

Recovery from Economic Disasters

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Abstract

This study uses two large datasets to explore the output dynamics following economic disasters, one including 180 economic disasters across 38 countries over the last two centuries, and the other including 204 economic disasters in 182 countries since World War II. Our results suggest that extreme economic crises are associated with huge and remarkably persistent output loss. On average, output loss surges to above 26 percent in the first few years after the outbreak of an economic disaster and remains above 20 percent for as long as 20 years. It is only after more than 50 years that the loss is fully recovered.

Key words: economic disaster, output loss, economic recovery.

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