KALAMAZOO, Mich.—Only recently have economists considered natural and unnatural disasters as economic phenomena to be formally analyzed. Given the magnitude of many recent, high-profile disasters, their impact on local, regional, and national economies, and the coverage of their consequences in the popular press, it is puzzling that the attention of economists was for so long largely diverted from analysis of these events.

*The Economics of Natural and Unnatural Disasters*, a new book from the W.E. Upjohn Institute, helps bring the issue the sunlight it deserves. The book, edited by William Kern, presents a noted group of contributors who stand at the forefront of this increasingly important subdiscipline of economics—the economics of disasters. The chapters they contribute cover a wide variety of events and delve into the human and economic impacts disasters impose on nations around the world.

Several themes dominant in this literature are discussed. These include the ability of potential disaster victims to accurately assess the risks they face, the role of incentives in ensuring that mitigation efforts are undertaken, the adequacy of our evaluation of the impact of disasters on economies, and discussion of the effectiveness of current
government policies toward disaster prevention and relief. These will in all likelihood continue to be topics of discussion in the future as well.

Included are

- **Introduction**, William Kern. Kern describes the recent rise in interest in the economics of disasters.

- **Market and Government Failure in Insuring and Mitigating Natural Catastrophes: How Long-Term Contracts Can Help**, Howard C. Kunreuther and Erwann O. Michel-Kerjan. The authors focus on the risk of large-scale disasters. They examine the evolution of insured and economic losses, propose four guiding principles for developing sustainable insurance and mitigation programs, analyze the behavioral biases that discourage individuals from investing in cost-effective protective measures, and propose a method for overcoming these biases.

- **Expectations and Unexpected Consequences of Public Policy toward Natural and Man-Made Disasters**, Anthony M. Yezer. Yezer discusses three disaster expectation models: 1) the effect of disaster expectations on local property values and economic development, 2) the effect of disaster expectations on incentives to develop land, and 3) disaster expectations of property owners that not only include direct damage to their own assets but also the possibility of asset reevaluation due to the external effects of disasters on surrounding property.

- **The Economics of Disaster: Retrospect and Prospect**, Hal Cochrane. This chapter offers an overview of the development of the field of the economics of disasters and provides a survey of the nature of the cost-loss trade-offs involved in managing hazards.

- **Private Solutions to Public Disasters: Self-Reliance and Social Resilience**, Peter J. Boettke and Daniel J. Smith. Boettke and Smith examine the role of the private sector and markets in the postdisaster recovery process, using post-Katrina New Orleans as an example. They also show the types of institutions and policies affected by natural disasters and how disasters can magnify the adverse effects of weak existing institutions and policies.

- **The Socioeconomic Impact of Tornadoes**, Daniel Sutter and Kevin M. Simmons. The authors focus on three issues related to tornadoes: 1) the trend in losses due to twisters, 2) the role of the National Weather Service’s tornado warning program, and 3) the cost-effectiveness of a number of tornado loss-mitigation strategies.

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