



THINKING BIG

Native Mice as Storm Insurance

EXCERPT FROM *Listed: Dispatches From America's Endangered Species Act*

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In the United States, endangered species can help protect shorelines. Consider the diminutive beach mouse, three species of which live among the dunes of the Florida Panhandle, all of them endangered and likely never to be delisted. The Perdido Key beach mouse is nocturnal, monogamous, and completely dependent on the sea oats and bluestems that grow on the dunes of the Panhandle and eastern Alabama; there's just not enough habitat for this species to recover. But there's a bright side to protection: the dune plants essential for the mice also protect human seaside communities from tropical storms. The beach mouse, which disperses the seeds of these plants, likes high dunes. After Hurricane Ivan hit Florida and Alabama in 2004, there were some reports that houses near mice and protected dunes withstood the storm much better than those far from native plants. The perverse incentives of coastal development that had the federal government insuring risky properties when no insurance company would touch them had been trumped by the Endangered Species Act.

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THE GREAT REDISTRIBUTION

How the recession transfers wealth from the old to the young.

Older Americans are bearing the brunt of the economic downturn, the most severe since the Great Depression, economists say. Between mid-2007 and early 2009, when stocks and real estate values collapsed to their lowest point, U.S. households aged 60-69 experienced a decline in net worth of \$312,000, on average, compared to an average decline of \$177,000 for households overall. That's according to "Intergenerational Redistribution in the Great Recession," a study for the National Bureau of Economic Research.

In a deep recession, households approaching the end of their life cycle (there's a good reason economics is called the "dismal science") cannot wait for prices to recover and must sell homes and stocks at depressed prices to maintain their standard of living, the study shows. In the first quarter of 2009, the value of stocks and homes dropped as low as 47 percent and 29 percent, respectively, below mid-2007 values.

Based on data from the Survey of Consumer Finances, the study by economists at the University of Minnesota, University of

Pennsylvania and Federal Reserve Bank of Minneapolis finds that incomes of younger generations fall off sharply in a severe recession, but prices of stocks and homes decline more than twice as much as wages. It shows that if the young are able to enter the market after the shock hits, they can buy homes and stocks at fire-sale prices, offsetting the drop in earnings they are experiencing.

Stock prices tend to rise during a recovery period: By the end of 2010, for example, they were only 22 percent below their mid-2007 peak. "As the economy recovers (with high probability) in subsequent periods, stock prices bounce back, and younger generations enjoy substantial capital gains," the study states. Over time, their overall share of wealth will increase, though not necessarily so much that they overtake the older generations as the wealthiest sectors.

Older households "suffer large welfare losses from a severe, long-lasting recession," the authors conclude, while "young households, in contrast, lose less and might even benefit from an economic downturn."

— Melinda Burns

