A “global” earthquake in three ways

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The earthquake in Japan is a historic event, as was the earthquake and tsunami that destroyed Lisbon on All Saints’ Day in 1755. Voltaire noted the significance of the event in a famous text that went around Europe and marked the arrival of the modern era, thirty-four years before the French Revolution. God could not have wanted to destroy this city while its inhabitants were praying in churches...

The earthquake in Japan is the second “global event” to hit, ten years after 9/11. It has had worldwide impact, with each person feeling concerned by this drama of human life. The vividness of the enormous wave that rose from the ocean and submerged towns and cities harks back to age-old fears. As with the World Trade Center, we all suddenly feel vulnerable, in the fullest sense of the word. The major difference is that ten years ago, it was an “act of the devil”, to use the given terminology, and so elusive, while today, it is “act of God”, and as such inexplicable. The recurring nature of these events, storms in France, earthquakes in Haiti, Chile, New Zealand and Japan, and floods in Australia, creates the feeling of a very high exposure to natural disasters, with the human distress and economic destruction that lies in their wake. While statistics are not conclusive, the probability of each of these events happening being very low, when such events occur almost at the same time, we believe that they are on the rise, indicating major natural imbalances. This stirs up an anxiety of virtual exposure to events that is becoming more widespread. If we add to this the interaction between natural disaster and nuclear catastrophe, the feeling of vulnerability is heightened. We are even more frightened when we cannot see what harms and kills, such as nuclear radiation ...or terrorism.

The Sendai earthquake is also a “global event” due to its repercussions on world harmony. Japan’s geopolitical position will decline as the nation will come out of this disaster weaker. The economic impact will be initially negative, caeteris paribus, across the world. The catastrophe has destroyed means of production, and the reconstruction will require capital that could have been invested in new jobs. As Japan has a leading position in international trade, we should see a transitional reduction in goods flows. In addition, we are already witnessing the consequences of the current Japanese production difficulties in many companies outside Japan. It is also certain that the locations selected for production sites will now take into account their exposure to this type of event to a greater extent. This catastrophe also affects the financial markets. Apart from the apparent paradox of seeing the yen gain value (due to the repatriation of capital marked in dollars), it is highly likely that the drop of Japanese investments in
American Treasury bills will make it harder for the Fed and will fuel the unavoidable increase of interest rates in the US, thus slowing the recovery process.

Lastly, it is a historic “global event” because it shows that no country, however developed, (Japan is the third global economic power) can cope with such a catastrophe alone. The central banks have come together to curb the rise of the yen, many countries have sent over rescue and aid teams, the nuclear accident requires the cooperation of global experts. The financial cost of this natural disaster will be covered by the international reinsurance markets, demonstrating why it is important to pool the major catastrophe risks. Politically, it is a “global event”. Across the globe, discussions are being held on energy policies, with a specific focus on nuclear power, for example in Germany, Italy and the USA. The most appropriate means and ways of avoiding catastrophes and compensating victims are also under consideration, in particular through national and international public-private partnerships.

History has always been punctuated by major catastrophes. Now, there are global events that shake the entire world and have economic, financial and political repercussions in all countries. The increasing interdependence brought about by globalisation has heightened the consequences and the echo of such disasters is resounding: we feel ever more vulnerable. Let’s hope that we feel increasingly responsible with it.