“Disaster isn’t a Stimulus Package”

Study Guide

Homework Hw #10

(18 points)

Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Period:\_\_\_\_\_\_\_\_

1. Why do some people believe the economic “fallacy” that disasters are a net benefit to society”?

2. What did Nathan Gardel say regarding the recent catastrophe that struck Japan?

3. Why did he say that this would stimulate the Japanese economy?

4. What did Gardel say would be the bottom line following this catastrophe that killed 22,000 people?

5. How does the author respond to Gardel

6. What does the author say regarding the millions that will be spent to rebuild Japan?

7. What did Paul Krugman (An Economist that strongly supports President Obama) say regarding the attacks on 9/11?

8. How would the author (or Lopez) respond to Krugman?

9. Why did an economist for J. P. Morgan, Anthany Chan say regarding the affects of Hurricane Katrina on New Orleans?

10. How would the author (or Lopez) respond to this economist?

11. What evidence is there in notes 1 and 2 below, to support how the author or Lopez might respond to Chan?

12. How did USD economist, Alan Gin, view the California wildfires in 2007?

13. Common sense: What did the fire so to the value of the lumber/trees destroyed by the fire?

14. Common sense: What happened to the contributions to the nation’s GDP (total production of goods and services) being made by those evacuated or by the businesses destroyed during and immediately after these fires?

15. Common sense: How do you think the insurance companies that had to pay out claims view these fires?

16. Common sense: Where do you think the insurance companies got the resources to pay out these claims?

17. What contribution did French economists, Frederic Bastiat make to the fallacy that disasters are good for the economy?

18. What important error does the author say that Bastiat made in his reasoning?

Note 1: After the hurricane Katrina, the labour force in New Orleans diminished and wages decreased by staggering amounts. In July 2005, 9,592 people applied for unemployment services and the payroll of metropolitan firms declined by 13.6% between July 2005 and July 2007, indicating an estimated loss of 70,000 jobs.[82] The sectors most affected were service-related industries, fluctuating with the population. The only sector to truly thrive after landfall was construction, which was in high demand to make needed reparations and rebuild destroyed homes.[82]

In the first initial months following Katrina, the labour force reduced faster than the demand and unemployment rates skyrocketed.

Note 2: The Census Bureau in July 2006 estimated the population of New Orleans to be 223,000; a subsequent study estimated that 32,000 additional residents had moved to the city as of March 2007, bringing the estimated population to 255,000, approximately 56% of the pre-Katrina population level. Another estimate, based on data on utility usage from July 2007, estimated the population to be approximately 274,000 or 60% of the pre-Katrina population. These estimates are somewhat smaller than a third estimate, based on mail delivery records, from the Greater New Orleans Community Data Center in June 2007, which indicated that the city had regained approximately two-thirds of its pre-Katrina population.[35]