THE COST ALLOCATION BETWEEN EX-ANTE PROTECTIVE AND EX-POST RECOVERY CONSTRUCTIONS, AND THE CONSTRUCTION TIMING

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(SUMMARY)
In this paper, under the assumption that the cost of protective construction against the natural disaster and recovery cost from the disaster should be shared equally among different generations, we analyze in what conditions and timing should we carry out the protective construction. The conclusion is as follows (i) if the amount of reduction of disaster per unit of construction cost is greater than the critical value we should practice the construction at present, and (ii) that value is decreasing in the probability of occurrence of the disaster and increasing in the rate of interest.