We argue that the emphasis in economic recovery should generally be on maintaining economic flows within the affected area. Achieving this may require the protection of certain assets. For example fruit trees or vineyards take many years from planting to full productivity so their destruction is particularly serious.

Continuity planning and management

Continuity planning, whether for business, government or other sectors, is an approach dedicated to protecting economic (and social) flows rather than simply focusing on the protection of assets. It also has the advantage of being generally sound business practice as, if properly done, it makes the enterprise concerned more resilient to most shocks. The focus on keeping the enterprise running acknowledges that key assets and facilities may be unavailable for many reasons following disaster including those related to access, safety and criminal investigations. This may be the case even if the facilities are relatively undamaged. Implementation of continuity (and therefore recovery) management starts with disaster warnings. Unless there is no warning, it should not wait until disaster impact.

Do economies boom after disaster?

Typically, local economies in rich countries receive massive inflows of resources (insurance, aid, money spent by media and emergency response, rebuilding, etc) during and following a disaster, provided the impacts are visible or well insured. This has led some observers to argue that disasters are economically beneficial. Another aspect of this apparent benefit is that outdated or obsolete equipment is replaced with state-of-the-art facilities. In economics, only the depreciated or market value of the destroyed equipment can be counted as a cost of the disaster. The rest is a benefit (for the local economy) of the event. Skidmore and Toya (2002) argue that disasters stimulate long-term economic growth, although this appears to be the case primarily for rare earthquake events (Benson and Clay 2004). Such booms may be economically misleading, as funds for this must come from elsewhere within the economy under consideration, or from outside in the form of aid or insurance. This reinforces the importance of spatial and temporal scales in economic assessment.

As outlined earlier, economic assessment is primarily concerned with the net economic impact of a disaster on the specified economy, and with the distribution of the costs and benefits. There is evidence from the US that even though a local economy may boom following disaster, some sections of the affected community will be substantially worse off (Albala-Bertrand 1993). An enquiry into wildfires and rural poverty in the US reached similar conclusions finding that severely disadvantaged communities did not benefit from available recovery programs following wildfires (PWCH 2001). Similar patterns have been found in poorer economies (IFRCRC 2001).

Fruit trees and vineyards are considered economic assets

Conclusions

Economic performance is a (perhaps, the) central factor in modern economies, and few if any localities are content with static or declining economic activity and livelihood insecurity. Economic and business aspects of recovery should therefore receive high priority. This attention should build local resilience by ensuring that local livelihoods and local commerce are restored or enhanced, and by reducing the risk of future disasters. A macro-economic approach needs to be combined with examination of distributional and sustainability issues to satisfy the New Zealand MCDEM recovery principles (2004).

We have three substantive conclusions:

- Clarity over the short and longer-term aims of economic recovery is fundamental. To what extent should change and enhancement be encouraged? This is closely connected with the idea of using disasters to move towards a more sustainable local economy. Some apparently positive changes may make local economies less sustainable.
- We take the view that economic recovery refers to local enterprise in the affected area as much as to the performance of the overall economy. Good

performance by the macro economy may not indicate that local livelihoods and enterprises are healthy or recovering from disaster. Recovery strategies need to be carefully formulated to avoid undermining local commerce.

- Economic flows such as income, rather than assets (or stocks) per se, are generally critical to local economic performance. The emphasis should be on maintaining these flows within the local economy—if necessary by the protection of certain assets, for example environmental or other assets on which a local tourist industry is based

Recovery effort should give priority to local employment, productivity and income, rather than major asset restoration. This is often an issue of visibility as many disasters do not involve obvious asset destruction

Reconstruction of symbolic or community assets may be important for social recovery but may do little for the local economy. Often the reconstruction that is obvious to visitors and media as indicating strong economic recovery may not be seen positively locally

Continuity planning should help mitigate disaster impacts, prevent a post-disaster slump in the local economy, preserve a sense of "normality", and speed recovery It should be encouraged for commerce and other sectors.

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