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The literature on the economic effects is ambiguous on how and where disasters may lead to longer-run adverse economic impacts. This paper aims at pointing out that natural disasters and the associated reconstruction efforts post disaster can give rise to longer-run negative impacts in affected economies in terms of increase in external debt. Using a data set of World Development Indicator, Join External Debt Hub and EM-DAT, we conduct regression analysis and find that, regardless of the development situation, countries with larger observed disaster losses tend to accumulate more external debt in the longer-run. Moreover, we examine how the status of development affects theses longer-run impact. Countries in the low income group tend to have higher levels of external debt on average than high income countries, yet these levels are relatively less affected by disasters. We contend our results may be explained as follows. The first possibility is that external debt plays a less important role in financing the reconstruction in lower income countries, where alternative capital inflows are more important. The second possibility is that low income countries tend to face some borrowing constraints. We end the discussion by suggesting that focusing only on GDP is not enough in understanding the longer-run economic impacts of disasters, and that economic losses should be measured in terms of economic welfare more broadly.

Keywords: Natural disasters, Longer-run impact, macroeconomic consequences, financial position, external debt, development