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NATURAL DISASTERS AS CREATIVE DESTRUCTION? EVIDENCE FROM DEVELOPING COUNTRIES

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Abstract

Recent studies found a robust positive correlation between the frequency of natural disasters and the long-run economic growth after conditioning for other determinants. This result is interpreted as evidence that disasters provide opportunities to update the capital stock and adopt new technologies, thus acting as some type of Schumpeterian creative destruction. The results of cross-country and panel data regressions indicate that the degree of catastrophic risk tends to have a negative effect on the volume of knowledge spillovers between industrialized and developing countries. Only countries with relatively high levels of development benefit from capital upgrading through trade after a natural catastrophe. (*JEL* O13, O30, F18)

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