trait that the destruction caused by natural disasters brings is that those charged with rebuilding a destroyed section replace them with new and technologically advanced buildings (Nanto, Cooper & Donnelly 4) In order for the rebuilding process to be, successful governments need to ensure that investors have insured their properties against such tragic losses. Moreover, investors should view natural disasters as a possible way of improving the economic standing of an area affected by these calamities, which is the economic view. With this, it becomes tactful for analysts to give the accurate effects caused by these disasters on the economy because they may be

either positive or negative. Work Cited Nanto, Dick K. Cooper, William H. & Donnelly Michael, J. Japan's 2011 Earthquake and Tsunami : Economic Effects and Implications for the United States. Congressional Research Service. Pg 1-15