

With 9/11 as a guide, here are five ways to consider Hurricane Sandy's economic impact



By James Parrott — 4 days ago

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Chinatown and its workers felt the economic effects from the 9/11 terrorist attacks for years.
Getty Image / Spencer Platt

November 2, 2012. Since the October jobs report released today reflects employment conditions as of the second week of the month, it doesn't tell us anything about the impact of Hurricane Sandy, the most devastating storm to hit the New York metro area in decades. What can we expect to see in job reports in the months ahead as a result of Sandy? How will the hurricane's impact affect the economy and economic well-being in the hardest hit states of New Jersey and New York, which account for one-ninth of the nation's economic output?

1. The near-term jobs impact

On the jobs front, initially there likely will be net job losses from businesses like restaurants, small retailers and neighborhood service providers that closed or were forced to curtail operations. In the first few months, the jobs lost likely will out-number those needed for clean-up and the restoration of services. Holiday season tourism in New York City will be dampened. Spring of next year should see [a greater number of construction projects](#) and jobs as businesses and homeowners set about rebuilding. Retail spending should bounce back around then as insurance claims are settled and homeowners and businesses start spending again and rebuilding inventories. The jobs associated with infrastructure rebuilding are many months, or years, down the road.

2. As in the past, low-wage workers and small businesses will suffer the most

When the Twin Towers fell, most observers thought the brunt of job losses would be borne by those working in the finance sector since many of the jobs located in and around the World Trade Center were finance-related. It soon became clear, however, that many finance jobs were moved to other locations and that the workers suffering the most from lost jobs or fewer hours and lower pay were low-wage workers in the garment shops and restaurants of Chinatown, or those working in hotels and at the airports. It's likely to be a similar story with Sandy. Low-wage retail and restaurant workers will be thrown out of work when their small business employers close.

3. The fiscal impact on the city and state governments and the MTA

The good news is that the federal government will reimburse most state and local government expenditures in New York and New Jersey for clean-up costs and emergency protective measures. The bad news is that federal disaster assistance is next to nothing for lost tax revenues related to natural disasters. Thus, the costs of the Metropolitan Transportation Authority for cleaning up the transit system after extensive flooding may be covered, but its lost fare and toll revenues will not.

4. Poor communities in an age of hyper-income polarization

And if New York City's experience after 9/11 is any guide, poorer neighborhoods and towns around the metro region will be at the end of the line when it comes to restoring utilities and other services and rebuilding infrastructure. We should prioritize rebuilding damaged communities irrespective of the wealth or power of that community's residents. Firefighters rush into a burning building to save lives. They don't first ask to see bank statements.

5. Infrastructure investments to prevent a recurrence

Sandy was a big wake-up call regarding the region's vulnerability to rising sea levels in an era of climate change. It should spark a vigorous debate about how to protect our infrastructure, communities and economy from flooding, and about how to finance those investments. We can no longer brush aside the need for a gas tax increase, for carbon taxes or financial transaction taxes needed to finance a 21st century infrastructure. Certainly there's a cost to new taxes, but few would argue that it is greater than the cost of inaction in the face of disasters like Sandy and the economic damage and loss of life it caused.

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