ECONOMY MATTERS

Hurricane Andrew, 25 Years Later

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"This was the Big One," the *Miami Herald* reported in 1992. "Hurricane experts have been worrying about it for years: a storm with monster winds slamming into a major urban area."

It was surely big. But fortunately, casualties were relatively few. Twenty people died directly because of Hurricane Andrew, despite winds that reached 175 miles per hour. By contrast, more than 1,000 perished in Louisiana and Mississippi during Hurricane Katrina in 2005, and 6,000 people died in the nation's deadliest hurricane, which struck Galveston, Texas, in 1900.

Andrew wreaked havoc, to be sure. When it struck on August 24, 1992, it destroyed or damaged more than half the housing units in Dade County—totally wiping out about 25,000—according to a 1996 report by University of Florida researchers. More than 353,000 people evacuated their homes at least temporarily, Stanley Smith and Christopher McCarty of the university's Bureau of Economic and Business Research wrote. They calculated that Andrew directly forced nearly 40,000 out of the county permanently.

Yet for all its savagery, Andrew's economic impact followed a pattern typical of many natural disasters: short-term pain preceding a burst of activity.

Then the most expensive U.S. natural disaster

First came the short-term, but undeniably severe, pain. In 1992, Andrew was the costliest natural disaster in U.S. history, though it was eclipsed by Hurricane Katrina 13 years later. Insured losses totaled some $27 billion in today's dollars. Agricultural losses, mainly suffered in south Dade County where the hurricane made landfall, came to nearly $2 billion in 2017 dollars. After the storm battered south Florida, it crossed the Gulf of Mexico and temporarily knocked out about 5 percent of the Gulf's oil and gas production, causing gasoline prices to spike. The weakening storm would eventually reach south Louisiana, its impact greatly diminished by then.

In Hurricane Andrew's aftermath, disaster victims in Dade County, Florida, line up to receive ice. Photo by Bob Epstein and courtesy of the Federal Emergency Management Agency

Thousands of people in South Florida suffered catastrophic loss as a result of Hurricane Andrew, as this August 24, 1992, photo shows. Photo by Bob Epstein and courtesy of the Federal Emergency Management Agency

Another view of the destruction in Dade County, Florida, wrought by Hurricane Andrew on August 24, 1992. Photo by Bob Epstein and courtesy of the Federal Emergency Management Agency

Another scene of residential destruction from August 24, 1992, in Dade County, Florida. Photo by Bob Epstein and courtesy of the Federal Emergency Management Agency

Commercial real estate in Dade County, Florida, also experienced Hurricane Andrew's fury. Photo by Bob Epstein and courtesy of the Federal Emergency Management Agency

The town of Florida City absorbed Andrew's most direct blow as the storm made landfall. The south Dade County town of about 12,000 saw 40 percent of its tax base obliterated, according to a report by the Miami-Dade County government. Florida City was poverty-stricken before Andrew and remains so today: 49 percent of its population lives below the federal poverty level, compared with 16 percent of all Floridians, according to U.S. Census Bureau data.

After disasters, low-income areas typically rebound more slowly, says Ann Carpenter, a senior adviser in the Atlanta Fed's Community and Economic Development unit who has studied disaster recovery. In part, the recovery of poor areas can take longer because affluent districts often compete more successfully for federal and state recovery funds, which is what befell Florida City after Andrew, Carpenter says.

The Atlanta Fed's Miami Branch passed Andrew's stiff test

Hurricane Andrew tested the mettle of the Atlanta Fed's Miami Branch as few other natural events had.

The hurricane didn't do much damage to the Branch's physical structure—some downed trees and a temporary loss of electricity were the worst of it. The calm after the storm was anything but, however.

As in the aftermath of many natural disasters, cash was crucial in Andrew's wake. "Cash [Services] was the first Branch department to come back up, and it made a significant payout," said Lloyd Walsh, a facilities manager who brought his wife and son to work with him the day Andrew hit. Immediately after the storm, the Miami Branch's distribution of cash multiplied fivefold over normal levels, reaching more than $99 million.

Given the strong demand for cash after the storm, the Miami Branch—an important hub for international banks operating in the United States—focused on making sure it could supply currency to banks. Operations such as U.S. government securities, wire transfers, automated clearinghouse transactions, and checks were transferred to the Atlanta headquarters.

"The [Branch] assisted institutions that had lost their vaults in the storm," said Patrick Krug, a Miami-based manager in cash services who worked in the Atlanta Fed's check business in 1992. He recalls that armored truck companies kept a number of trucks in the Miami Branch's parking lot, prepared to carry cash to banks that needed it.

By August 26—two days after the storm made landfall—the Miami Branch had restored all operations, according to the Atlanta Fed's 1992 annual report.

Good economic news often follows disasters

Across the Miami-Fort Lauderdale-West Palm Beach metropolitan area, economic activity surged in Andrew's immediate aftermath. South Florida residents returned and set about spending money from insurance settlements and subsidized government loans and grants. During the 18 months after Andrew, recovery-related activity boosted spending in South Florida by roughly $3.8 billion, according to a 2007 research paper by Lake Forest College economist Robert Baade and coauthors Robert Baumann and Victor Matheson of the College of the Holy Cross. In addition to construction firms and suppliers of goods such as building materials and appliances, mobile home manufacturers in central Florida and boat builders and repair services enjoyed brisk post-hurricane business.

Andrew wiped out about 6,600 jobs in the month it struck. That decline quickly reversed, though, as metro Miami added 108,000 jobs by the end of 1992. In percentage terms, that remains the metro area's biggest August-to-December jobs gain of the past 25 years, according to U.S. Bureau of Labor Statistics (BLS) data. For all of 1992, Miami's job growth slightly exceeded the national rate.

"Perversely, yet fortunately, good economic news often follows disasters," then-Atlanta Fed president Robert Forrestal said in a June 1993 speech in Pensacola, Florida. "Such has been the case with Hurricane Andrew. Even though Florida was already recovering from a relatively deep recession before the hurricane, the rebuilding after the storm has given retail and construction industries in the state a boost."

From the vantage point that 2017 affords, Andrew's economic damage looks like a mere blip in south Florida's long-running pattern of robust population and economic growth. Since 1992, metro Miami has added 1.75 million residents and more than a million jobs—a 59 percent expansion of nonfarm employment, far outpacing national employment growth of 34 percent in that period, according to the BLS.


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