

The Hurricane 'Bump': Measuring the Effects of Hurricanes on Wages in Southern Louisiana

Authors : Jasmine Latiolais

Abstract : Much of the disaster-related literature finds a positive relationship between the impact of a natural disaster and the growth of wages. Panel datasets are often used to explore these effects. However, natural disasters do not impact a single variable in the economy. Rather, natural disasters affect all facets of the economy, simultaneously, upon impact. It is difficult to control for all factors that would be influenced by the impact of a natural disaster, which can lead to omitted variable bias in those studies employing panel datasets. To address this issue of omitted variable bias, an interrupted time series analysis is used to test the short-run relationship between the impact of Hurricanes Katrina and Rita on parish wage levels in Southern Louisiana, inherently controlling for economic conditions. This study provides evidence that natural disasters do increase wages in the very short term (one quarter following the impact of the hurricane) but that these results are not seen in the longer term and are not robust. In addition, the significance of the coefficients changes depending on the parish. Overall, this study finds that previous literature on this topic may not be robust when considered through a time-series lens.

Keywords : economic recovery, local economies, local wage growth, natural disasters

Conference Title : ICEDE 2021 : International Conference on Economic Development and Employment

Conference Location : New York, United States

Conference Dates : January 28-29, 2021