



4.3.14 Economic Collapse

The following section provides the hazard profile (hazard description, location, extent, previous occurrences and losses, probability of future occurrences, and impact of climate change) and vulnerability assessment for the Economic Collapse hazard in Essex County.

2020 Plan Update Changes

- Economic Collapse has been added as a new hazard for the 2020 Essex County Hazard Mitigation Plan

4.3.14.1 Profile

Hazard Description

Economic collapse is a breakdown in normal commerce facilitated by actions such as the destabilization of currency and/or hyperinflation, which results in social chaos or civil unrest. The term describes a variety of economic conditions from severe depressions with high unemployment and bankruptcy such as the Depression of the 1930s in the United States, to breakdowns of normal economic conditions such as hyperinflation or the effects of a sharp decline in population that causes an economic downturn. Although a true economic collapse has never occurred in the United States, the Great Depression was the closest that the United States came to suffer a true collapse (NJOEM2019).

Location

An economic collapse, depending on the severity, may impact all of Essex County. Economic collapse would likely affect beyond the geographic boundary of Essex County and could impact a larger region or the United States. Surrounding counties or regions could be impacted by displaced population from Essex County or instances of civil disorder which could potentially occur.

Extent

Economic collapse could have significant impacts on Essex County. The working population of Essex County would be directly impacted by an economic collapse due to reduced or total loss of income. The 2013-2017 American Community Survey 5-Year Estimates indicates approximately 371,793 people are employed age 16 years and older in Essex County (U.S. Census Bureau, 2018). This number may not include the number of people who commute into Essex County from surrounding communities. Significant changes in population may occur if individuals move to find other means of employment or areas with lower cost of living similar to what occurred during the Great Depression (Spector 2012). Businesses may shutdown and go out of business which would lead to a reduction in tax revenue for Essex County.

Secondary impacts from economic collapse could be outbreaks of civil disorder and a general breakdown of law and order in Essex County. Utility companies may go out of business and therefore cause mass power outage. The number of abandoned or blighted properties would increase as a result of population decreases in the County. The quality of housing can contribute to general well-being or cause poor health. Exposure to poor indoor air quality, mold, lead, and rodent and cockroach infestations can lead to asthma and other respiratory illnesses, lead poisoning, learning and behavioral problems, and other serious health issues (de Leon & Schilling 2017). Disease outbreak is also a possible secondary hazard should there be a breakdown in public health and medical services.

Previous Occurrences and Losses

Two previous occurrences of economic collapse in New Jersey include the Great Recession of 2007, and the Great Depression of the 1930s. The Great Depression was the worst-case scenario to date and was the closest



that Essex County came to an economic collapse. The Great Depression began from the stock market crash on October 29, 1929 and lasted until the United States entered World War II. This economic depression led to widescale unemployment, decrease in spending, and significant business shutdowns. The Great Recession of 2007 affected the global economy and is the most recent example of a financial crisis affecting New Jersey. The official time period of the recession occurred from December 2007 through June 2009. However, the effects of the recession continue to linger to the present. While the specific triggers of the recession have been debated, a combination of bursting of the United States housing bubble and subsequent foreclosures, subprime lending, mortgage fraud, predatory lending, high private debt limits, and mortgage underwriting are all cited as triggers that contributed to the financial crisis (NJOEM 2019).

To date there have been no previous occurrences of a total economic collapse within Essex County.

Probability of Future Occurrences

The potential for future occurrence of economic collapse is difficult to predict. A number of factors can contribute to an economic collapse occurring including: hyperinflation, stagflation, and a stock market crash (Corporate Finance Institute 2018). Some of these factors are easier to identify trends leading to economic depression or collapse, but it could be a volatile crash similar to the Great Depression with little to no warning. According to the State of New Jersey Hazard Mitigation Plan, the probability of an economic collapse is low, especially in New Jersey.

Climate Change Impacts

Economic collapse is a man-made hazard, which is not directly influenced by meteorological conditions. Climate change will not likely be a contributing factor in the occurrence of economic collapse, but may have an impact on population, and structure facility vulnerability.



4.3.14.2 Vulnerability Assessment

To understand risk, a community must evaluate what assets are exposed or vulnerable to the identified hazard. The following discusses Essex County’s vulnerability, in a qualitative nature, to the economic collapse hazard.

Impact on Life, Health and Safety

Because an economic collapse would affect all segments of the population, all Essex County residents are vulnerable to the impact of this hazard. Civil unrest is one of the primary secondary effects of economic collapse. During periods of economic instability, societal conditions may deteriorate, leading to civil unrest. Additionally, during or near economic collapses workers may go on strike, as did the ditch diggers who went on strike in New Jersey during the Great Depression. Another secondary hazard during economic collapse is pandemic. Because many families may become unable to meet basic hygiene needs, diseases historically spread quickly through communities (NJOEM 2019).

Although all of the population would be affected, the very young and elderly would be more vulnerable to the secondary hazard of pandemic than the rest of the population. Also, very young and elderly residents are vulnerable to the effects of malnutrition, which often results during these incidents. Aside from the health effects during economic collapse, lower-income individuals who struggle to cover average costs of living during thriving financial times would be greatly affected by economic collapse and would therefore be more vulnerable (NJOEM 2019).

Economic collapse would likely reduce the quality of life, and livability within Essex County due to goods and services becoming more expensive or unavailable. Access to medical care could become limited due to expense of medical care, or medications. Secondary hazards of blighted structures, civil disorder, disease outbreak, and power outages can all contribute to adverse effects on life, health and safety for the entire population of Essex County.

Impact on General Building Stock and Critical Facilities

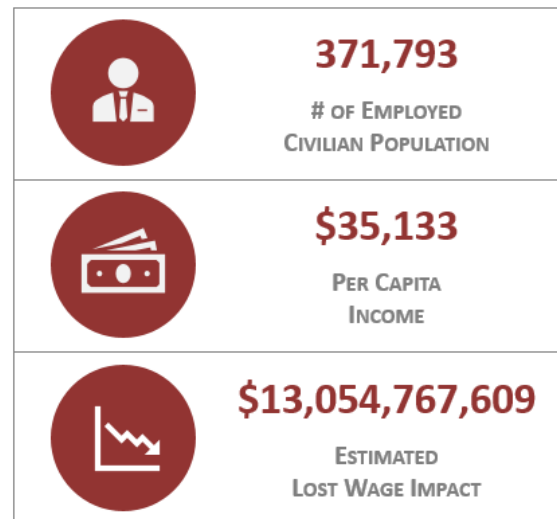
Economic collapse may cause structures and critical facilities too expensive to maintain and upkeep and ultimately result in abandonment. Structures and facilities may become blighted due to abandonment, but the effects of blight are isolated in nature and considered a secondary hazard to economic collapse.

Impact on Economy

Critical facilities are also exposed to the effects of economic collapse. Maintaining these facilities and infrastructure systems will be particular challenging when agencies managing these facilities lose operating capital, and thus cannot maintain the facilities. This may lead to critical infrastructure failure.

Should an complete economic occur within Essex County, there would be significant impact to revenue being generated, wages being earned, and money being spent within the County. While specific figures related to an economic collapse of Essex County are not currently available, an estimated direct impact of economic collapse

POTENTIAL IMPACT OF LOST WAGES WITHIN ESSEX COUNTY DUE TO ECONOMIC COLLAPSE



Source: U.S. Census Bureau American Community Survey 2013-2017, 5-year Estimates



for lost wages within the County is estimated at \$13,054,767,609 per year of economic failure. This value was calculated by multiplying the number of employed civilian population, 371,793 persons, by the per capita income of Essex County, \$35,133 (U.S. Census Bureau, 2018). Further estimates regarding loss of revenue to the County through taxation or business revenue are difficult to quantify without utilizing wage, revenue generated, and tax revenue statistics for Essex County.

Future Changes that May Impact Vulnerability

Understanding future changes that impact vulnerability in the county can assist in planning for future development and ensuring that appropriate mitigation, planning, and preparedness measures are in place. The County considered the following factors to examine potential conditions that may affect hazard vulnerability:

- Potential or projected development.
- Projected changes in population.
- Other identified conditions as relevant and appropriate, including the impacts of climate change.

Projected Development and Change in Population

As discussed in Sections 3 and 9, areas targeted for future growth and development have been identified across Essex County. Any areas of growth could be potentially impacted by the economic collapse hazard because the entire planning area is exposed and vulnerable. Lack of funding or capital to invest in future development within Essex County could also lead to a decrease in future development. Please refer to the specific areas of development indicated in tabular form and/or on the hazard maps included in the jurisdictional annexes in Volume II, Section 9 of this plan.

According to population projections from the State of New Jersey Department of Labor and Workforce Development, Essex County will experience an increase in population through 2034 (approximately 40,000 people between 2017 and 2034). Increased population could potentially lead towards a greater economy within Essex County ultimately leading to greater economic impacts stemming from an economic collapse.

Climate Change

Climate change has few implications related to economic collapse. Changing conditions related to increased flooding and severe weather could cause home values to depreciate which may decrease revenue generated from taxes for local and state entities. Increased flooding or changing conditions in weather will likely raise insurance premiums for properties. Greater variation in temperature would raise heating and cooling costs. Factors such as affordability and livability can contribute to population decline for Essex County causing substantial decreases in government revenue generated by taxes.

Change of Vulnerability Since the 2015 HMP

Economic collapse is a new hazard of concern for the 2020 HMP update.