

Natural disasters have recently pummeled various parts of the United States and the Caribbean. In my previous column, I predicted that Houston would recover quickly; but sadly, not every city hit by a hurricane will be so lucky. In order to understand how quickly cities recover from natural disasters, we can turn to medieval Italy for some insight about what is likely to happen in modern times.

In the 1200 and 1300s, Siena and Florence were great rivals and one city did not seem to enjoy a large advantage over the other. During most of the 1200s and in the early 1300s, Siena's economy thrived and had numerous advantages. Siena was built on a mountain, so it was easy to defend from the armies that roamed through Italy at the time. It was on the main road through Italy, so Pilgrims from the North, who were heading to Rome, did business in Siena. It also had a vibrant banking community, and they were the main bankers for the pope.

In 1348 disaster struck – a disaster that dwarfs anything we see today. The plague wiped out 2/3 of the population in these cities. On one hand, Siena never really recovered from the plague because the world had changed and it was no longer well suited for the new environment. Peace had become the new norm, so being on a mountain was not a great advantage anymore. The peace allowed Italian city-states to expand their trade. Since Siena was not on a river, it could not transport goods cheaply via waterways like many other Italian city states could. In addition, a new pope awarded the church's business to Florentine banks, so Siena's great banking businesses fell on hard times. In short, because Siena no longer had what it took to be successful in the 1350s, people and resources never flocked back into Siena to drive its recovery.

On the other hand, Florence recovered from the plague because it had all of the elements that it took to thrive economically in the mid-1300s. Florence lies on the Arno River, which greatly facilitated trade. It used its political influence in Rome to win the contracts to provide banking services for the Pope. It capitalized on the abundant pigments found in the area to become the world's best producer of high quality colorful wool cloth and clothing. Because Florence had all the necessary ingredients to be successful economically in the 1350s, the city recovered from the 1348 plague. In fact, the great Renaissance artworks that showcase Florence's greatness all were created after the great plague.

The lesson from the Middle Ages that applies in today's world is – cities will not recover rapidly if they are not a good fit for the current economic environment. A city may fail to recover from a disaster if any of the following is true: 1) the city has onerous regulation that makes it difficult for new businesses to get started, 2) trade patterns have changed so the city is no longer on major trade routes, or 3) the city has high taxes so it is not an attractive place to do business. Given all of this, perhaps the best policy the U.S. can adopt to ensure that our cities continue to recover rapidly from various disasters is to make our business climate as favorable as possible. By doing so, we will ensure that money, resources, and people will flock to wherever we find ourselves in need of a massive rebuilding effort.

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