



More Hurricanes Mean More Problems

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This year's onslaught of hurricanes – Charley, Frances, Ivan, and now Jeanne – are causing people to wonder about the economic impacts on Florida's economy.

As we have discussed before, hurricanes can have important short term and long range economic effects. The short run impacts vary significantly depending on location. Areas directly impacted by the eyes of these storms are devastated, with tremendous property damage and often loss of lives. Their economies are disrupted with substantial economic losses as well.

By contrast, other areas may be affected by the storms – power is lost and life is disrupted – but as long as the infrastructure can be quickly repaired and the economic base is not compromised, the economy may actually benefit. This ironic and somewhat counterintuitive result occurs because disaster relief and insurance proceeds flow in quickly, and an army of adjusters and repair teams pour in. This combination stimulates spending, which boosts economic growth.

The longer-term economic impacts are harder to judge. No one really knows if this season's upsurge in hurricane activity was some sort of fluke, or if it represents a new era when we can expect three to five major hurricanes to hit Florida each year. For discussion purposes, assume that we are in a new era for hurricanes. There will be a number of consequences.

First and most obviously, property insurance costs will go up significantly. This will tend to reduce investment in real estate, and it may slow growth just a tiny bit due to higher costs. Second, businesses and households will invest in additional hurricane protection by buying more generators and other equipment. Again, this increases the cost of owning Florida real estate. Third, state and local governments will have to budget for more storm relief and clean up, so taxes will rise. Fourth, agricultural production will be hindered, especially citrus and, to a lesser extent, cattle.

However, I do not think that there will be significant impacts on Florida's most important industries, tourism and retirement. The hurricanes come at low season, so most visitors are not affected. Business meetings and conventions are also at their low ebb this time of year. In addition, seasonal residents are typically not here in hurricane season. It is certainly likely that some potential retirees may choose to move somewhere else because of storm fears, but the numbers are likely to be small. During the decade of the 1990's when storms regularly hit North and South Carolina, there was no measurable economic impact on retirement trends or on tourism.

So the long term impacts on Florida from more frequent storms is likely to be relatively small and manageable.

This is Hank Fishkind for 90.7 FM, WMFE News.

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