



UNIVERSITY OF AMSTERDAM  
Amsterdam School of Economics

11 July 2023 // Ecological Economics in Tuscany

# Experimental Economics for Disaster Preparedness

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# Floods & Hurricanes



## 'Duitse schade door overstromingen bedraagt mogelijk tot 30 miljard euro'

**Watersnood** Op basis van een schatting van de overstromingsschade, heeft de premier van Noordrijn-Westfalen Armin Laschet een federaal herstellepakket van 20 tot 30 miljard euro geëist.

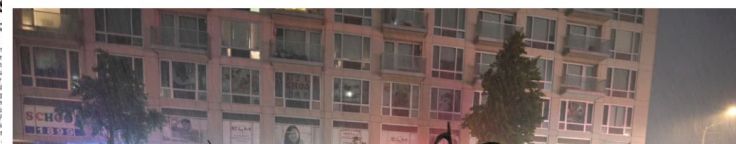
Flóri Hofman 9 augustus 2021 Leestijd 1 minuut



## Dozens Killed in Apocalyptic Storms From NYC to Philadelphia

At least 44 people are reported dead along the East Coast after Hurricane Ida's remnants created havoc, with residents killed in basements and tornadoes terrorizing two states.

Blake Montgomery, Barbie Latza Nadeau, Justin Rohrlich  
Updated Sep. 02, 2021 5:45PM ET / Published Sep. 01, 2021 10:08PM ET



Intel Eyes \$30 Billion Purchase Of Chip Company



# Flood preparedness

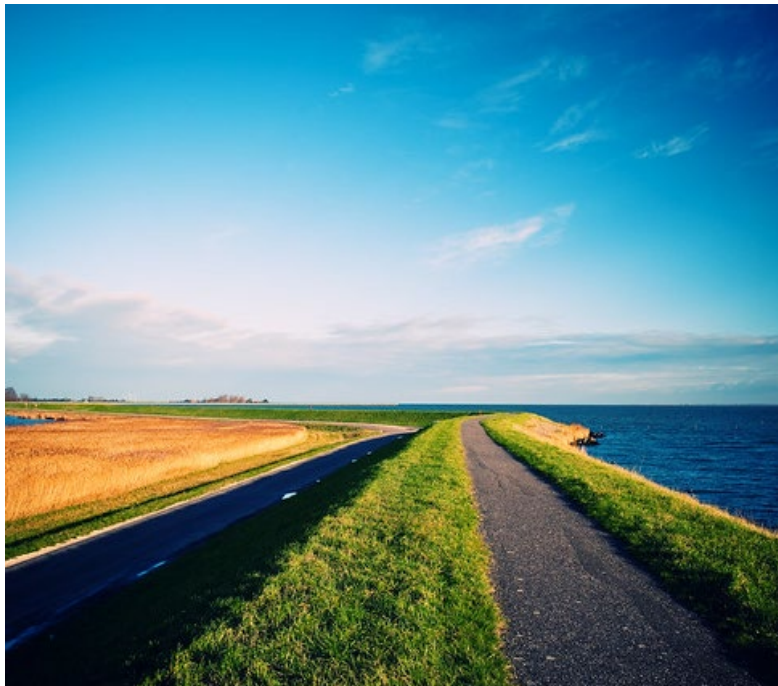
- Flood defenses





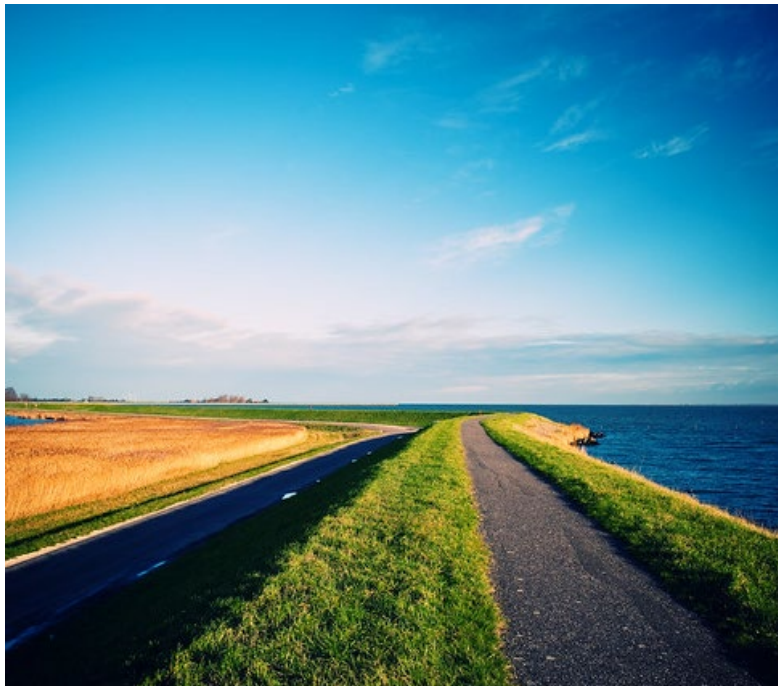
# Flood preparedness

- Flood defenses
- Flood insurance



# Flood preparedness

- Flood defenses
- Flood insurance
- Individual flood risk reduction measures





# Flood preparedness

- Flood defenses
- Flood insurance
- **Individual flood risk reduction measures**





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# Flood preparedness

- Flood defenses
- Flood insurance
- **Individual flood risk reduction measures**
  - > self-protection = reducing probability of an event



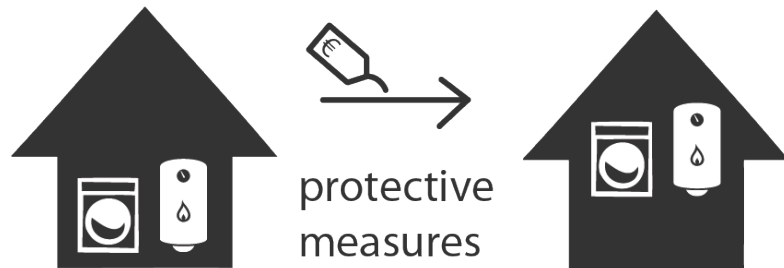


# Flood preparedness

- Flood defenses
- Flood insurance
- **Individual flood risk reduction measures**
  - > self-protection = reducing probability of an event
  - > **self-insurance = reducing damage in case of an event**

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# Flood preparedness

- Flood defenses
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- **Individual flood risk reduction measures**
  - > self-protection = reducing probability of an event
  - > **self-insurance = reducing damage in case of an event**

These measures are often **cost effective in the long run**





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# Measuring flood preparedness



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# Measuring flood preparedness





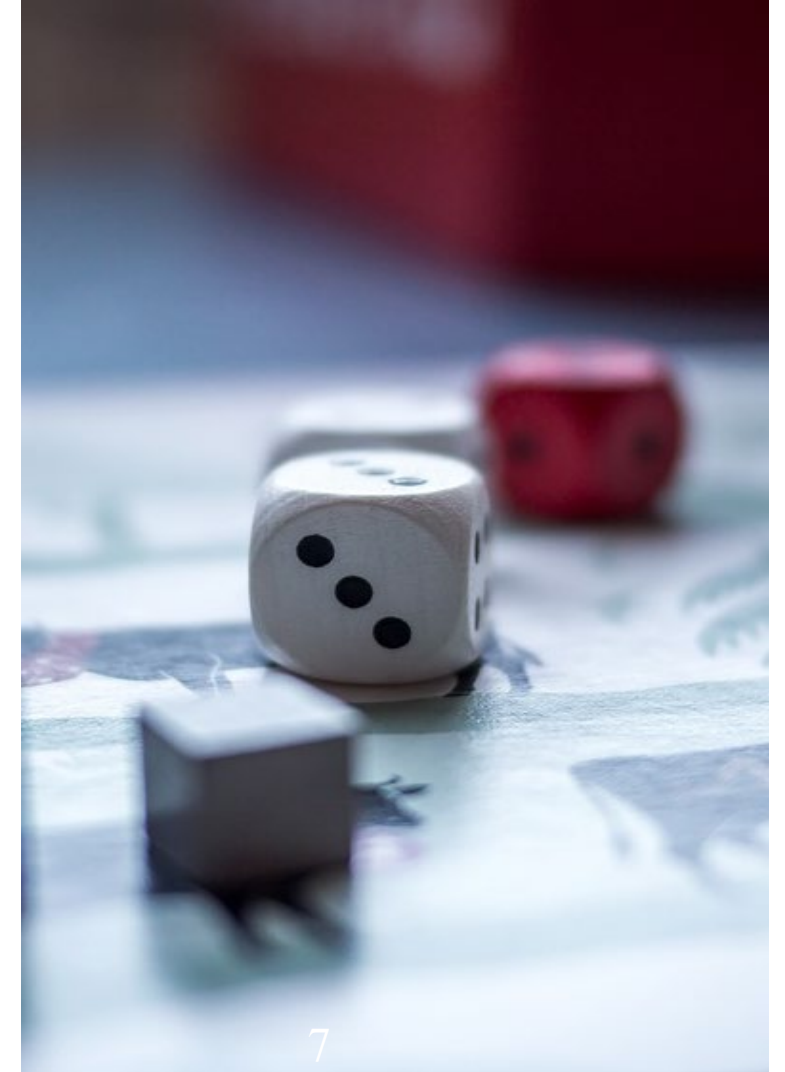


# Measuring flood preparedness





# Measuring flood preparedness





# Measuring flood preparedness: the game

## Investment

[open the instructions](#)[final scenario](#)

You own: your house and you have **65,000 ECU** on your savings account



Flood probability is  
**1 percent** per year



**25 year**  
scenario



Damage **50,000 ECU**  
in case of flooding



**No insurance**

In case of a flood you pay the **full damage**.

How much do you want to invest to reduce flood damage?

 **0 ECU**

do not invest:  
accept 50,000 ECU  
damage

 **1,000 ECU**

reduce damage to  
45,242 ECU

 **5,000 ECU**

reduce damage to  
30,327 ECU

 **10,000 ECU**

reduce damage to  
18,394 ECU

 **15,000 ECU**

reduce damage to  
11,157 ECU





# Measuring flood preparedness: the game

## Floods

[open the instructions](#)[final scenario](#)

You own: your house and you have **64,000 ECU** on your savings account

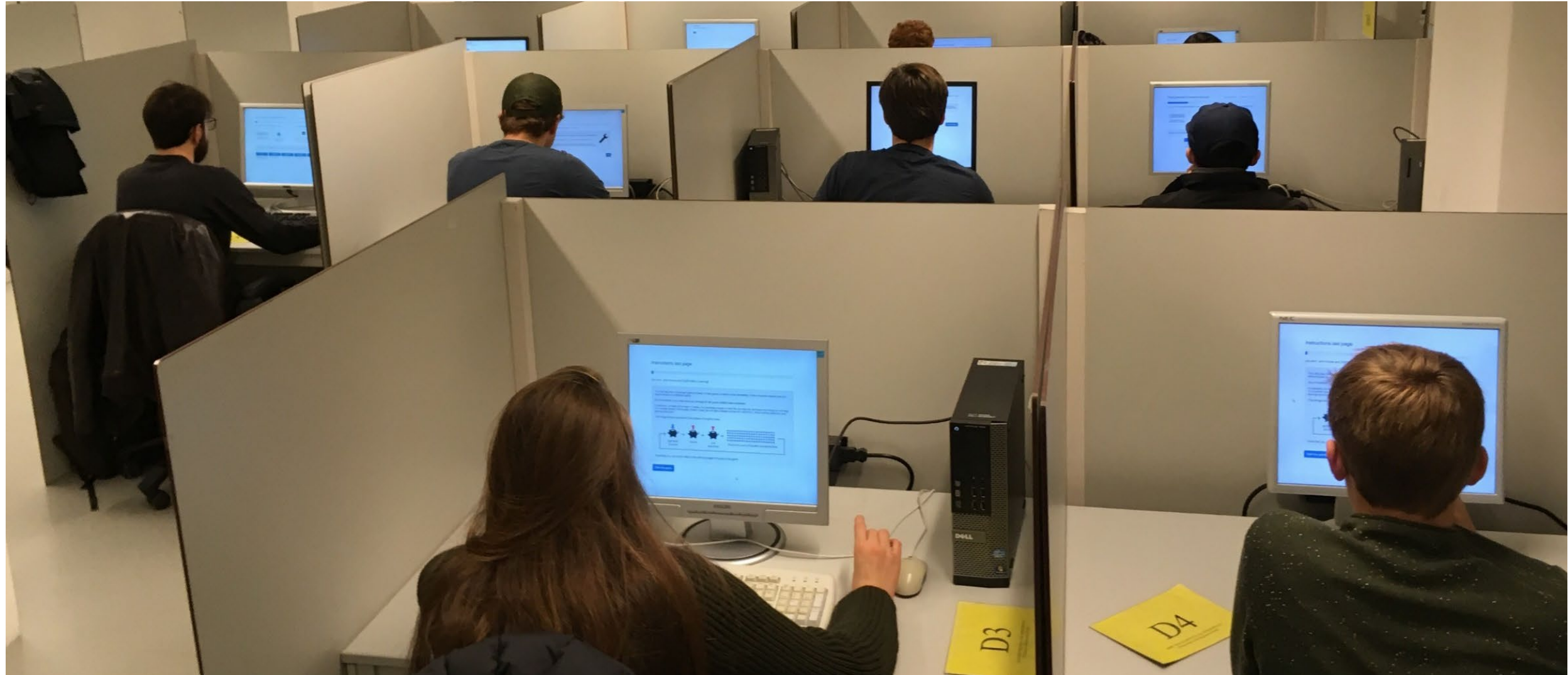
Your home was not flooded.



100 homes are depicted above. All homes that have been flooded at least once in the past 25 years, are indicated in blue. Because your home was not flooded, you do not need to pay to recover the damage.

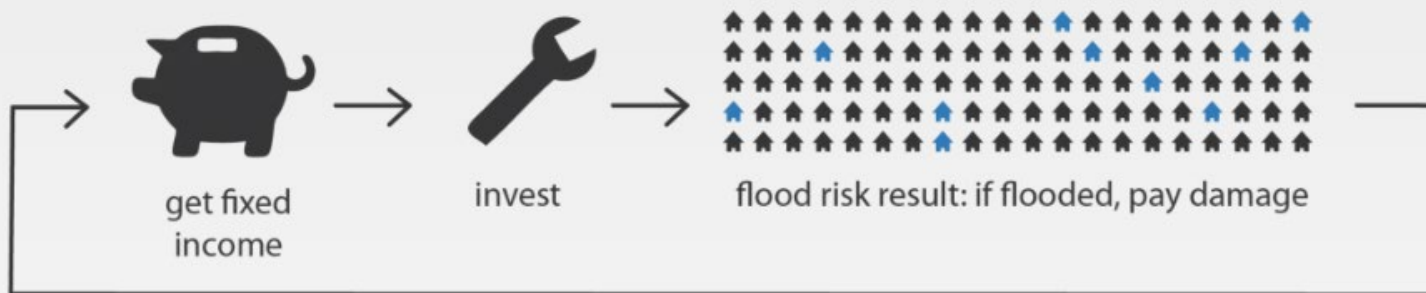
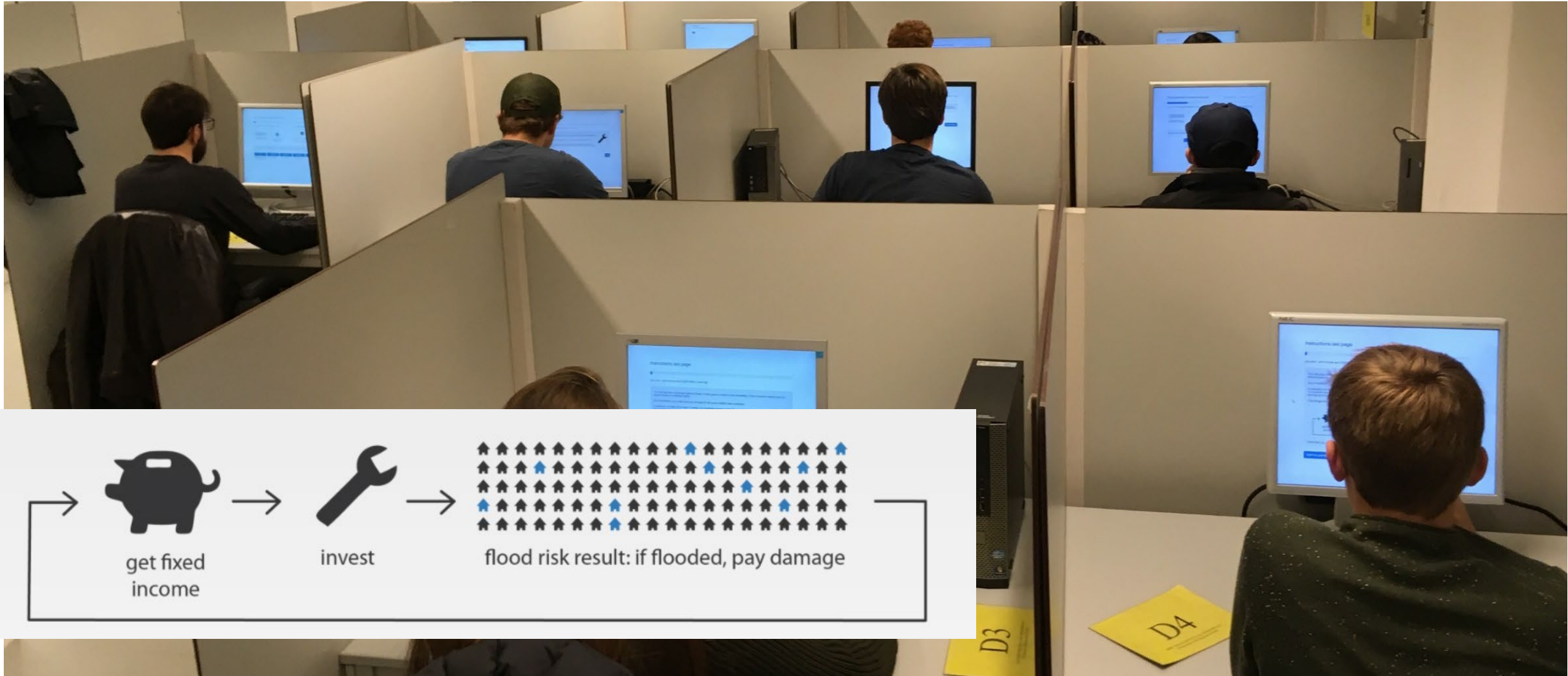


# Measuring flood preparedness (lab: test incentives)





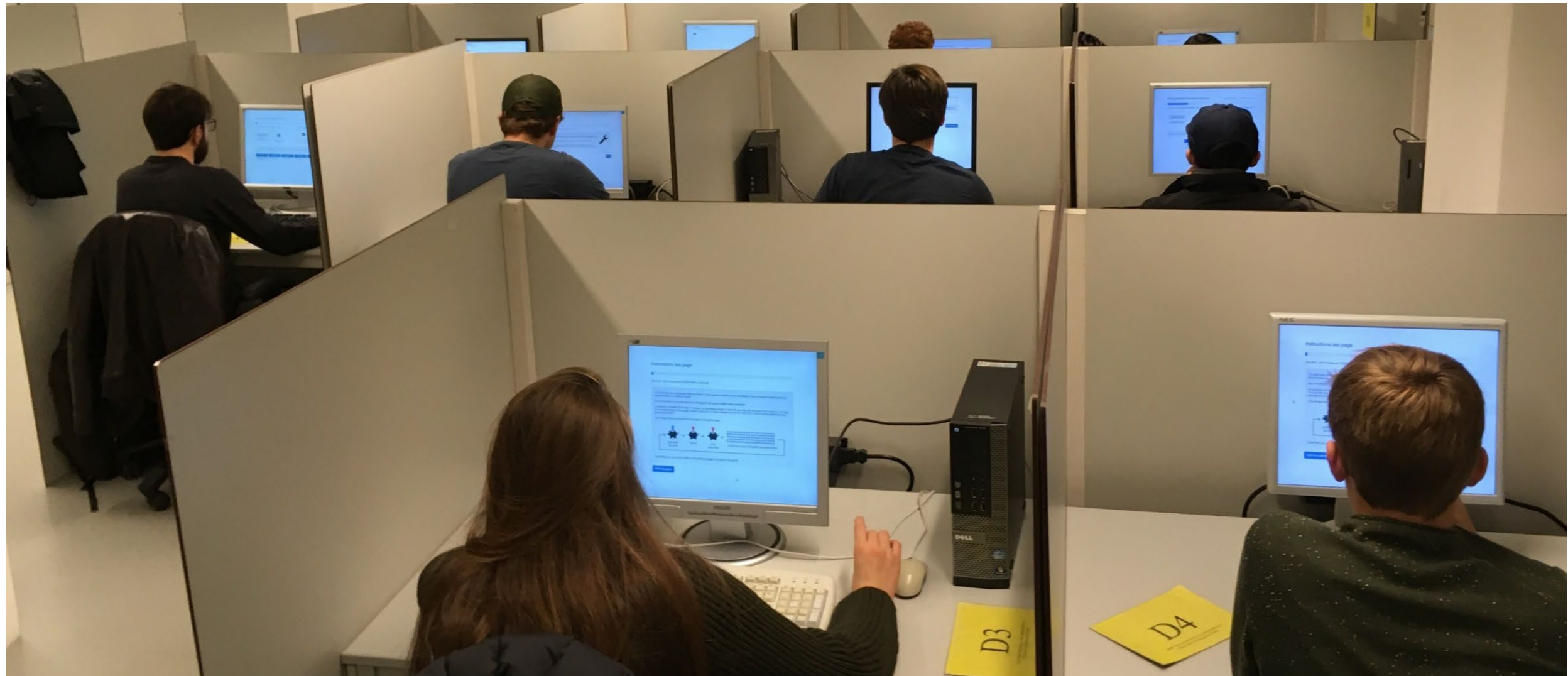
# Measuring flood preparedness (lab: test incentives)







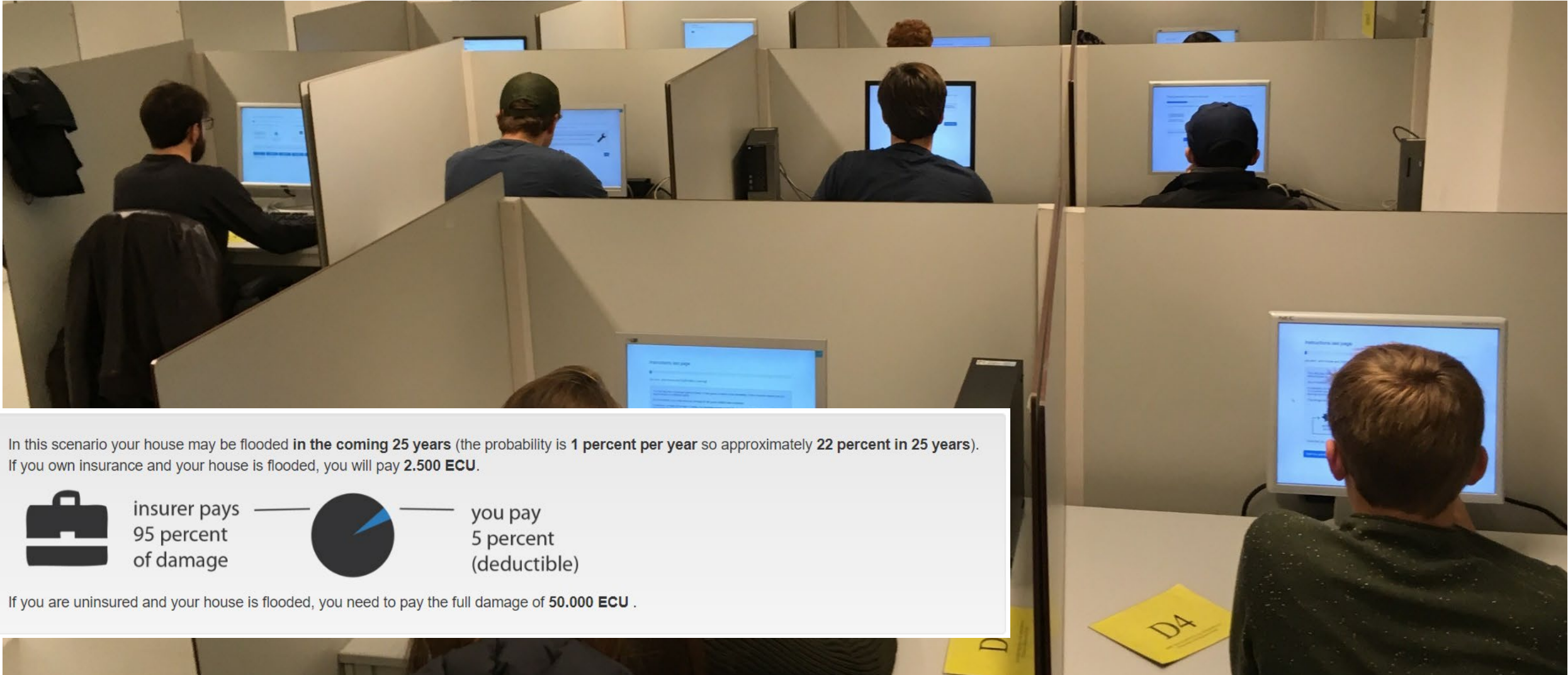
# Measuring flood preparedness (lab: test insurance types)







# Measuring flood preparedness (lab: test insurance types)



In this scenario your house may be flooded **in the coming 25 years** (the probability is **1 percent per year** so approximately **22 percent in 25 years**).  
If you own insurance and your house is flooded, you will pay **2.500 ECU**.



insurer pays  
95 percent  
of damage



you pay  
5 percent  
(deductible)

If you are uninsured and your house is flooded, you need to pay the full damage of **50.000 ECU**.

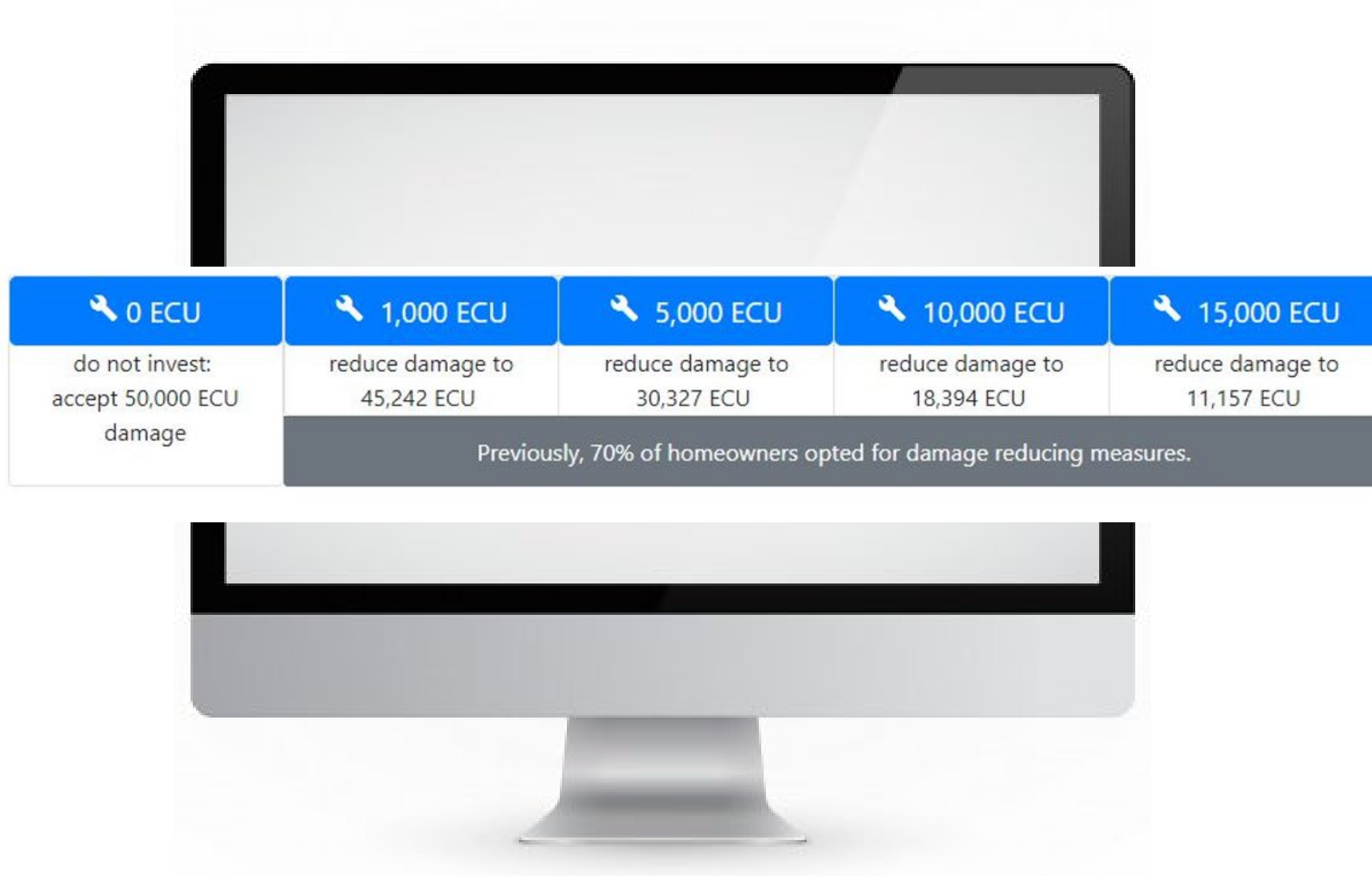


# Measuring flood preparedness (online: test social norms)





# Measuring flood preparedness (online: test social norms)





# Improving flood preparedness with Virtual Reality







## Why Virtual Reality technology?



Important predictors of flood preparedness



## Why Virtual Reality technology?



### Important predictors of flood preparedness

- **Experience** (Grothmann and Reusswig, 2006; Guo and Li, 2016; Osberghaus, 2017)
  - Water levels
  - Damage



## Why Virtual Reality technology?

### Important predictors of flood preparedness

- **Experience** (Grothmann and Reusswig, 2006; Guo and Li, 2016; Osberghaus, 2017)
  - Water levels
  - Damage
- **Coping values** (Bubeck et al., 2013)
  - Response efficacy (*perceived effectiveness of measures*)
  - Self-efficacy (*subjective feeling of being able to install measures*)



# Virtual Reality experience

*Sandbag* = stack sandbags to protect home



(a) *Sandbag*



## Virtual Reality experience

*Sandbag* = stack sandbags to protect home

*Protected* = check protected home from inside



(a) *Sandbag*



(b) *Protected*

## Virtual Reality experience

*Sandbag* = stack sandbags to protect home

*Protected* = check protected home from inside

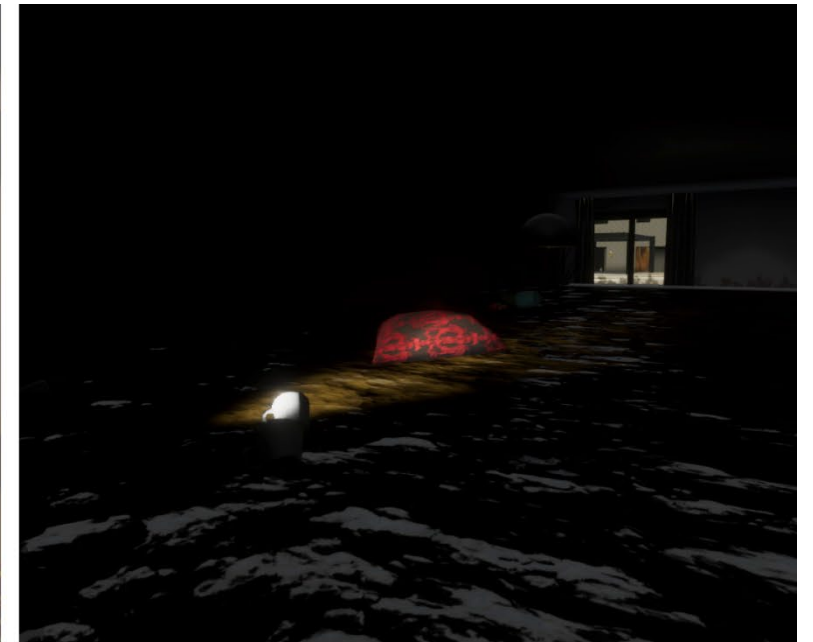
*Neighbors* = check unprotected home from neighbors



(a) *Sandbag*



(b) *Protected*



(c) *Neighbors*



**Video at <https://vimeo.com/482506190>**



# Experimental design

Homeowners from the Amsterdam area





# Experimental design

Homeowners from the Amsterdam area

Control group  $n = 276$  at home



## Experimental design

Homeowners from the Amsterdam area

Control group  $n = 276$  at home

VR group  $n = 108$  in the lab + follow-up 4 weeks later ( $n = 78$ )



## Experimental design

Homeowners from the Amsterdam area

Control group  $n = 276$  at home

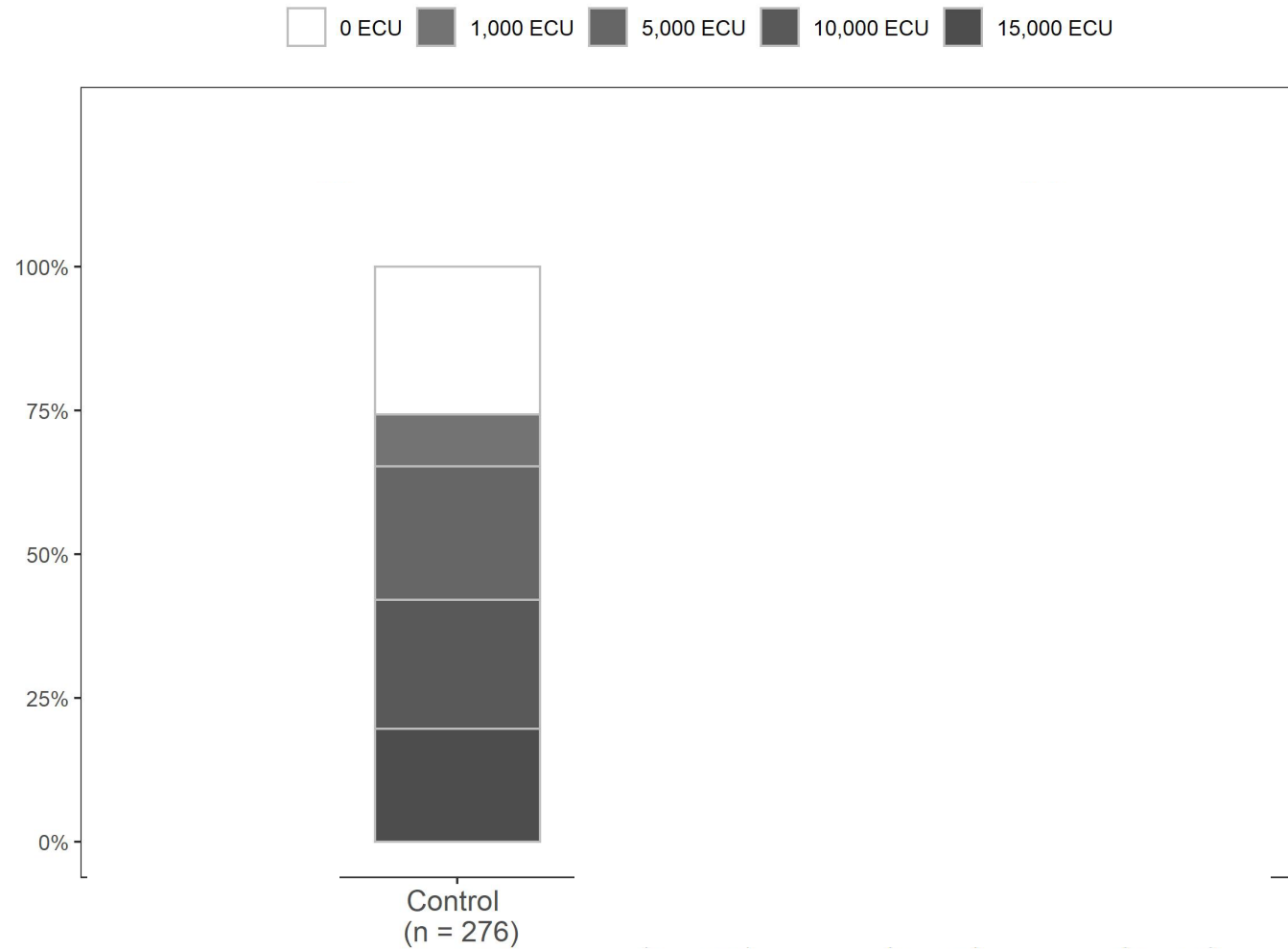
VR group  $n = 108$  in the lab + follow-up 4 weeks later ( $n = 78$ )

Dependent variables:

- Flood risk investment game
- Risk perception



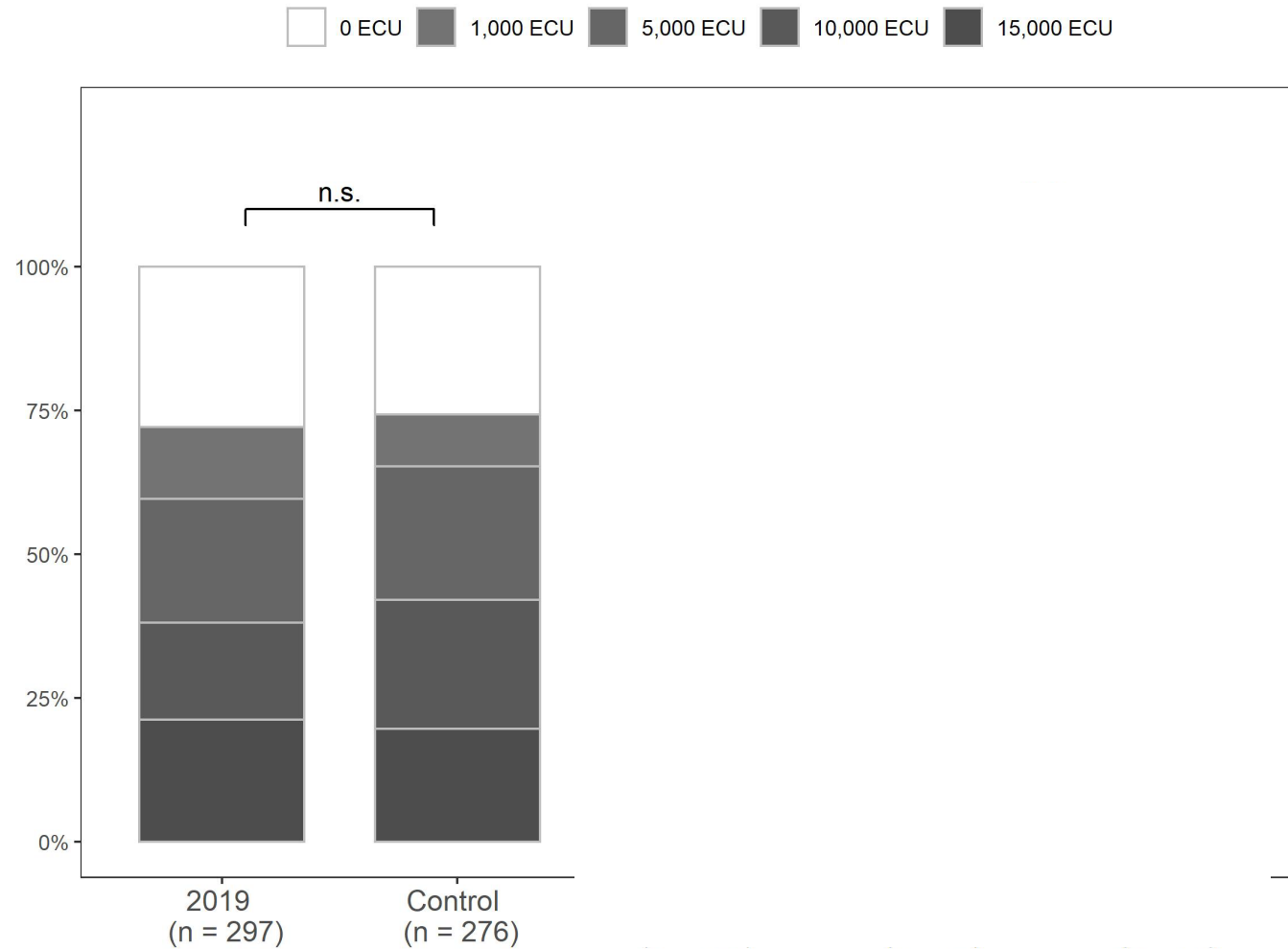
# Results flood risk investment





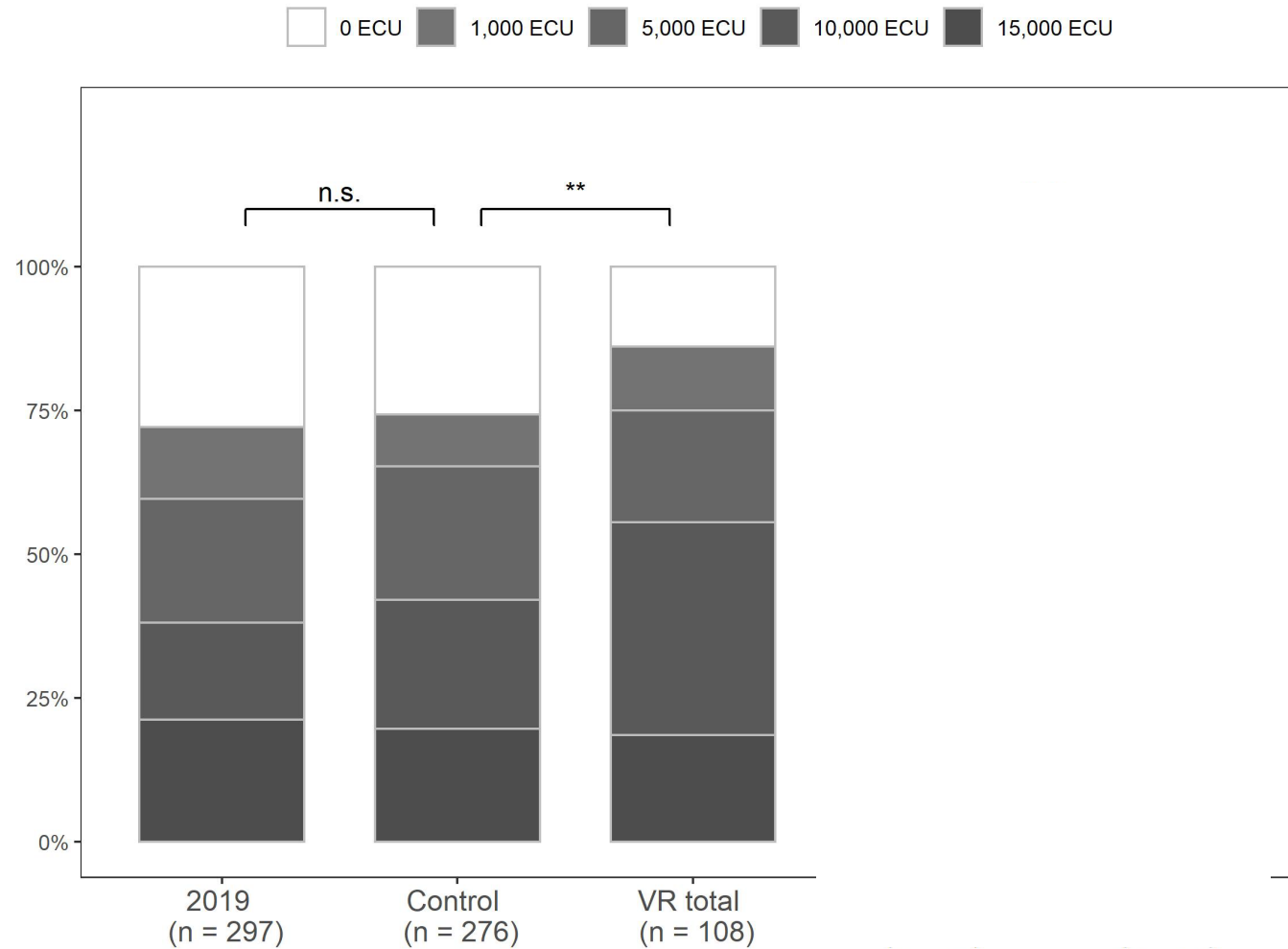


# Results flood risk investment



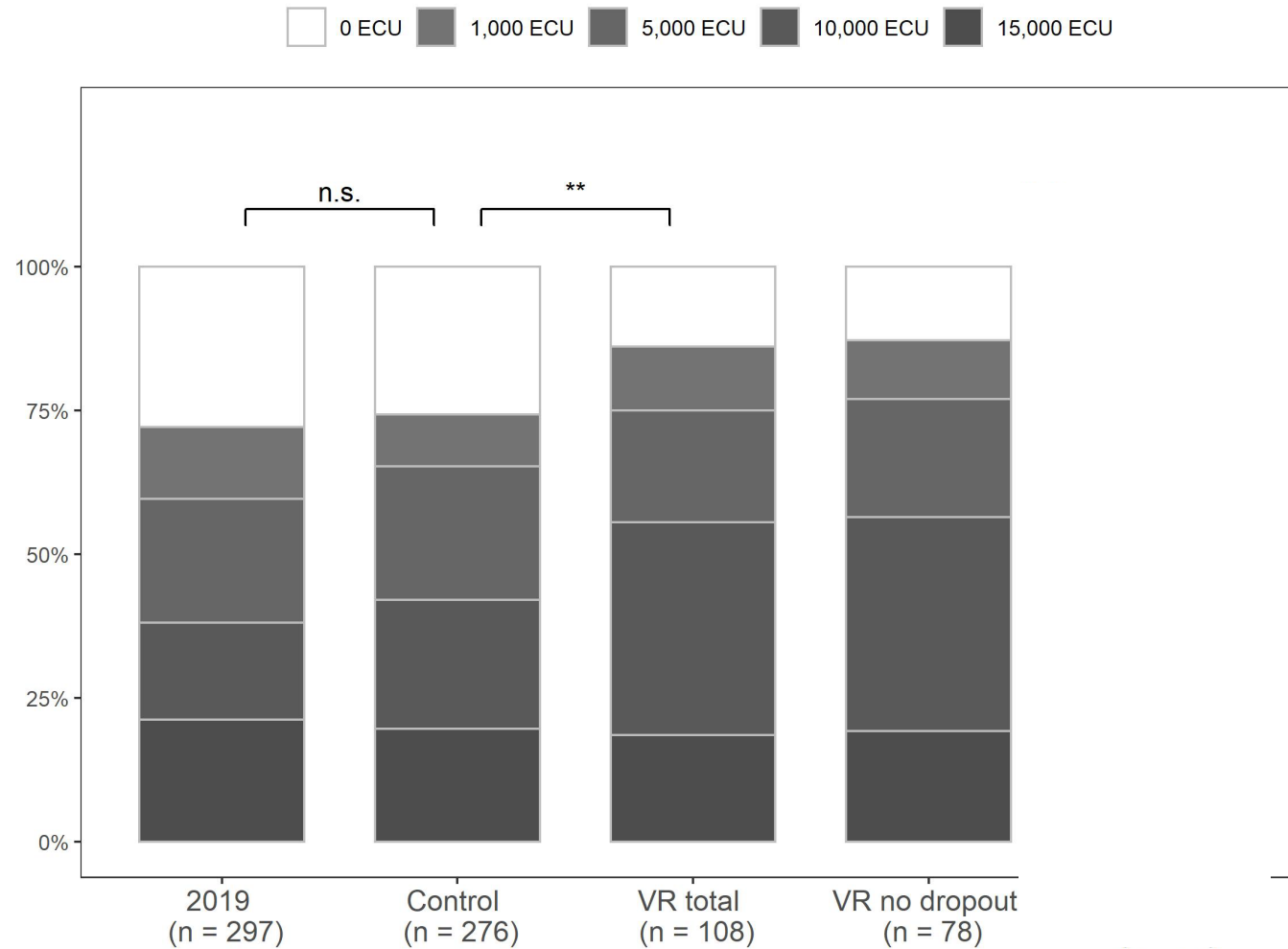


# Results flood risk investment



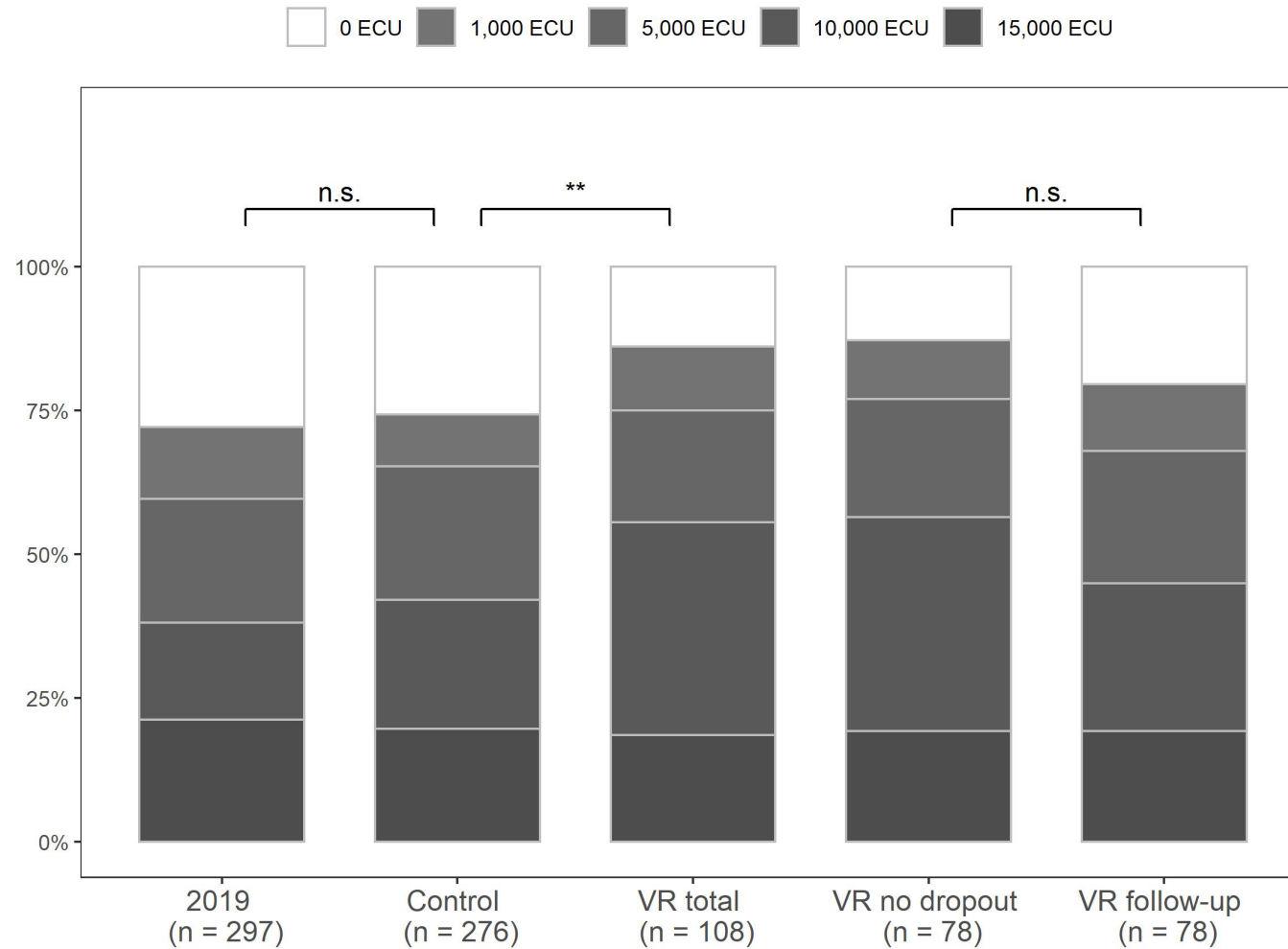


# Results flood risk investment





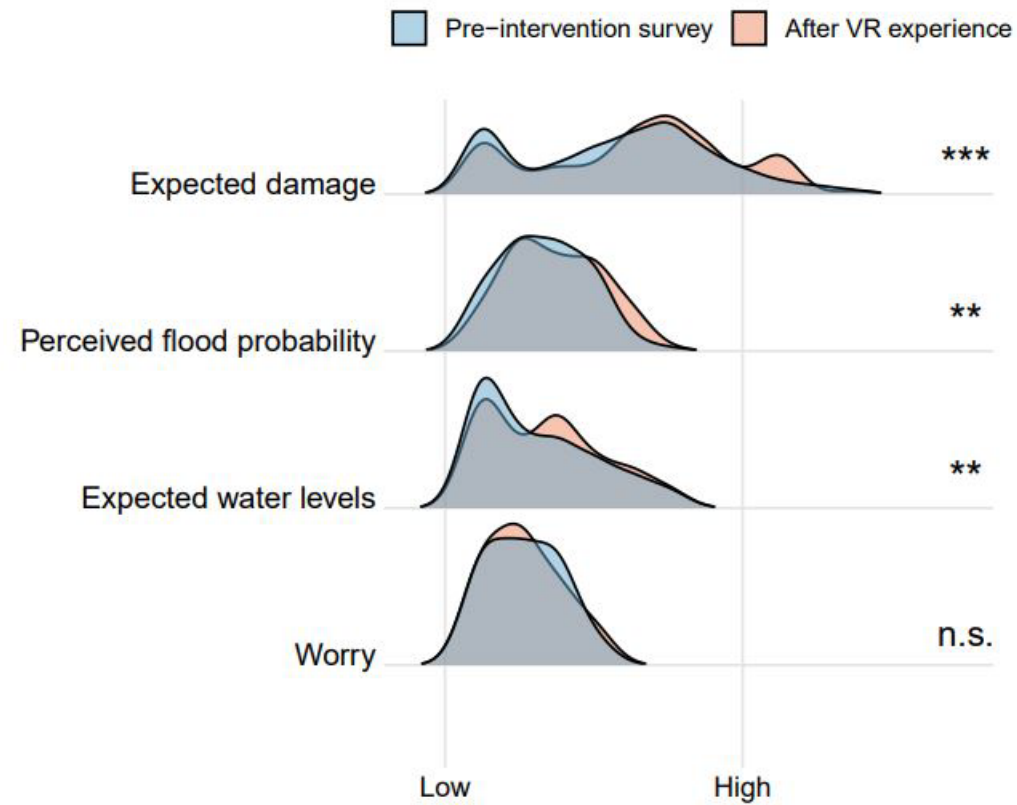
# Results flood risk investment





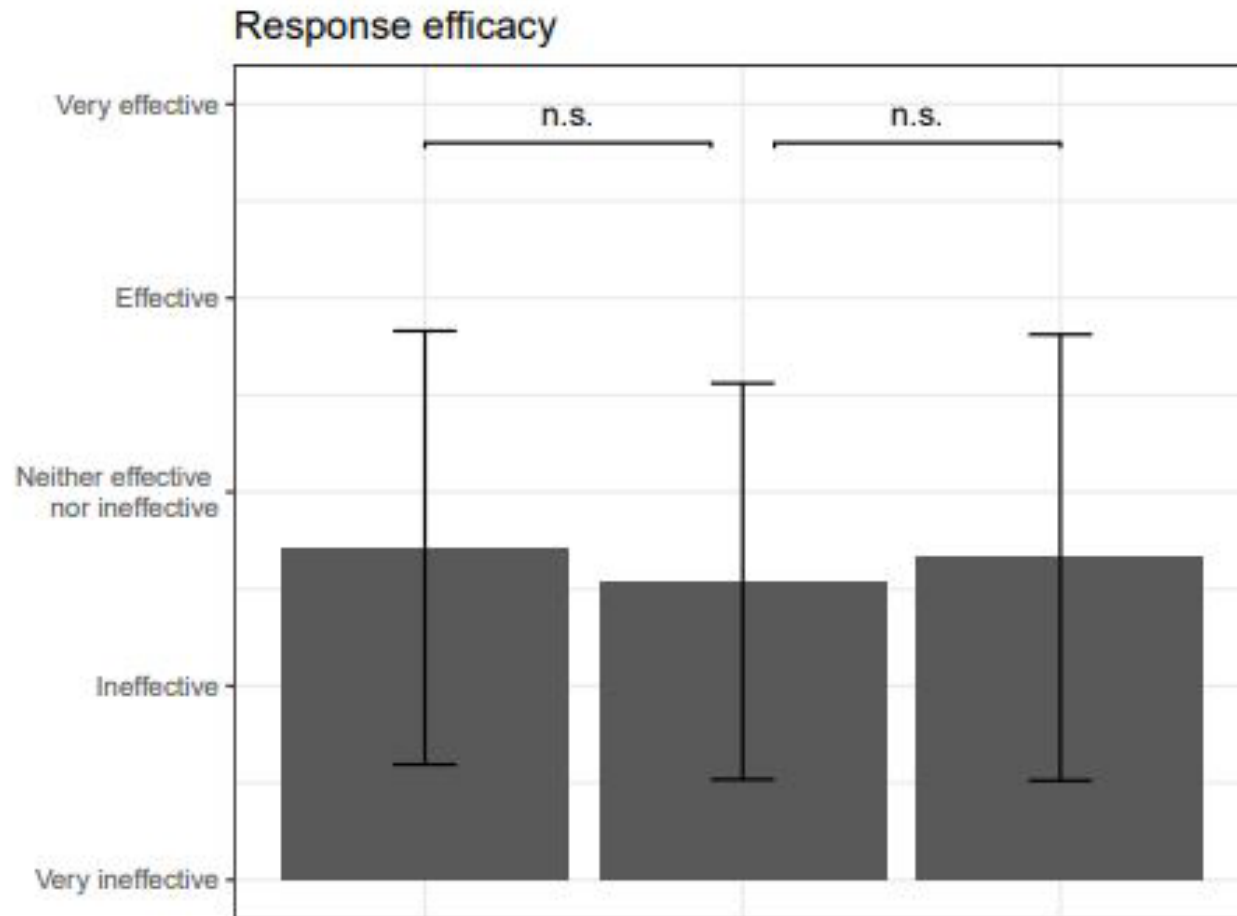


# Results risk perception

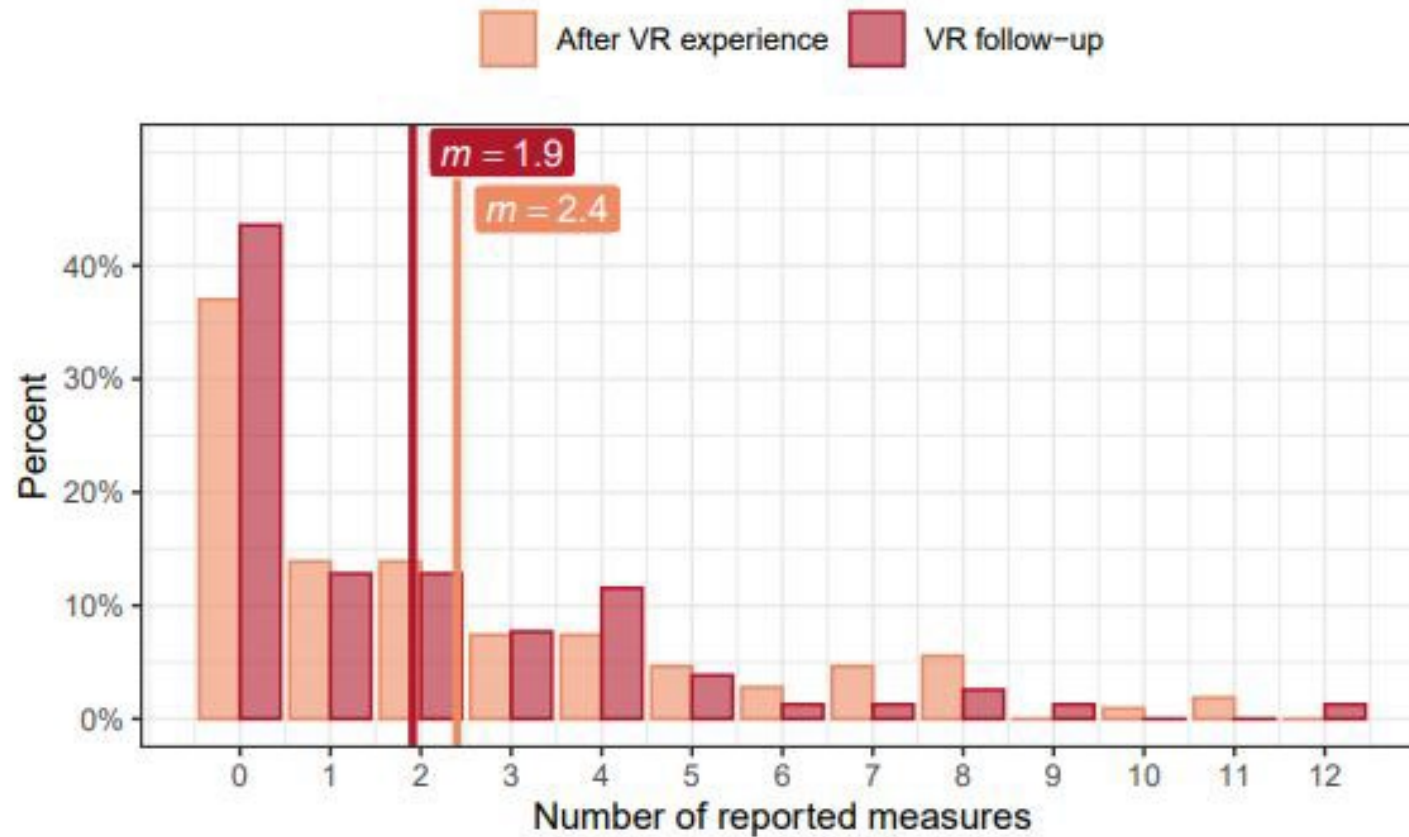


*Stars indicate significance of Wilcoxon signed-rank tests recruitment survey vs. after VR experience*

# Null results (1)



## Null results (2)



No significant difference between distributions (Wilcoxon signed-rank test,  $p = 0.28$ )



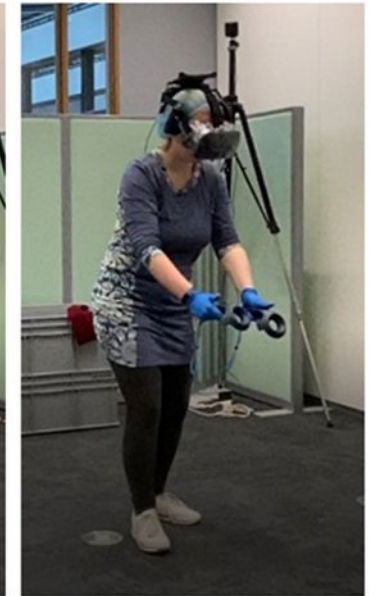
## Discussion

- Low tech next step?
  - e.g. augmented reality
- High expectations may hamper the effect
- Decrease in effect over time
- Pure lab-effect?



# Thanks to my participants!

*Participant (50): “Oh no, my precious BBQ!”*



# Thanks to my participants!

*Participant (50):* “Oh no, my precious BBQ!”

*Participant (65)* searches for wallet in (real-life) pockets and realizes it is not there...  
“Oh well, I am not carrying my creditcard so we are good!”







# Saffir-Simpson Hurricane Scale

Only represents *wind* hazards

Saffir-Simpson scale

| Category | Wind speeds |            |             |              |
|----------|-------------|------------|-------------|--------------|
|          | m/s         | knots (kn) | mph         | km/h         |
| Five     | ≥ 70 m/s    | ≥ 137 kn   | ≥ 157 mph   | ≥ 252 km/h   |
| Four     | 58–70 m/s   | 113–136 kn | 130–156 mph | 209–251 km/h |
| Three    | 50–58 m/s   | 96–112 kn  | 111–129 mph | 178–208 km/h |
| Two      | 43–49 m/s   | 83–95 kn   | 96–110 mph  | 154–177 km/h |
| One      | 33–42 m/s   | 64–82 kn   | 74–95 mph   | 119–153 km/h |

Related classifications

|                     |           |          |           |             |
|---------------------|-----------|----------|-----------|-------------|
| Tropical storm      | 18–32 m/s | 34–63 kn | 39–73 mph | 63–118 km/h |
| Tropical depression | ≤ 17 m/s  | ≤ 33 kn  | ≤ 38 mph  | ≤ 62 km/h   |

NEWS HURRICANE IAN



## Hurricane Ian makes landfall in Florida as 155mph Category 4 monster

By Ben Kessler

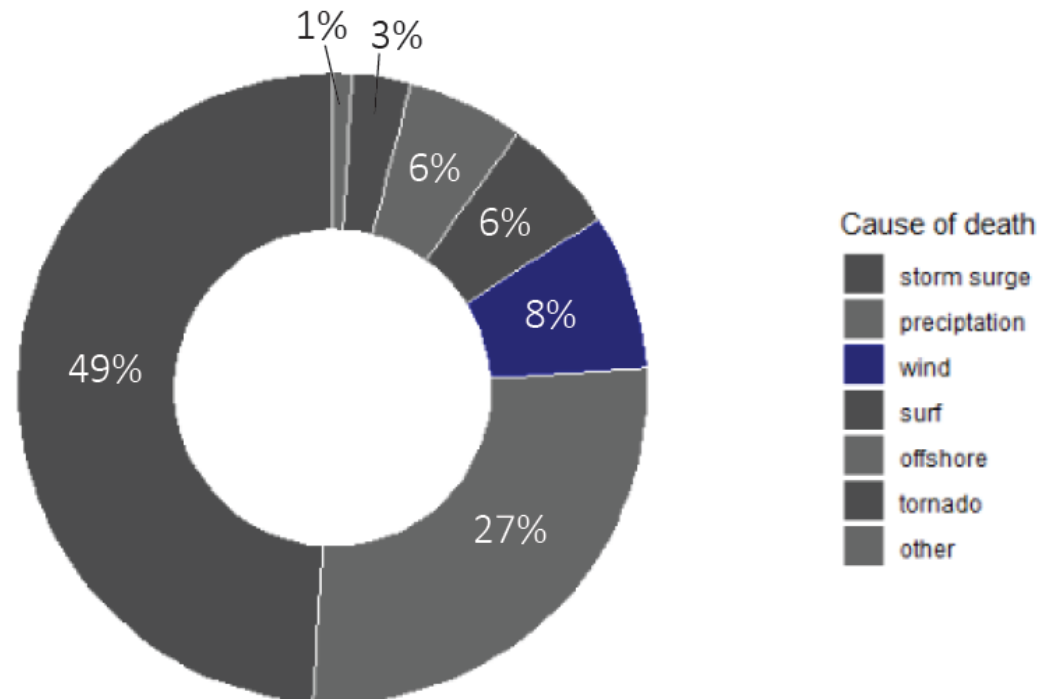
September 28, 2022 | 3:27pm | Updated





# Saffir-Simpson Hurricane Scale

Only represents *wind* hazards



## ORIGINAL SCALE

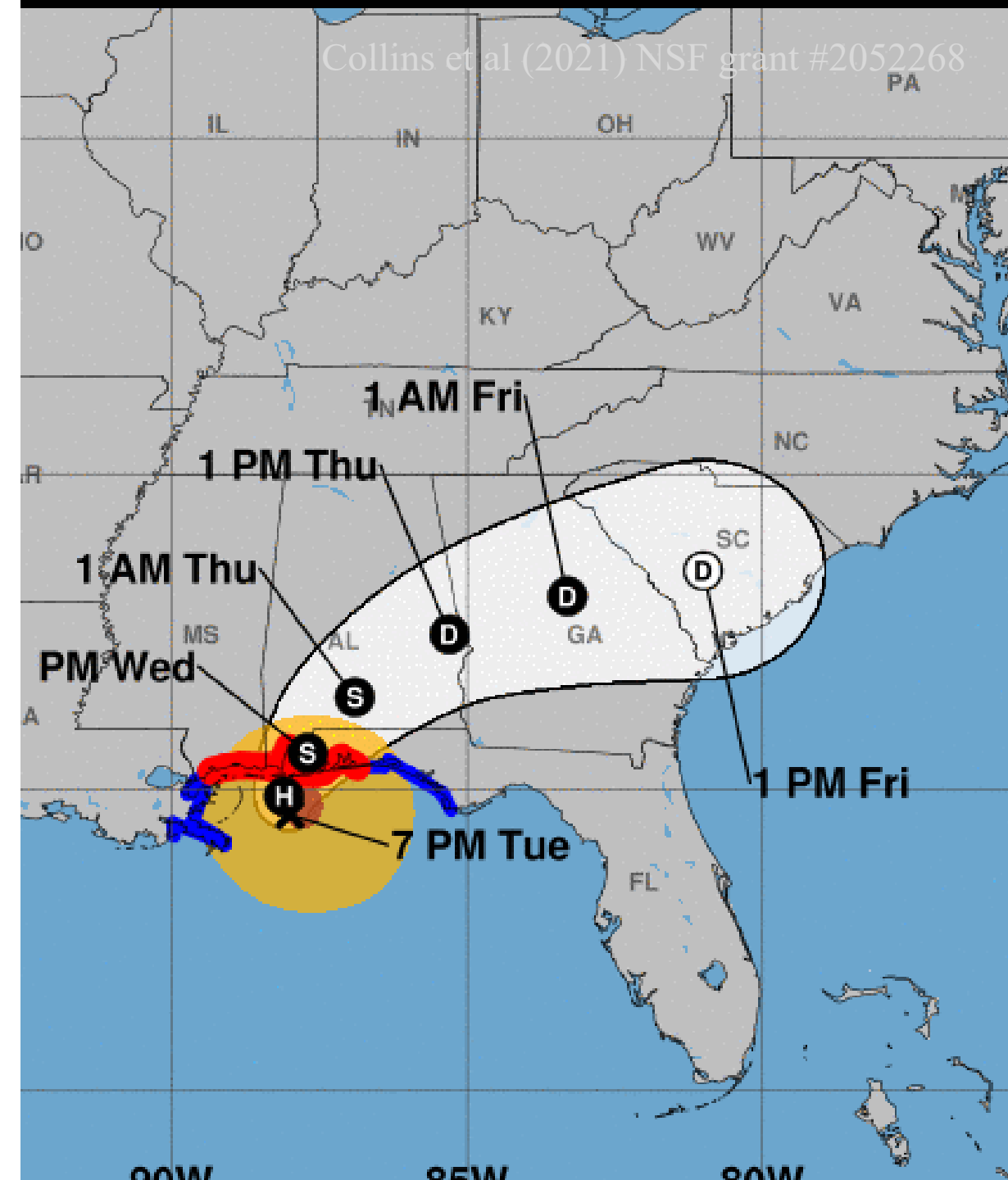
Saffir-Simpson Hurricane Wind Scale  
(SSWHS)

based on  
**wind**



# Saffir-Simpson gone bad

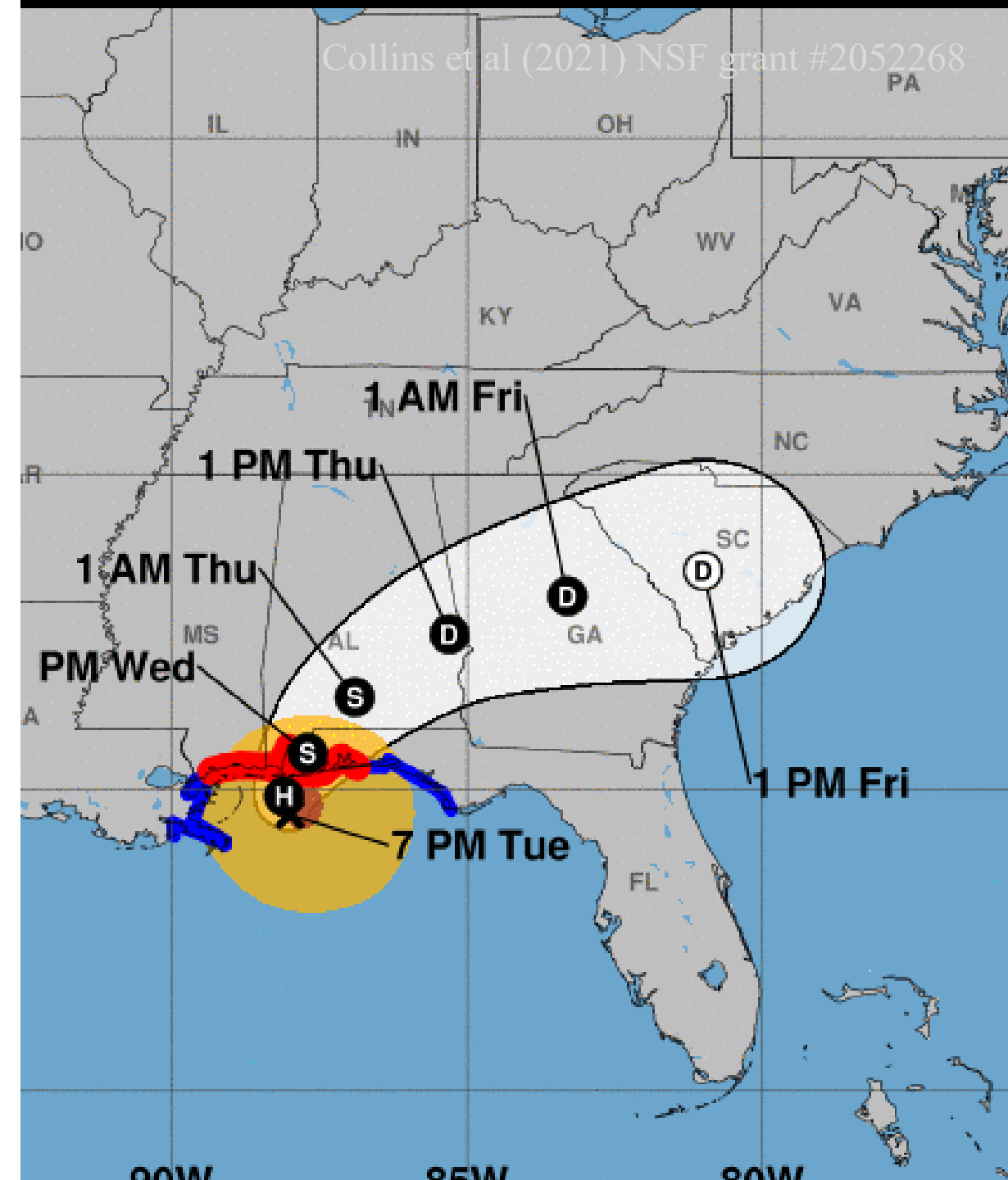
Example: Hurricane Sally



## Saffir-Simpson gone bad

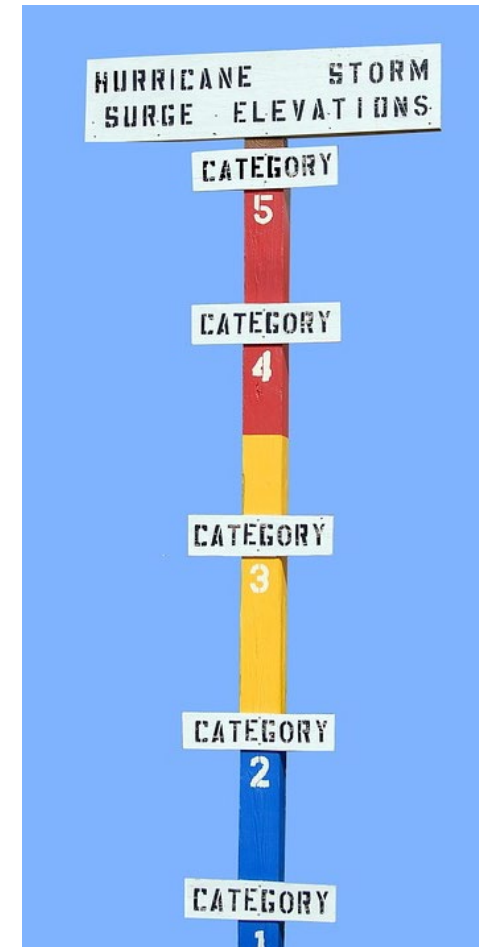
### Example: Hurricane Sally

*“If it would have been a three or higher, we would have left”*



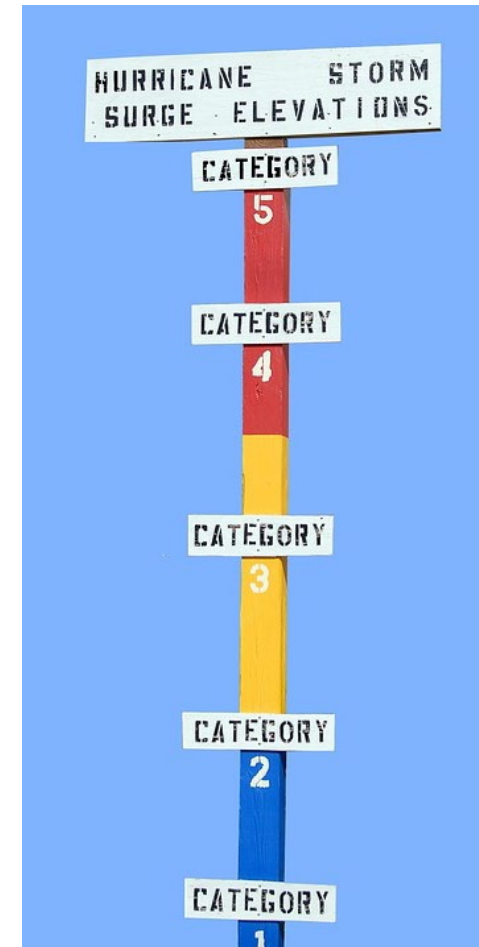
# Tropical Cyclone Severity Scale (TCSS)

- One category for all major hazards



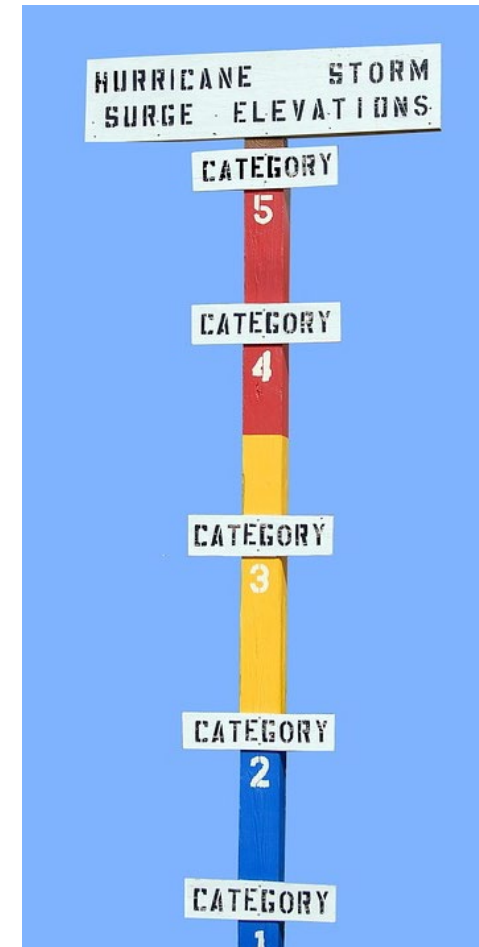
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- Categories 0 – 5



# Tropical Cyclone Severity Scale (TCSS)

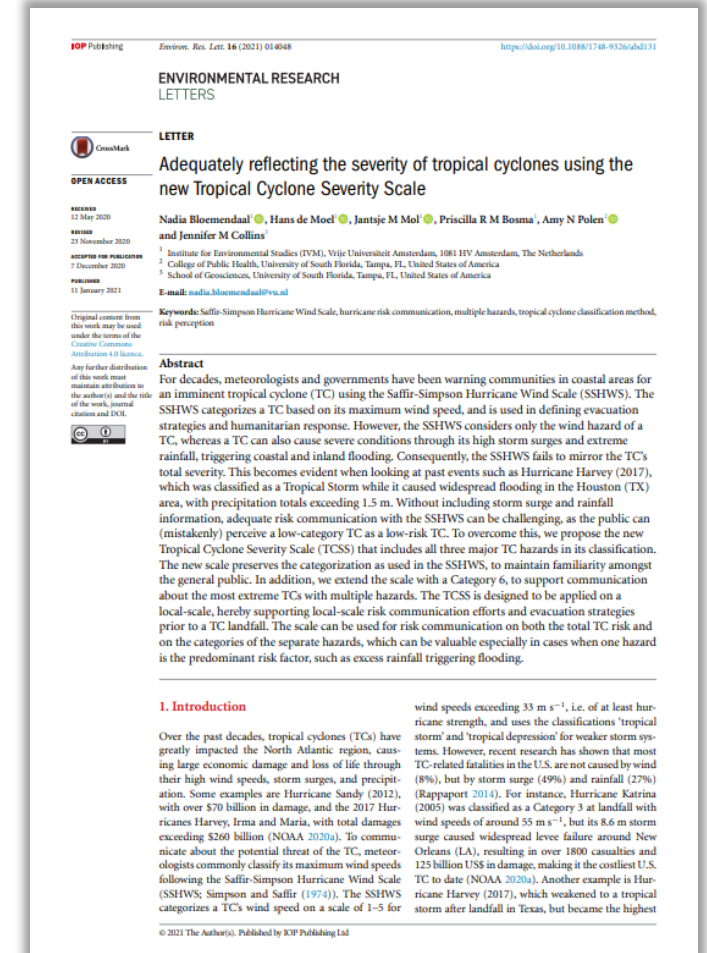
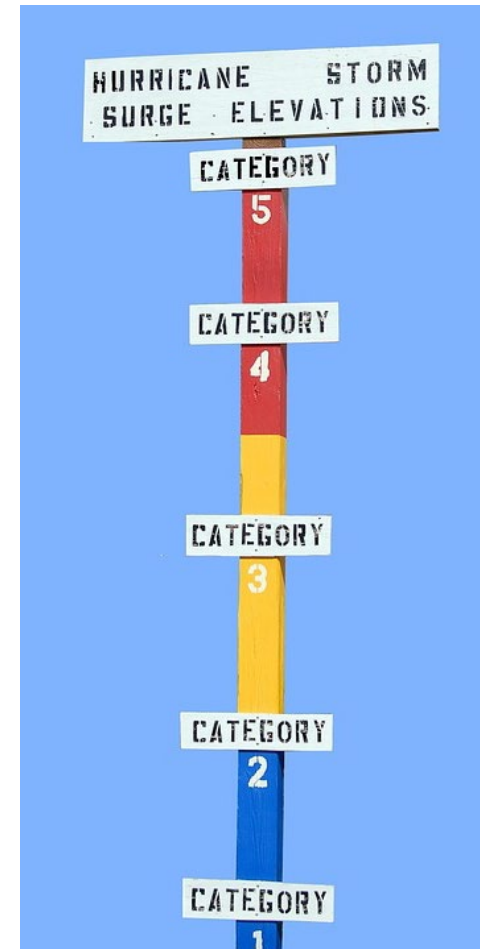
- One category for all major hazards
- Categories 0 – 5
- Category 6 for most extreme cases





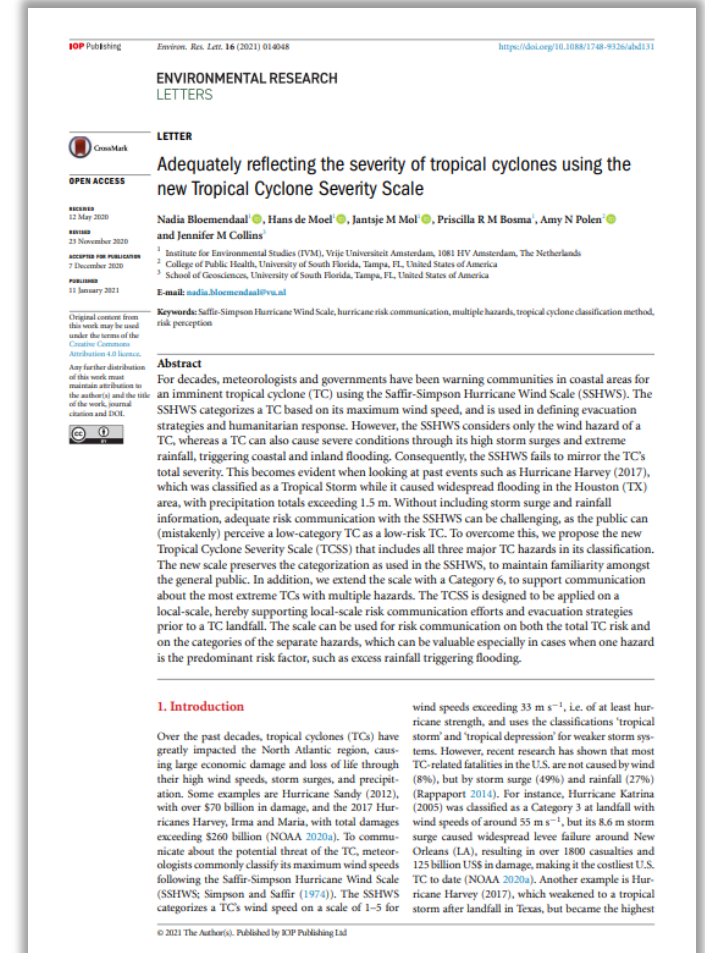
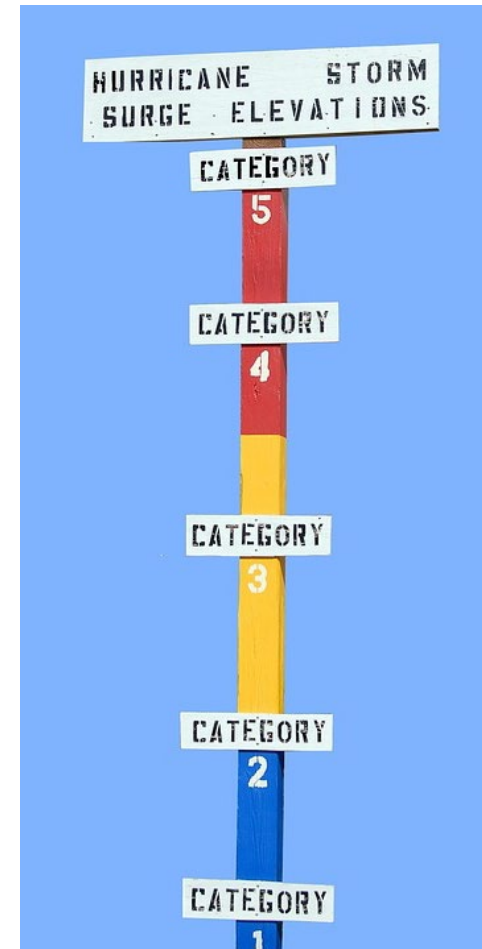
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- One category for all major hazards
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- Category 6 for most extreme cases
- Pre-landfall predictions (for risk communication)



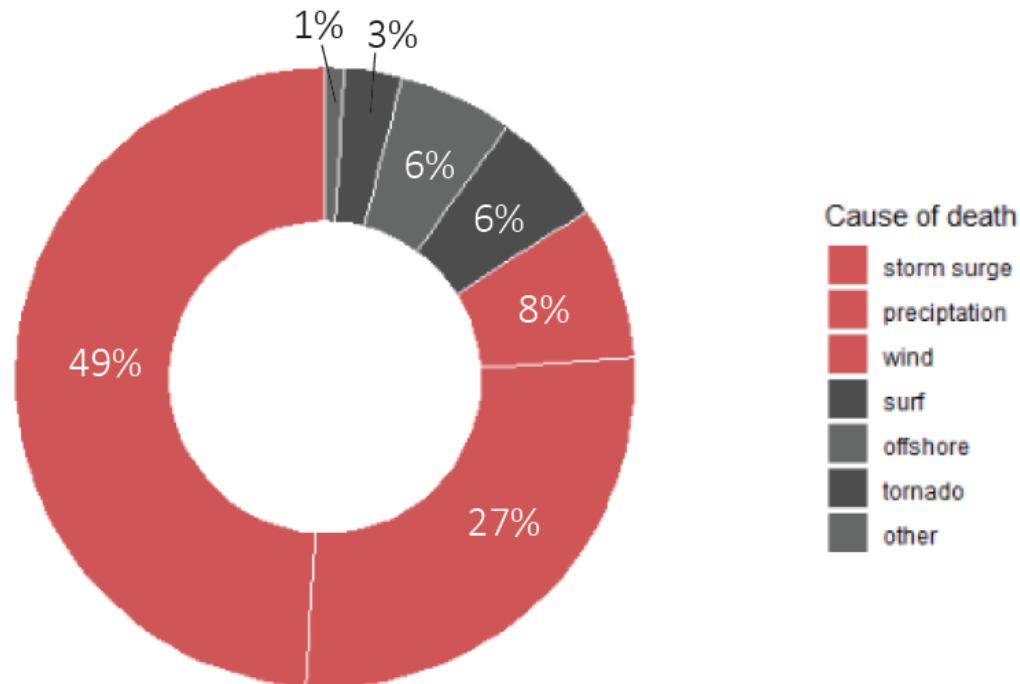
# Tropical Cyclone Severity Scale (TCSS)

- One category for all major hazards
- Categories 0 – 5
- Category 6 for most extreme cases
- Pre-landfall predictions (for risk communication)
- Higher categories for historical high damage events



# Tropical Cyclone Severity Scale (TCSS)

- One category for all major hazards



## NEW SCALE

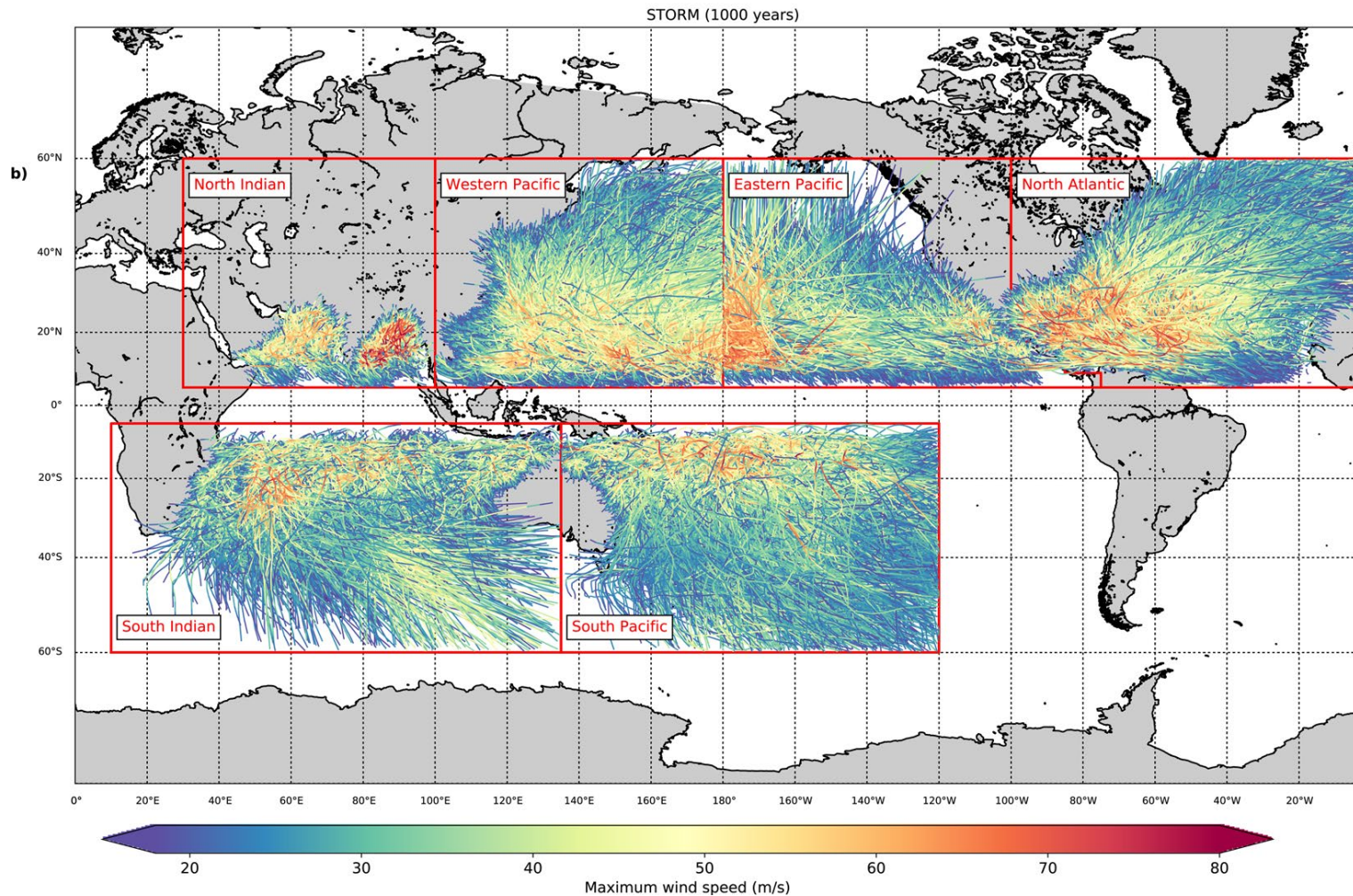
Tropical Cyclone Hazard Scale (TCHS)

based on

**wind + precipitation + storm surge**



# Using a synthetic storm track



# Using a synthetic storm track to build scenarios

Table 1: Overview of scenarios

| Name   | Wind<br>(mph) | Rain<br>(inches) | Surge<br>(feet) | Category<br>SSWHS | Category<br>TCSS | Historical example | Main hazard |
|--------|---------------|------------------|-----------------|-------------------|------------------|--------------------|-------------|
| Chi    | 130           | 24               | 8               | 3                 | 4                | Irma (2017)        | Rain        |
| Lambda | 74            | 8                | 4               | 0                 | 1                | Gordon (2018)      | Rain        |
| Omega  | 108           | 20               | 4               | 2                 | 3                | Alex (2010)        | Wind        |
| Nu     | 86            | 31               | 10              | 1                 | 5                | Florence (2018)    | Rain        |
| Rho    | 153           | 8                | 20              | 4                 | 5                | Emily (2005)       | Surge       |
| Sigma  | 108           | 8                | 4               | 2                 | 2                | Bertha (1996)      | Wind        |
| Tau    | 130           | 8                | 8               | 3                 | 3                | Fran (1996)        | Wind        |
| Phi    | 130           | 12               | 10              | 3                 | 5                | Katrina (2005)     | Surge       |
| Theta  | 164           | 31               | 10              | 5                 | 6                | Michael (2018)     | All hazards |
| Psi    | 130           | 31               | 4               | 3                 | 5                | Sally (2020)       | Rain        |



# Hurricane Hypothetical

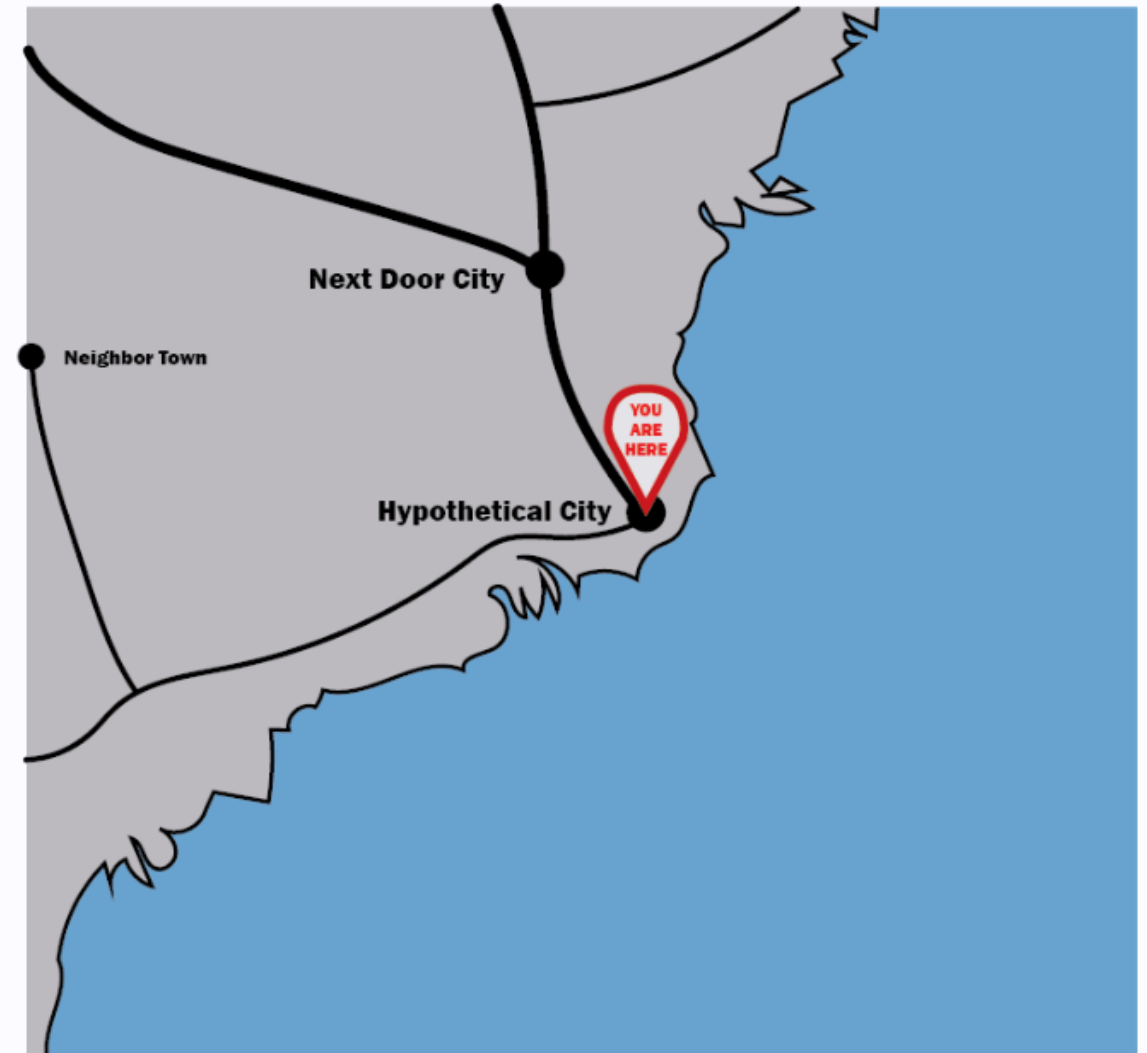
Different on Saffir-Simpson and TCSSS

General coastline

Dependent variables:

- Evacuation intent
- Worry
- Precautionary measures

Imagine you live in Hypothetical City (see image below). We will now ask you a couple of questions about a **hypothetical** scenario of an imminent hurricane approaching Hypothetical City. Please answer these questions **as if** you are living in Hypothetical City.





## Design

$2 \times 2$  between subjects treatments

- scale: Saffir-Simpson vs. TCSS
- format: graphic vs. text-only



## Hurricane Phi expected to make landfall in Home City as a Category 3 storm on Wednesday

Hurricane Omega bringing winds up to 130 mph and 12 inches of rain to Home City region. Storm surge estimates are up to 10 feet. Category 3 on the Saffir-Simpson Hurricane Wind Scale. You can find [more information here](#) (Link opens in a new window. Source: Hypothetical Weather Service).

**Saffir-Simpson with  
and without graphic**

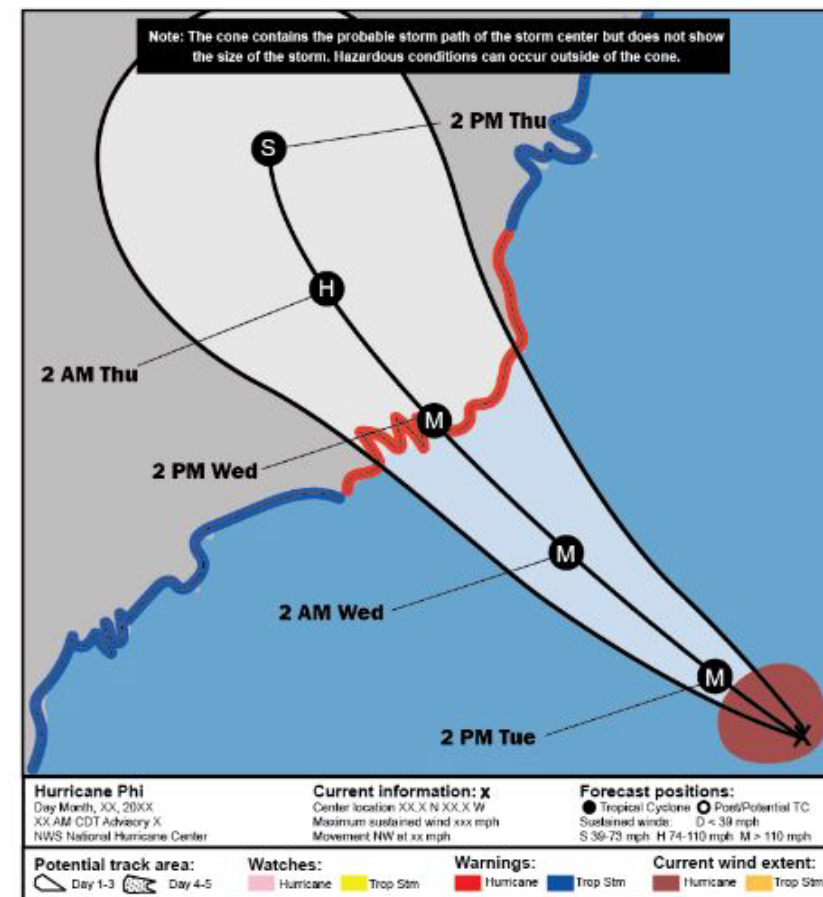
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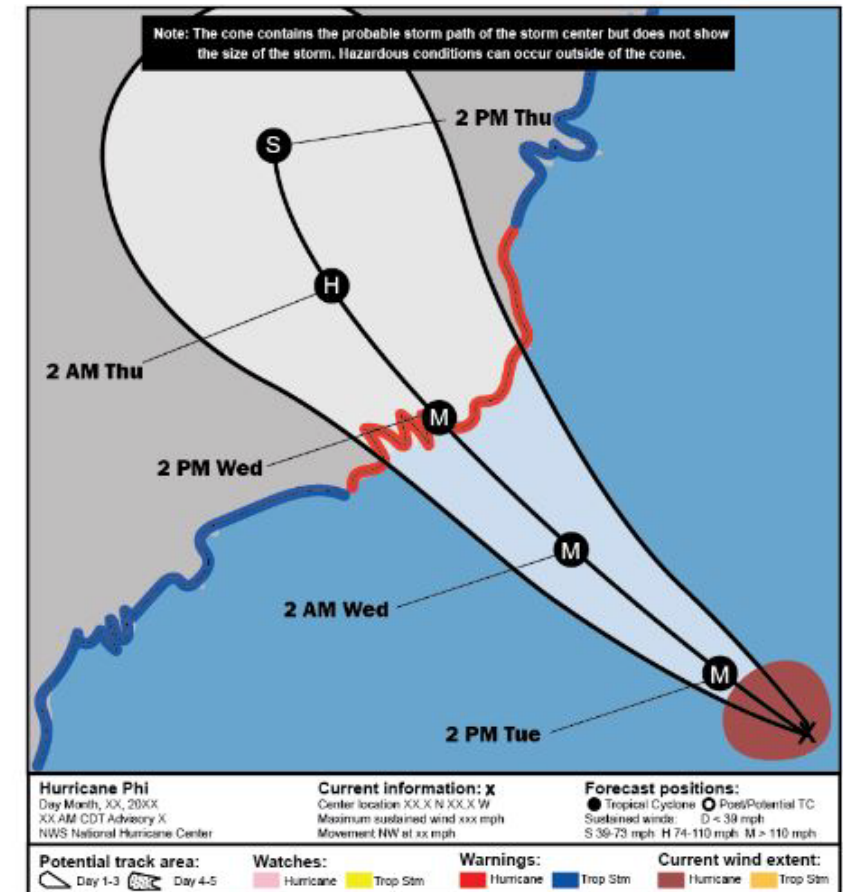
## Hurricane Phi expected to make landfall in Home City as a Category 5 storm on Wednesday

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TCSS with and without graphic



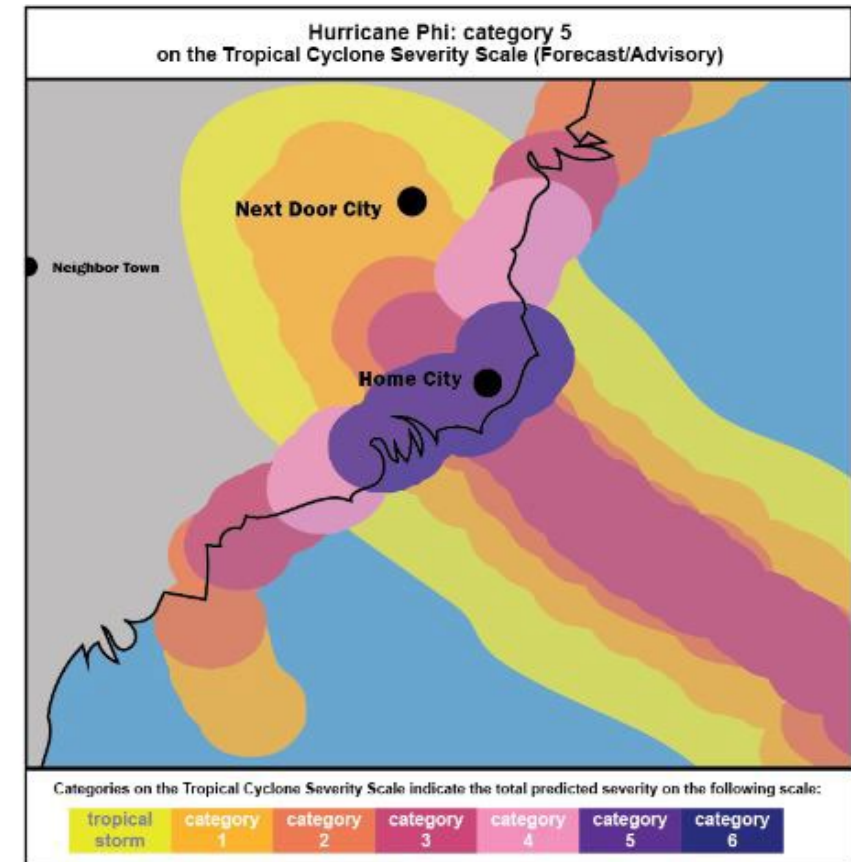
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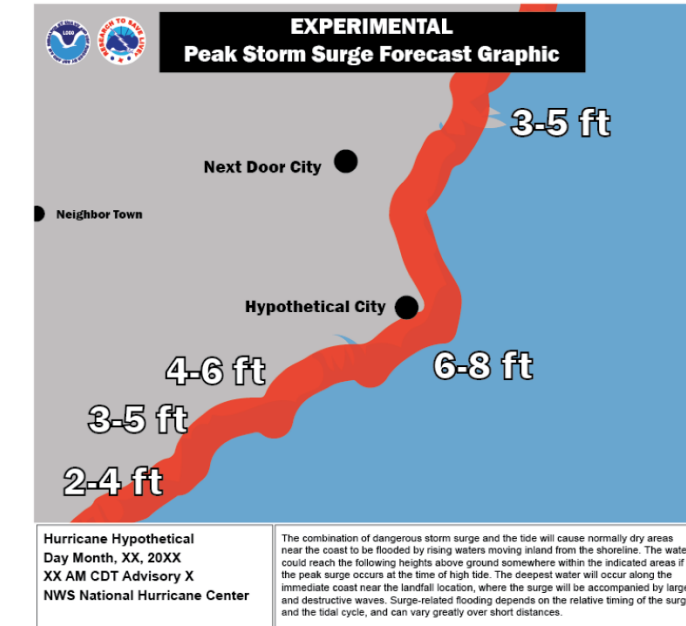
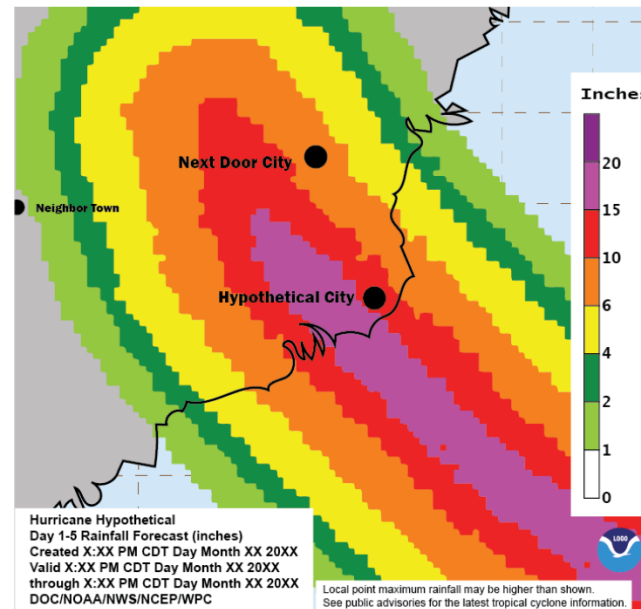
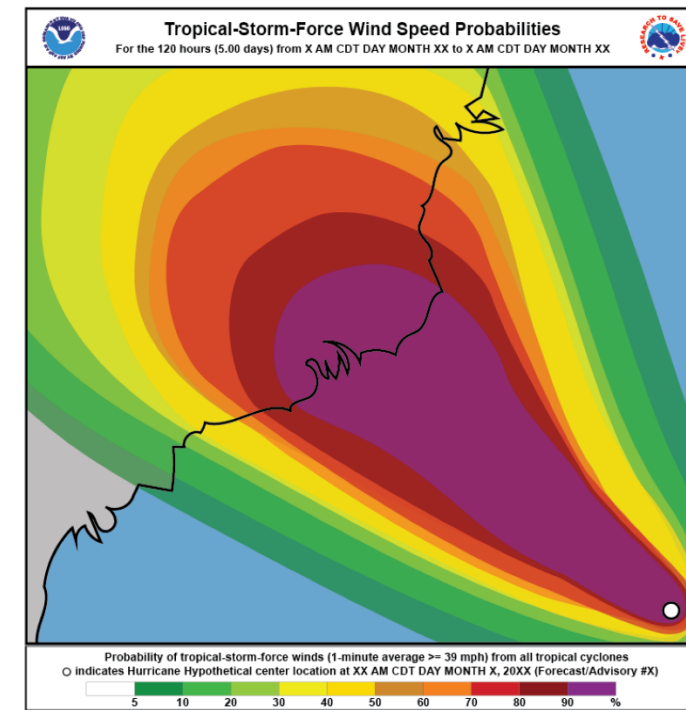
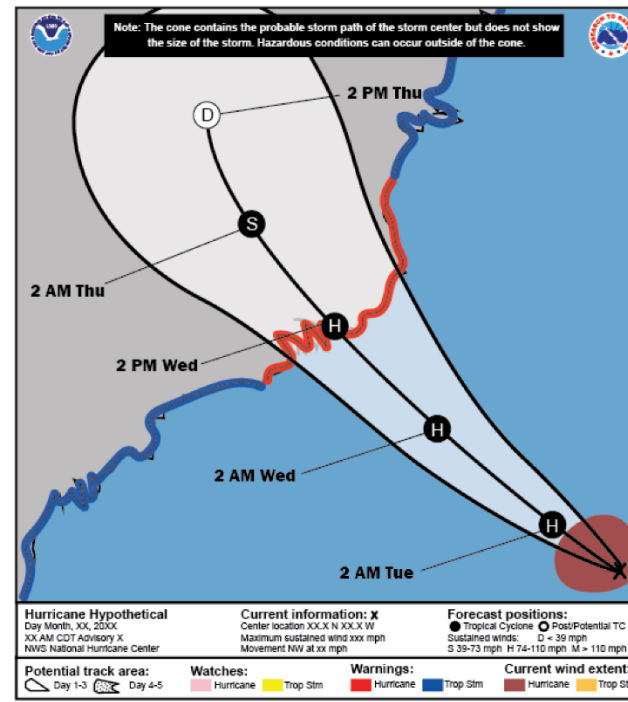




# More information

Display of 4 maps in NOAA style

- Cone
- Wind Speed Probabilities
- Rainfall
- Storm Surge



## Dependent Variables

- First 5 scenarios
  - Evacuation intent
  - Worry
  - Expected damage
- Last 5 scenarios
  - Quiz questions (e.g. main hazard)





# Pilot data (n = 40 on Prolific)





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