Seminario de Economía Regional y Políticas Públicas - The Unintended Consequences of Post-Disaster Policies for Spatial Sorting

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Marcel Henkel: Investigador post-doctoral en la Universidad de Berna.

Resumen del documento: Post-disaster aid aims to relieve affected communities, but excessive bailouts may encourage economic activity to remain in exposed areas. We provide new empirical and theoretical evidence on post-disaster policies' spatial consequences related to political motives. Using the exogenous variation in the timing of natural disasters, we show that hurricanes close to Election Day lead to oversized post-disaster grants and, consequently, result in larger populations sorting in the impacted areas. To quantify and comprehend the implications of this new sorting pattern for the aggregate economy, we introduce the relationship between political cycles and post-disaster policies as a new feature in a dynamic spatial general equilibrium model.

Coautores: Eunjee Kwon, Pierre Magontier

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