



BUSINESS

Gauging the cost of snow days

By Rajeev Dhawan

Feb 5, 2011



From my perspective, this has to be the coldest and the most disruptive winter Atlanta has ever experienced. (People from the Midwest, please stop snickering.)

The January snow-ice storm paralyzed normal economic activity in the metro region for almost a week. What was the cost, and will it even show up in economic statistics?

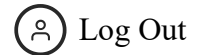
And how does this type of disruption differ from a hurricane hit, or the hangover from a major event like the Olympics?

The basic principle of calculating economic losses is to look for activities that cannot be substituted over time. For example, if you are planning to buy a suit, which is a replacement for an old one, you can easily wait. Hence a snow day, or five, wouldn't cause any economic harm.

What if it was a new business suit needed for a job interview? Even then there is no loss, as that interview wouldn't be happening during the snowstorm. Your starting date for the new job may be delayed, resulting in a delayed paycheck by a week. But it wasn't lost — just shifted over time.

Plus, this is a rare event, or an outlier. For economic losses to occur, the event has to be a "common" one.

Common activities such as car sales, mall shopping, home buying, etc., can and will be easily substituted over time. For example, the car salespeople will make up their commissions next week or the week later, when the buyer comes in to close on the deal. Same goes for real estate agents and others.

[Metro Atlanta](#)[Georgia News](#)[Legislature](#)[National & World News](#)[Business](#)[2024 Elect](#)

economic statistics (notwithstanding the attempts of French President Nicolas Sarkozy to add measures of happiness to national income statistics).

So who suffered by the logic of substitution or, rather, the lack of it?

Hourly workers, and many types of small companies that are in the “instant” service business. The common image is that of restaurant workers, retail workers and temporary employees.

One cannot substitute hunger over time. If a restaurant doesn't sell meals today it doesn't make it up the next day or five days later. If a convention is canceled, the caterers don't make any money that day. The taxi drivers don't make money. You get the idea. This list also includes some high wage earners who are salaried, like therapists and lawyers in specialized areas.

Businesses have a mixed case here.

Take the airline business. Yes, they couldn't fly planes that day and lost money on fixed costs such as workers and pilot salaries and plane-lease costs. However, the full value of the tickets for those days was not lost as passengers flew later. The loss here is the fixed cost. This goes for other businesses, too, even if the activity gets shifted over time.

Thus, a snowstorm is a natural calamity that will have an economic impact, but not as much as you think.

Metro Atlanta's daily economic activity, as measured by the personal-income metric, is about \$550 million. Almost two-thirds of that total is for wages and salaries, and most of that is for the salaried people. By looking at industry-level income generation to account for types of economic activity lost, I came up with about \$50 million as the daily loss due to the January snowstorm — or \$300 million for that week. (If the economy were to grow by 5 percent in a three-month span, or by \$10 billion, the \$300 million is a footnote.)

Hurricanes are different. They last much longer in terms of economic-activity disruptions, and they are more disruptive as the population that moves out of the area

[Metro Atlanta](#)[Georgia News](#)[Legislature](#)[National & World News](#)[Business](#)[2024 Elect](#)

But here is a weird fact: For the region that temporarily loses people and then rebuilds, hurricane damage results in very strong income growth over the next few quarters as repair work becomes the new economic activity. This didn't happen for New Orleans after Katrina, as almost half the people that moved out never came back.

Now, for the hangover from major events such as the Olympics.

The quarter in which the Olympics occurs typically shows a huge spike in income as a result of tourists, athletes and spectators coming in from out of town. When they leave, they take their extra economic activity back with them. That is the hangover that shows up in the data next quarter as a sharp drop in the growth rate of regional income.

The only hangover from the winter storm was for the folks who celebrated their off days a tad too much.

Rajeev Dhawan is director of the Economic Forecasting Center at Georgia State University.

About the Author

Rajeev Dhawan

Keep Reading